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June 4, 2012

The Honorable Todd Zinser
Inspector General
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, D.C. 20230

Dear Inspector General Zinser:

Thank you for participating in our May 16 hearing before the Subcommittee on Communications and Technology on "Broadband Grants and Loans." At that hearing, we discussed a series of articles in the *Charleston Gazette* that suggested wasteful spending in a \$126.3 million broadband grant that the National Telecommunications and Information Administration (NTIA) awarded West Virginia under the American Recovery and Reinvestment Act. According to the articles, almost two years ago, West Virginia spent \$24 million to purchase 1,064 "Cisco 3945 series" routers designed to serve hundreds or thousands of users; one third of the routers remain in storage, many sit in libraries with fewer than a dozen computers, and the routers purchased for more than 300 of the sites are not even needed. The *Charleston Gazette* also reported that each router cost \$22,600 but that a router suited for use at a rural library should cost \$487, a potential savings of up to \$23 million if the State had purchased smaller, cheaper routers.

When we asked U.S. Commerce Department Assistant Secretary for Communications and Information Larry Strickling about the issue at the May 16 hearing, he responded: "Don't believe everything you read in the newspaper." He testified that the routers cost on average \$12,000, not \$22,600, and that some of the routers were "going into very large facilities, like universities and hospitals."

Assistant Secretary Strickling has since provided the Committee with documentation which shows that each router cost \$12,026; however, that figure excludes the additional reported cost of a five-year maintenance contract (\$8,383,107) and equipment add-ons \$2,870,118) associated with the router purchase. His letter asserts that the State "considered alternative approaches and determined that a single standard router platform was the most logical and practical alternative."

Assistant Secretary Strickling's letter also addressed the State's Fourth Quarter Progress Report, which suggested that West Virginia's fiber build-out list has "decreased dramatically." The letter explains that after the award of the grant, the State discovered that 340 anchor institutions already had fiber and about 80 institutions were already "adequately served, both in terms of fiber and hardware." According to the letter, the State has connected 546 anchor institutions using Federal grant funding, and plans to upgrade or connect another 618 anchor institutions.

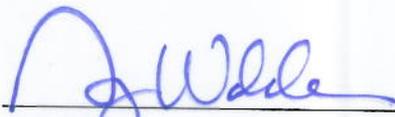
We ask that your office investigate whether taxpayer funds associated with the \$126.3 million BTOP are being properly and efficiently spent. We ask that you look into the process West Virginia used to apply for a BTOP grant and whether that application contained any material misrepresentations. Please also review the process NTIA used to evaluate West Virginia's application, including any steps NTIA took to verify the claims in the application.

We understand that West Virginia may have hired its own independent auditor to review the project. Nevertheless, when Federal taxpayer dollars are at stake, it is important that Federal officials scrutinize federally funded projects to guard against waste, fraud, and abuse.

We are also writing to the recipient, the State of West Virginia, to seek answers to these questions. We look forward to sharing with you the documents they provide us to aid your investigation.

We ask that you provide a briefing to our staff on your planned investigation by June 18, 2012. If you have any questions, please don't hesitate to contact Neil Fried at (202) 225-2927 or Greta Joyner at (202) 225-5271.

Sincerely,



Greg Walden
Chairman
Subcommittee on Communications
and Technology



John Shimkus
Chairman
Subcommittee on Environment and the
Economy

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Anna G. Eshoo, Ranking Member
Subcommittee on Communications and Technology

The Honorable Larry Strickling
Assistant Secretary for Communications and Information and Administrator
National Telecommunications and Information Administration

Mr. Jimmy Gianato
West Virginia Statewide Broadband Infrastructure Project