



UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration  
OFFICE OF ACQUISITION AND GRANTS

August 18, 2011

North Florida Broadband Authority  
Attn: Mr. Stephen Fulford  
1500 Mahan Drive, Suite 250  
Tallahassee, FL 32308

Re: Broadband Technology Opportunities Program (BTOP)  
North Florida Broadband Authority Ubiquitous Middle Mile Project (NT10BIX5570023)  
Request for Suspension from Automated Standard Application for Payments (ASAP)

Dear Mr. Fulford:

Upon acceptance of a grant from the U.S. Department of Commerce, your organization agreed to comply with requirements specified in the terms and conditions of the award. The National Oceanic and Atmospheric Administration (NOAA) received notice from the National Telecommunications and Information Administration's (NTIA) Program Office that the North Florida Broadband Authority (NFBA) has not complied with these terms and conditions, as noted below.

**REASON FOR SUSPENSION:** NFBA has experienced a number of external and internal delays on its project and, as a result, NTIA has serious concerns regarding the project's long-term viability and, in the short-term, its ability to implement and deploy the proposed project during the grant award period. Specifically, NFBA has not demonstrated an ability to meet the non-Federal cost share requirement; plan for post award period of performance sustainability; oversee vendors and subrecipients; address recent allegations of waste, ; comply with the OMB Circular A-133 audit requirement; and complete the project within the three-year period of performance.

**RESULT:** As a result, NOAA has suspended your US Treasury ASAP authorization for your BTOP award. This action means that any requests for funds through ASAP will be rejected. In addition, while the suspension remains in effect, NOAA will not process any pending or future requests for advance payment or reimbursement for payment. In the case of delinquent financial or progress reports, a debt will be established representing the amount drawn down during the period covered by the report. Consideration of this adverse action may be used in future funding decisions for your organization. Please respond immediately to your NTIA Program Officer and/or NOAA Grants Specialist.

**REQUIRED CORRECTIVE ACTION:** NFBA must provide sufficient documentation addressing the seven issues detailed below. This documentation must demonstrate that NFBA is in compliance with the terms and conditions of the award; can meet the non-Federal cost share requirement; has a plan for post award period of performance sustainability; has sufficient oversight of vendors and any subrecipients; addresses recent allegations of waste, fraud, and abuse; and can complete the project within the three-year period of performance. NOAA and NTIA must receive this corrective action plan (CAP) by September 6, 2011.

1. **Ability to Meet the Statutory Requirement for Non-Federal Cost Share.** NFBA's official award document requires NFBA to provide \$9,227,000 in non-Federal cost share, or match, to the BTOP project. Please provide documentation that demonstrates NFBA's ability to provide this match amount and any other necessary information (*i.e.*, valuations) to substantiate NFBA's ability to meet this term of its award. NFBA should also provide information on when NFBA plans to contribute or "book" these non-Federal cost items to the BTOP project.

2. **Plans or Path to Ensure that the Project is Sustainable After the Award Period of Performance.** NFBA must confirm that the project has a well-documented operational plan in place to guide the project's efforts to ensure sustainability leading up to, and after, the end of the award period of performance. The operational plan is a unified financial and network deployment plan that consolidates all key drivers and project milestones into a single, dependency-driven project plan and financial model. It also, by default, links the network deployment plan with the pro forma financial projections through key network ready dates, such as network acceptance, beta testing and the start of revenue generating customer traffic. This plan should include a revised pro forma financial forecast (*e.g.*, Profit & Loss, Balance Sheet, Cash Flow forecast), headcount detail for NFBA (*e.g.*, project management functions, sales related functions, G&A etc.), and provide a breakout of key contract operator/NFBA operational responsibilities (*e.g.*, network operating center, break/fix, trouble management, customer relationship management activities, network planning functions, etc.).

This plan should fully reflect all known current realities, especially the following:

- All funds spent to date, including all cost overruns
- Network deployment delays
- Latest network design
- All vendor contracts in their current state
- Revenues based on latest survey of potential customers

As these realities are incorporated into the plan, projections for revenues, cash flows and funding requirements likely have changed from the originally submitted plan in the application. Please quantify these changes and identify what modifications are being made to ensure successful completion and sustainability of the project.

Further, as discussed during the July 27, 2011 site visit, members of the NFBA board also have concerns with the sustainability of the project. NFBA must provide to NTIA a sales and marketing plan associated with the network being implemented through the BTOP

award to demonstrate NFBA's initiative and plan to sustain the network through the capture of profitable customer revenues. This plan should detail marketing and account capture activities (e.g., pipeline identification and qualification, account capture activities and key dependencies, etc.) and NFBA's plans to achieve the projected customer revenue stream detailed in the pro forma forecast. The original plan envisions a great portion of the revenues being generated from government users and carriers. The updated plan should quantify revenues which have already been solicited from these anchor customers. NFBA should also provide letters of commitment or support from these anchor customers which can be used as a basis to forecast demand.

3. **Vendor Oversight.** Given the role of Government Services Group (GSG) in the management, implementation, and fiscal elements of NFBA's award, NTIA is concerned that GSG should be designated as a subrecipient. Please consult Section 210 of OMB Circular A-133 to review GSG's role in the project and determine whether or not it should be characterized as a subrecipient. Document and provide to NTIA NFBA's determination and justification of GSG as either a vendor or a subrecipient using the guidelines set forth in Section 210 of OMB Circular A-133.

NFBA must develop, document, and implement its plans to provide oversight and monitoring of GSG's activities. Please develop and implement a monitoring plan, to demonstrate NFBA's planned involvement to ensure that GSG, and any other vendors or subrecipients participating in the project, are complying with the terms of their contract or agreement and providing services to help NFBA meet its project plan and proposed award benefits. As an example, Authorized Organization Representatives (AOR) on other BTOP awards have used Federal funds to hire staff or a contractor to develop, implement, and perform vendor/subrecipient oversight plans and activities and provide updates to the AOR.

4. **Address Allegations of Waste.** In the last month, NTIA was made aware of specific allegations of waste in relation to NFBA's award. Although each of the allegations were discussed during NTIA's July 27, 2011 meeting with NFBA board members and GSG, we would like each allegation to be addressed formally through a documented response and any evidence disputing the allegations should be provided to NTIA. NFBA must address the "Alleged Waste" questions submitted by NTIA to the NFBA Board on July 22, 2011.

5. **Statutory Requirement to be "Substantially Complete" within Two Years of Award and Project Completion During the Award Period of Performance.** The American Recovery and Reinvestment Act (ARRA) requires that BTOP projects must be "substantially complete" within two years of award. Further, the BTOP award period of performance is three years, and NTIA and NOAA are not anticipating any extensions to this three-year period of performance. As this project is already halfway through its period of performance and has yet to deploy any network assets, we require the organization to affirm and document that the project will be "substantially complete" by February 2012, complete by February 2013, and will provide the intended benefits outlined in the awarded application. NFBA must provide an updated project schedule that outlines project milestones, including spectrum license acquisition, site preparation, network build, equipment deployment, testing, and service connections to the beneficiaries identified in your application by September 6, 2011.

**6. Document Fiscal Oversight Measures and Detailed Spending Activity as of July, 30, 2011.** NTIA is concerned that there is limited oversight in the request and draw down of Federal award funds after learning that Mr. Pat Lien, an employee of GSG, a vendor to the project, had access to the Automated Standard Application for Payments (ASAP) and could request funds. Please provide documented affirmation that Mr. Lien no longer has ASAP privileges as well as a copy of NFBA's Federal fund request and disbursement process flow. This process flow should include names and respective organizations involved in the request and disbursement of Federal funds and detail the approval process required for all draw downs and disbursements.

NFBA has drawn down \$7,286,395.78 in Federal funds as of July 29, 2011. NTIA is concerned that this 11% draw down of Federal award funds has yielded limited progress against stated milestones and the project implementation schedule, particularly given that NFBA is halfway through the award period of performance. Please provide a detailed accounting, in writing, of Federal expenditures incurred to date by accounting system line item, including details on associated services rendered and/or equipment procured.

**7. Obligation to Comply With OMB Circular A-133 Audit Requirement.** Pursuant to OMB Circular A-133, non-Federal recipients that expend \$500,000 or more in an award year shall have a single audit conducted for that year. NFBA has not submitted a copy of its audit report due June 30, 2011. Please submit a copy of NFBA's A-133 audit to the Grants Office via Grants Online as well as a copy to the Office of Inspector General (to the address set forth in the BTOP Recipient Handbook). In addition, NFBA should provide a detailed explanation as to why NFBA has not complied with the A-133 audit obligations.

NFBA must provide additional information to address these CAP items by September 8, 2011. Please work with your FPO, Chris Holt, if you have any questions or require any additional clarification. Failure to respond in a timely or comprehensive manner may result in the termination of the award due to material noncompliance. Thank you for your cooperation and assistance in this matter.

Award Details:

Award Number: NT10BIX5570023

Award Status: Accepted – Payments Suspended

Program Officer: Christopher Holt, 202-482-4884

Program Office: National Telecommunications and Information Administration (NTIA)

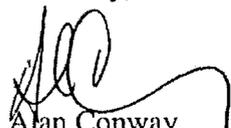
Award Period: 02/01/2010 - 01/31/2013

Project Title: Ubiquitous Middle Mile

Recipient Name: North Florida Broadband Authority

Grants Specialist: Larry Jenkins

Sincerely,



Alan Conway  
NOAA Grants Officer