



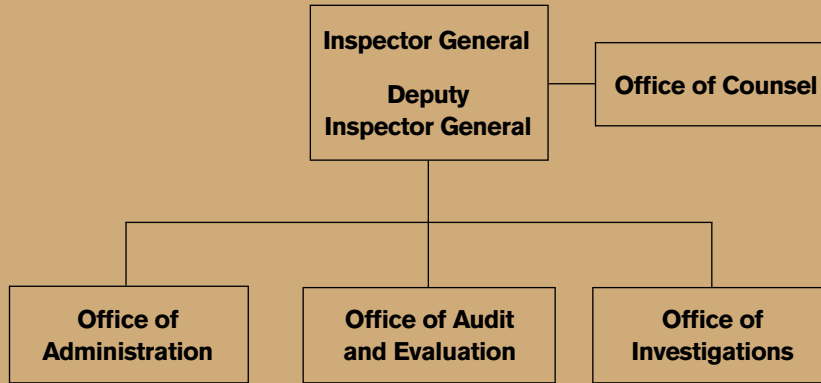
**U.S. Department of Commerce  
Office of Inspector General**

# Semiannual Report to Congress

**September 2015**



# OFFICE OF INSPECTOR GENERAL




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## Oversight Areas

Office of the Secretary  
 Bureau of Economic Analysis  
 Bureau of Industry and Security  
 Economic Development Administration  
 Economics and Statistics Administration  
 First Responder Network Authority  
 International Trade Administration  
 Minority Business Development Agency  
 National Institute of Standards and Technology  
 National Oceanic and Atmospheric Administration  
 National Technical Information Service  
 National Telecommunications and Information Administration  
 U.S. Census Bureau  
 U.S. Patent and Trademark Office

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Office of Inspector General**

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# TABLE OF CONTENTS

<b>01</b>	FROM THE INSPECTOR GENERAL
<b>02</b>	TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT
<b>08</b>	OVERSIGHT AREAS
<b>08</b>	<b>DEPARTMENT-WIDE MANAGEMENT</b>
<b>16</b>	<b>ECONOMIC DEVELOPMENT ADMINISTRATION</b>
<b>18</b>	<b>ECONOMICS AND STATISTICS ADMINISTRATION</b>
<b>24</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY</b>
<b>28</b>	<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</b>
<b>36</b>	<b>NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION</b>
<b>38</b>	<b>UNITED STATES PATENT AND TRADEMARK OFFICE</b>
<b>42</b>	WORK IN PROGRESS
<b>46</b>	STATISTICAL DATA
<b>54</b>	REPORTING REQUIREMENTS
<b>57</b>	ACRONYMS AND ABBREVIATIONS

# FROM THE ACTING INSPECTOR GENERAL

I am pleased to present the Department of Commerce Office of Inspector General's *Semiannual Report to Congress* for the 6 months ending September 30, 2015.

This report summarizes work we initiated and completed during this semiannual period on a number of critical Departmental activities. Over the past 6 months, our office completed 21 audits, inspections, responses to Congressional requests, and public investigative reports, as well as 2 Congressional testimonies addressing programs and personnel associated with the Economic Development Administration, Economics and Statistics Administration, National Institute of Standards and Technology, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, U.S. Patent and Trademark Office, and the Department itself.

In October 2015, we issued our annual report identifying what we consider from our oversight perspective to be the top management challenges facing the Department in fiscal year 2016, a summary of which begins on page 2. We will continue to work closely with the Department and with Congress to meet these and other challenges facing Commerce, especially as it tackles the ambitious strategies and initiatives outlined in *America Is Open for Business*, its strategic plan for fiscal years 2014 through 2018.

We thank Secretary Pritzker, senior officials throughout the Department, and members of Congress and their staffs for their support of our work and for their receptiveness to our recommendations to improve Commerce programs and operations.



DAVID SMITH

# TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. In June 2015, OIG issued to the Department of Commerce and its agencies a memorandum that previewed what we would discuss in further detail in our forthcoming report for fiscal year (FY) 2016, *Top Management Challenges Facing the Department of Commerce*. In the memorandum, we identified cross-cutting issues aligned with the Department's strategic plan for FYs 2014–18. We issued a draft report on August 25, 2015. (Our final report was issued on October 6, 2015.)

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## 1. TRADE AND INVESTMENT

### **Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs**

The International Trade Administration (ITA), Bureau of Industry and Security (BIS), and Economic Development Administration (EDA) have roles in supporting the infrastructure for U.S. economic growth. The top challenges we identify for this priority area are management and organizational issues at ITA following its recent consolidation; the continued BIS migration of export licensing functions to the Department of Defense's USXPORTS system; and Departmental and bureau oversight of grant recipient programs.

- *Promptly addressing remaining issues from ITA's consolidation.* ITA must resolve challenges such as developing revised performance plans and providing appropriate training for affected employees, developing an employee engagement plan, and assessing the level of resources throughout ITA headquarters.
- *Migrating export licensing functions to USXPORTS.* BIS had originally planned to decommission its legacy export licensing system, Export Control Automated Support System, and migrate to USXPORTS by 2012. Instead, BIS opted to enhance its own internally developed system for internal export licensing and enforcement functions.
- *Executing Departmental and bureau oversight of grant recipients.* The Department and its bureaus with grant programs must incorporate the Office of Management and Budget (OMB)'s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards—which went into effect during the first quarter of FY 2015—mandating how grants are awarded, administered, and audited.

## 2. INNOVATION

### **Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies**

The U.S. Patent and Trademark Office (USPTO) is responsible for protecting the work of innovators by ensuring the integrity of their intellectual property (IP) rights through the timely and quality review and issuance of patents and trademarks. It faces various challenges in improving the timeliness and quality of patent application examinations and appeal decisions. USPTO also faces challenges in advocating for international agreements and policies to protect and enforce IP rights. The First Responder Network Authority (FirstNet) faces challenges in its efforts to implement a nationwide interoperable public safety broadband network.

- *Improving process time and quality of patent application examination.* Last year, USPTO temporarily redirected its resources to reduce its backlog of requests for continued examination (RCEs). While USPTO has made progress in reducing the RCE backlog and pendency of unexamined patent applications, it still faces challenges in reducing the patent application backlog and improving patent examination quality.
- *Improving decision timeliness and quality at the Patent Trial and Appeal Board (PTAB).* Since September 2012, PTAB has been increasing the size of its staff to address both the appeals inventory and new proceedings under the America Invents Act. Despite the high rates of increase in PTAB personnel and spending on patent trials and appeals, USPTO is still facing challenges in reducing the ex parte appeal backlog and pendency.
- *Advocating for protection and enforcement of IP rights.* USPTO's Office of Policy and International Affairs IP rights attaché program advocates directly with host governments to improve IP policies, laws, and regulations for the benefit of U.S. stakeholders and provide support for U.S. companies abroad with IP issues. Critical challenges with carrying out the program include budget uncertainty from fluctuations in fee revenue; international politics; regional instability in the Middle East; and the USPTO's lack of authority to rate attaché performance.
- *Implementing a nationwide public safety broadband network.* The Middle Class Tax Relief and Job Creation Act of 2012 established FirstNet as an independent authority to implement a nationwide interoperable public safety broadband network. As FirstNet makes progress in establishing an organizational structure and performing consultation and outreach, remaining challenges include adequacy of funding, effective consulting, internal control and staffing, and other organizational issues.
- *Addressing the increasing demand for radio frequency spectrum.* In June 2010, the President directed the Department of Commerce, working through the National Telecommunications and Information Administration (NTIA), to make 500 megahertz (MHz) of federal and non-federal spectrum available by 2020 to support wireless broadband needs. To meet the 2020 deadline, NTIA needs to incorporate lessons learned into actual strategies—as well as identify the availability of, and more efficient use of, radio frequency spectrum. Also, the termination of the Federal Spectrum Management System presents a challenge to NTIA's capability to manage spectrum, as it will still need a technological system that can modernize, automate, and integrate key spectrum management functions.

### 3. ENVIRONMENT

#### Help communities and businesses prepare for and prosper in a changing environment

The Department's objectives under this goal include advancing our understanding and prediction of changes in the environment; building a weather-ready nation; and fostering healthy and sustainable marine resources, habitats, and ecosystems. As the lead agency for addressing this goal, the National Oceanic and Atmospheric Administration (NOAA) must meet several challenges, including costly, complex satellite system acquisitions and potential gaps in satellite data; preparation for processing next-generation satellite observational data; and the competing needs of fisheries stakeholders.

- *Keeping satellite acquisition programs on schedule.* Acquisition and development delays could lead to gaps in NOAA's satellite coverage, potentially degrading its ability to produce actionable environmental information. The Joint Polar Satellite System (JPSS) program's challenge is to keep the JPSS-1 satellite development on track to meet its launch commitment—while taking steps to implement a newly proposed Polar Follow-On program. The Department must also ensure that the Geostationary Operational Environmental Satellite-R Series (GOES-R) program continues to meet requirements and manage development challenges. The launch of the first GOES-R satellite has been delayed to October 2016, increasing the potential for the GOES fleet to be without ensured coverage should an operational satellite fail.
- *Preparing to process observational data from new satellite missions.* NOAA may need to defer or even eliminate planned operational capabilities as it completes complex integration testing for the GOES-R and JPSS-1 missions, in order to launch both satellites as soon as possible and mitigate potential data gaps. Post-launch test activities, as well as validation of data flows and products, will need to be closely monitored to ensure timely processing for user availability.
- *Prioritizing national goals for more cost-effective collection of fishing data.* To increase efficiency and oversight, NOAA's National Marine Fisheries Service (NOAA Fisheries) has considered using emerging electronic technologies, such as video monitoring, to increase coverage and reduce human observer costs—as well as contribute to a more cost-effective and sustainable collection of fishing data. However, NOAA Fisheries has not yet developed a nationwide strategic plan; each region continues to develop its own, with current objectives detailed across multiple policy documents.

### 4. DATA

#### Maximize the positive impacts of Commerce data on society

The Department plays a key role in the 21st century information-driven economy, providing data that benefit businesses, governments, and the public. The Census Bureau, a major source of the Department's data, faces challenges as it prepares for the 2020 decennial census and continues to provide a stream of timely demographic, housing, social, and economic information for states and local areas. Also, the Digital Accountability and Transparency Act of 2014 (DATA Act) compels federal departments and agencies to expand data capabilities and support a data-enabled economy.

- *Delivering a timely 2020 Census that maintains or improves data quality, but costs less than the 2010 Census.* The Bureau continues to face challenges in achieving cost savings goals while fully using resources needed to achieve design decisions and research and testing goals. Moreover, the Bureau still needs to develop a defined schedule for achieving key milestones in order to complete the operational development and systems testing phase and begin readiness testing and execution by FY 2019.



- *Effectively recording, collecting, and using financial data to guide programmatic decisions.* To effectively manage a program of the size, complexity, and cost of the 2020 Census—and assess the return on investment of research and testing—Bureau managers need to develop detailed and supportable cost estimates to use as benchmarks for success. The estimates should then be compared to actual costs to assess the return on investment of research and testing. The Bureau must also improve its cost estimation and accounting practices to provide stakeholders assurance that budget requests are justified and will yield expected results.
- *Developing, testing, and implementing a cost-effective, secure 2020 Census IT infrastructure.* With less than 5 years remaining until Census Day (April 1, 2020), the Bureau has a tight timeline to successfully deploy an enterprise solution for IT infrastructure. Yet, the Bureau faces challenges of defining and integrating multiple requirements into the enterprise solution; developing the system, either in-house or using external expertise; deploying the solution in advance of the decennial census for its existing surveys; and ensuring scalability to meet workload demands of the decennial census. With the July 2015 departure of the Bureau's Chief Information Officer, this critical program is facing a gap in leadership.
- *Overcoming public resistance to the American Community Survey.* The Bureau's challenge with respect to the American Community Survey is to balance the federal need for quality data against a common public opinion that the survey's questions are intrusive. It remains to be seen whether the Bureau's current efforts to meet this challenge—identifying opportunities to revise references to mandatory participation, asking some questions on a periodic basis, and directing some questions to a smaller subset of respondents—will suffice.
- *Achieving the mandate for government-wide data standards of the DATA Act.* The DATA Act requires federal agencies to make available detailed information on their spending and use of federal funds and to report it by specific categories. The data reported will include how much funding an agency receives from Congress and how much agencies spend on specific projects and awards. Due to the Department's legacy information systems, providing reliable and consistent agency program information and meeting the goals of the DATA Act will be a significant challenge.

## 5. OPERATIONAL EXCELLENCE

### **Strengthen the Department's capacity to achieve its objectives, maximize return on its program investments, and deliver quality, timely service**

Achieving operational excellence is essential for the Department to achieve mission-focused objectives and maximize value to its customers. This objective focuses on the high-priority, cross-cutting initiatives that the Department's leadership believes are the most critical to mission success. The top challenges we identify for this priority area concern the following:

- *Improving IT controls on the Department's financial data.* Specifically, the Department's financial systems continue to have deficient access controls, configuration management, and segregation of duties. It is essential that the Department focus on improvements in these areas to ensure that financial data processed on the Department's systems have integrity, are securely maintained, and are only available to authorized users.
- *Identifying a long-term replacement for Commerce Business Solutions (CBS).* The lack of centralized and integrated financial management systems creates reporting and oversight challenges for the Department, including the ability to effectively report financial data and monitor financial activity across its operating units. Plans are in progress to replace the CBS legacy financial management system. However, there have been significant challenges with this project, including delays in identifying a viable solution for a replacement. As a result, CBS will need to be operational Department-wide through FY 2022. It will also be

costly to maintain CBS; it is not set up for data analytics, data archiving, or enterprise data warehousing—all of which will be provided by a new business application solution. Additional challenges to finding a viable replacement for CBS include the use of a shared-service provider, the need to interface separate component systems, and uncertainty of funding that will be adequate to bring the replacement project to timely completion.

- *Addressing persistent IT security issues.* These include the Department implementing basic security measures required by NIST's risk management framework; remediating critical and high-risk vulnerabilities as it implements its enterprise cybersecurity monitoring and operations initiative; improving the quality and thoroughness of system security control assessments; and continuing to strengthen its incident detection and response capabilities through its Enterprise Security Oversight Center initiative.
- *Improving the quality and thoroughness of system security control assessments.* Federal agencies are required to establish a monitoring program to manage information security risks on a continuous basis, including overseeing the security controls in their information systems. A recent audit report we issued determined that independent assessors did not conduct sufficiently rigorous assessments of critical security controls for five NOAA National Weather Service (NWS) systems. Our audit found that, regarding these assessments, (1) results lacked supporting evidence, (2) assessors drew conclusions that contradicted collected evidence, (3) all control requirements were not evaluated, and (4) not all types of IT products were assessed. Consequently, these assessments likely did not provide authorizing officials an accurate implementation status of these systems' security controls.
- *Continuing to strengthen its incident detection and response capabilities.* In early FY 2015, NOAA was the victim of a serious cyber-attack resulting in an interruption of services that provide essential data for vital weather forecasts and warnings. As a result, we initiated an audit of NOAA's IT security practices related to this latest cyber-attack. Separately, OIG has identified significant concerns with Department-wide cybersecurity. The Department must address persistent security deficiencies that make the Department vulnerable to cyber-attacks, improve the quality of security control assessments, and strengthen its incident detection and response capabilities.
- *Managing high-risk contracts.* In recent years, our audit work has identified opportunities for the Department to improve its management of high-risk cost-reimbursable contracts—and save taxpayer dollars. A government-wide initiative calls for federal agencies to reduce spending on high-risk contracts, such as time-and-materials and labor-hour, cost reimbursement, and noncompetitive contracts. The Department still faces challenges in contract oversight and administration of these contracts.
- *Needing a sufficiently staffed and qualified acquisition workforce.* In a September 3, 2013, memorandum, the Office of Federal Procurement Policy's Administrator acknowledged that the federal government needs talented and trained individuals who can plan, manage, and oversee acquisitions. The Department considers the scarcity of talent a critical challenge in managing its acquisition workforce due to its procurement of a variety of products and services, such as highly specialized satellite equipment, broadband technology, and coastal and ocean resources. A legislative hiring cap that limits the number of employees hired within some operating units and limited career development and advancement opportunities are obstacles the Department faces in acquiring such talent. The Department needs to continue its aggressive recruitment efforts to attract and retain the best qualified acquisition workforce at entry- and mid-level positions.
- *Accuracy procurement data reporting.* The Department needs to improve its process for entering accurate and reliable data into the Federal Procurement Data System-Next Generation (FPDS-NG) in order to provide a comprehensive view into the details of contract

spending—and increase the Department’s transparency and accountability regarding how it spends taxpayer dollars.

- *Improving premium-class travel compliance with the Federal Travel Regulation.* The Department also faces challenges as it addresses operational issues related to the use of premium-class travel. Our office’s recent audit found that the Department does not implement effective controls over the management of premium-class travel, resulting in additional costs spent to upgrade travel to premium-class that may not have been warranted. The Department must take actions to address the reported deficiencies, ensuring adequate controls over premium-class travel justification, approval, and reporting are in place and functioning in compliance with the Federal Travel Regulation.
- *Creating a Department-wide culture of accountability.* Challenges include the following:
  - *Detecting and preventing time and attendance abuse.* In FYs 2014–2015, OIG concluded several investigations involving time and attendance abuse by employees, with significant findings in several operating units.
  - *Supporting OIG independence, publication decisions, and access to records.* On August 5, 2014, the previous Department of Commerce Inspector General joined 46 other IGs in the federal government in signing a letter to members of Congress affirming the importance of OIG access and independence. To achieve this, the Department’s senior leadership must create a culture that supports OIG’s oversight function by encouraging all employees to cooperate with OIG audits, inspections, and investigations.

OIG continues to encounter issues with Department officials refusing access or claiming privilege over documents required to facilitate reviews. Examples include the following:

- The Department’s Office of General Counsel recommending the refusal of OIG access to documents required for an audit.
- NOAA attempts to prevent release of OIG IT security audit findings.
- Blocked access to Commerce badging data for Census Bureau headquarters.



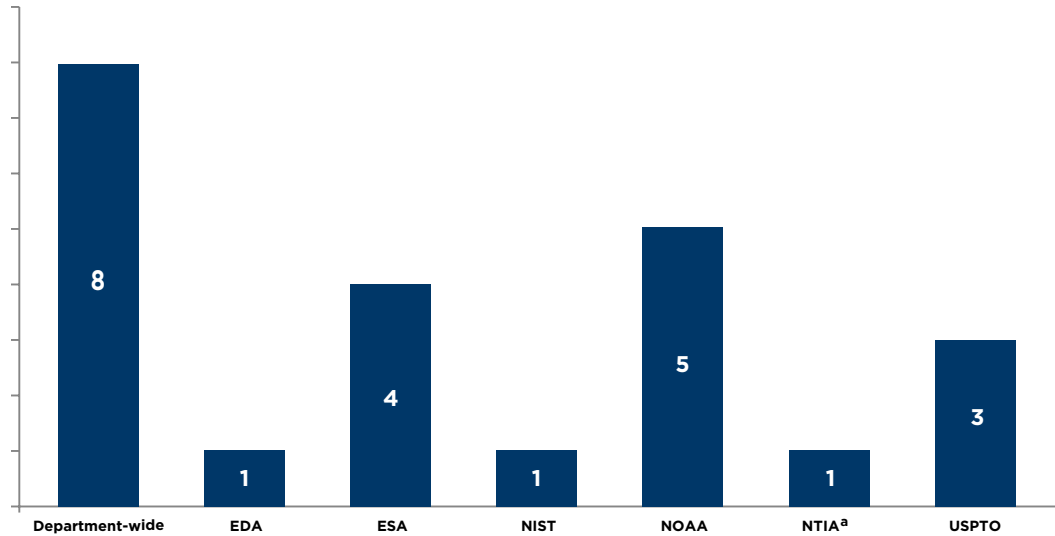
# DEPARTMENT-WIDE MANAGEMENT

The **U.S. Department of Commerce** works to help American companies become more innovative and successful at home and more competitive abroad. It creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

The Department accomplishes its mission by providing national and local weather services; developing key economic and demographic data (including the Census); advancing technological and scientific innovation; protecting and restoring environmental resources; promoting international trade; and supporting local, regional, and national economic development. These activities affect U.S. business and industry daily and play a critical role in the nation's economic well-being.

## COMPLETED WORKS (BY OVERSIGHT AREA)

During this reporting period, OIG completed 21 audit/inspection reports, public investigative reports, and responses to Congressional requests, as well as 2 Congressional testimonies.



<sup>a</sup> Completed work concerning NTIA includes one audit report regarding FirstNet.

## INCORPORATING CONTRACT AUDITS INTO CONTRACT ADMINISTRATION PLANNING AND PERFORMANCE AT THE DEPARTMENT OF COMMERCE (OIG-15-027-M)

We explored the value of following Federal Acquisition Regulation (FAR) guidance in planning, designing, and executing Departmental audits of contractors. While the Department's Office of the Chief Financial Officer currently evaluates acquisition activities and programs according to the Commerce Acquisition Regulation (CAR), we note that amounts budgeted for audits of the Department's contractors are inadequate and therefore do not allow the Department to identify potential cost savings. We are also concerned with a lack of coordination between the Department and its bureaus when planning for audits of its contractors. To improve the effectiveness and efficiency of the entire Department's contract administration, we offered recommendations to the Director of Acquisition Management.

We recommended that the Director of Acquisition Management

- work with bureau procurement officials to (a) identify contracts that may benefit from the use of audit support services and (b) consult with DCAA and/or independent public accounting firms about available audit support services and associated costs for the services, and
- update the Commerce Acquisition Manual to include additional contract administration functions identified in Federal Acquisition Regulation 42.302.

## FY 2014 COMPLIANCE WITH IMPROPER PAYMENT REQUIREMENTS (OIG-15-029-I)

The Improper Payments Information Act of 2002 (IPIA) requires federal agencies to (1) identify programs susceptible to improper payments; (2) estimate improper payment amounts for such programs; and (3) report these estimates, along with actions taken to reduce improper payments for programs with estimates that exceed \$10 million in improper payments. The Improper

Payments Elimination and Recovery Act of 2010 and Improper Payments Elimination and Recovery Improvement Act of 2012 amended IPIA by expanding on the previous requirements and broadening recovery requirements for overpayments. Broadly defined, improper payments are those the federal government has made in the wrong amount, to the wrong entity, or for the wrong reason.

We initiated this engagement to review the Department's compliance with IPIA, as required by the Office of Management and Budget's (OMB's) government-wide implementation guidance. Specifically, we (1) assessed whether the Department complied with all applicable reporting requirements, and (2) evaluated the accuracy and completeness of its reporting, as well as its performance in reducing and recapturing improper payments.

Our review of the actions taken by the Department to comply with IPIA and OMB requirements identified that the Department can further improve the risk assessment process. Specifically, we found that the risk assessment process could be improved in the following three areas: consideration of required risk factors; inclusion of payments to employees; and documentation of significant changes in legislation and funding of its programs and activities.

We recommended that the Deputy Chief Financial Officer and Director for Financial Management strengthen the risk assessment process by

- adding assessment areas that result in consideration of all OMB required risk factors and providing guidance on topic requirements or factors that should be addressed within each area of the risk assessment;
- establishing a policy or procedure to ensure that changes and updates to laws and regulations affecting improper payment requirements are identified and implemented timely, including providing notification of such changes to bureaus; and
- providing bureaus with guidelines to determine what constitutes significant changes in legislation and funding within the Department's programs and activities and requesting timely notification of such changes so that program and activity risk assessment can be performed in the next annual cycle.

### **INACCURATE REPORTING OF UNDEFINITIZED ACTIONS IN THE FEDERAL PROCUREMENT DATA SYSTEM—NEXT GENERATION (FPDS-NG) (OIG-15-033-A)**

Undefinitized actions (UAs) are contract actions, issued as letter contracts and other instruments, for which the contract terms, specifications, or prices are not agreed upon before performance begins. UAs are restricted for use to meet an urgent requirement of an agency and are for use only after it has been determined that no other alternative contracting method will fulfill the urgent need.

We initiated this audit to determine whether contracting officials effectively managed and executed UAs. However, NOAA and NIST FPDS-NG data were not sufficiently reliable to identify the universe of UAs. Consequently, this report addresses the miscoding of UAs in FPDS-NG and contract file maintenance. We found that the Department needs to improve (a) its process for entering accurate and reliable data into FPDS-NG and (b) its controls to properly maintain and safeguard contract files.

We recommended that the Department's Director of Acquisition Management

- Issue guidance to senior bureau procurement officials reemphasizing the importance of entering, reviewing, and approving the accuracy of information entered into the contract action reports to ensure the integrity of the data in FPDS-NG.

- Issue guidance to senior bureau procurement officials reemphasizing the importance of maintaining contract files in accordance with federal and Department policies.

We recommended that the Director of the NOAA Acquisition and Grants Office and the Associate Director of the NIST Management Resources Office

- Ensure contracting officers properly code contract actions identified in this report.
- Implement strong internal controls and oversight processes and procedures to ensure that contract actions are properly coded in FPDS-NG and contract files contain all required contract documentation.

### **DEPARTMENT MUST STRENGTHEN CONTROLS OVER PREMIUM-CLASS TRAVEL JUSTIFICATION, APPROVAL, AND REPORTING (OIG-15-034-A)**

We initiated an audit of premium-class travel spending at the Department to evaluate controls and how they have been implemented. Specifically, we assessed whether the Department has established effective controls over related approvals, justifications, and documentation in order to comply with applicable laws, regulations, and policies.

We found the following:

- Premium-class travel was not always properly supported and/or justified.
- Unauthorized officials approved use of premium-class travel.
- Premium-class travel reported to the General Services Administration was inaccurate/incomplete.

We recommended that the Chief Financial Officer and Assistant Secretary for Administration do the following:

- Revise relevant Departmental directives, such as Department Administrative Order 215-10, to include policies and procedures on the use of premium-class travel accommodations due to a medical necessity.
- Develop a standardized training protocol for reasonable accommodation coordinators.
- Revise the Department's Travel Handbook to
  - provide the operating units with clarification on what constitutes an acceptable written justification when using the 14-hour rule for premium-class travel;
  - emphasize that a CD-334 is required in every premium-class travel instance at all operating units, as well as documentation to support premium-class travel justifications used (where appropriate); and
  - identify the Department and operating unit-level officials who may authorize the use of premium-class travel and determine how to handle instances when authorized officials are unavailable.
- Develop a process for operating units to certify the accuracy of the travel data reported annually to GSA, as well as a process for centralizing operating unit premium-class travel records.

- Request from the U.S. Department of State periodic reports of the premium-class travel taken by overseas Department of Commerce staff and include any premium-class travel in the Department's annual report to GSA.

### **NONFEDERAL AUDIT RESULTS FOR THE 6-MONTH PERIOD ENDING JUNE 30, 2015 (OIG-15-042-M)**

OIG's report contained an analysis of findings identified in nonfederal audit reports reviewed between January 1 and June 30, 2015, submitted by nonprofit and government grantees pursuant to OMB Circular A-133 and by for-profit grantees pursuant to program guidelines. The analysis noted trends in the types of findings reported and summarized findings by Departmental program.

### **AUDITS OF COMMERCE FUND RECIPIENTS BY NONFEDERAL INDEPENDENT AUDITORS (REVIEWED BY OIG DURING THE 6 MONTHS ENDING SEPTEMBER 30, 2015)**

In addition to undergoing OIG-performed audits, certain recipients of Department of Commerce financial assistance are periodically examined by independent public accountants. For-profit organizations that are audited in accordance with *Government Auditing Standards* include those that receive National Institute of Standards and Technology awards from the Technology Innovation Program. Some for-profit organizations are audited in accordance with other specific audit guides. For example, Broadband Technology Opportunities Program (BTOP) awards are audited in accordance with the NTIA *Program-Specific Audit Guidelines for the Broadband Technology Opportunities Program*.

We examined six audit reports during this semiannual period to determine whether they contained audit findings related to departmental programs. The Department acts as an oversight agency and monitors the audited entity's compliance with *Government Auditing Standards*, or program-specific reporting requirements. We identified 4 reports with material findings related to the Department.

### **NONFEDERAL AUDITS REVIEWED BY OIG DURING THE 6 MONTHS ENDING SEPTEMBER 30, 2015**

<b>Report Category</b>	<b>Program-Specific Audits</b>	<b>Total</b>
Pending Review (April 1, 2015)	6	6
Received	0	0
Examined	6	6
Pending Review (September 30, 2015)	0	0

The following table shows a breakdown by bureau of approximately \$600 million in Department funds audited through program-specific guidelines.



## NONFEDERAL AUDITS BY BUREAU

Agency	Funds Audited (\$)
National Institute of Standards and Technology	7,166,145
National Telecommunications and Information Administration	592,585,545
<b>Total</b>	<b>599,751,701</b>

The audits identified a total of \$444,517 in the federal share of questioned costs. The 4 reports with material findings are listed in table 7-a on page 53.

### IG LETTER TO SENATE REGARDING FOIA REQUESTS (OIG-15-037-M)

In an August 14, 2015, letter to The Honorable Ron Johnson, Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, the OIG responded to Senator Johnson's June 23, 2015, request to analyze the involvement of non-career officials in the Department of Commerce Freedom of Information Act (FOIA) response process for the period of January 1, 2007, to present. The Senator's letter specifically requested that we determine whether non-career official involvement resulted in any undue delay of response to any FOIA request or the withholding of any document or portion of any document that would have otherwise been released. The request also asked that we seek a certification from our Department's chief FOIA officer regarding these items.

In summary, nothing came to our attention that suggested non-career officials' involvement resulted in either undue delays or withholding of information. Our inquiry and review did not reveal more than limited roles for non-career officials in the Department's FOIA process. Non-career officials provide responsive records when in possession of such records and may serve as members of the Coordinated Review Team (CRT), which reviews responses to selected FOIA requests prior to release. We found that, although the CRT review contributed to delays in providing responses to a small number of FOIA requests, neither the FOIA offices nor the CRT tracked non-career officials' involvement in the process. Further, because membership of the CRT includes both career and non-career officials, we could not identify specific non-career individuals contributing to delays.

### ALLEGED MISCONDUCT AND WASTE OF GOVERNMENT RESOURCES BY A SENIOR OFFICIAL (14-0153)

In August 2015, OIG released an investigative report revealing that a senior Department official misused government computer equipment, which was used to view and/or store pornographic material, among other issues. In particular,

- The evidence revealed that the senior official misused government computer equipment, including permitting members of her household to access and use such equipment, which resulted in inappropriate use of such equipment to view and/or store pornographic, sexually suggestive, and racially offensive materials. Additionally, for a period of approximately 6 months, the senior official maintained no less than seven government-issued computer resources at her private residence, including two desktop computers, three laptop computers, and at least two iPad tablets, suggesting she was, at a minimum, indifferent to her obligation to conserve government property and resources.

- The evidence showed that, in connection with official travel, the senior official selected a flight itinerary that benefitted her personally—permitting her to seek reimbursement from the government for expenses associated with her own personal, nonofficial travel plans—despite the fact she was presented with viable alternatives that would have reduced the cost to the government.
- A review of Department records revealed numerous discrepancies between the arrival and departure times the senior official listed in her official time and attendance records and the actual arrival and departure times indicated by Department security badge records.

OIG's investigation revealed a troubling pattern of conduct that was abusive of government resources and evidenced a disregard for conservation of such resources, as well as misconduct by the senior official in response to OIG's investigation. This included evidence that the senior official failed to comply with a preservation order issued by OIG, which resulted in impeding OIG's access to information and materials relevant to its investigation, as well as credible evidence that the senior official's belief that one of her subordinates cooperated with OIG's investigation was a significant factor in the senior official's proposal to take disciplinary action against the subordinate.

OIG's report makes recommendations to address the senior official's past conduct as well as the risk that similar issues may arise with other employees in the future:

- The Department should consider taking appropriate administrative action with respect to the senior official in light of the conduct discussed in this report.
- The office that issued government-owned computer devices to the senior official should evaluate and make appropriate changes to its policies concerning requests for government-owned equipment to be used at home, as well as evaluate its personal property recordkeeping to ensure it complies with Department policies and procedures.
- The Sponsoring Division should evaluate and make appropriate changes to its policies and practices concerning its organization of conferences to ensure they sufficiently protect against any appearance of impropriety that may arise with respect to expenditure of government funds to support such conferences. Additionally, the Sponsoring Division should provide training regarding the Federal Travel Regulations and Department travel policies to all staff responsible for arranging, requesting, and approving travel requests in connection with its programs, as well as ensure that all Department employees traveling in connection with its programs receive similar training.
- The Department should consider issuing formal guidance regarding application of the 14-Hour Rule in circumstances when a traveler takes leave at a layover location.

## **CONGRESSIONAL TESTIMONY**

### **ACTING IG'S TESTIMONY ON THE DEPARTMENT OF COMMERCE'S FAILURE TO COMPLY WITH ITS LEGAL OBLIGATIONS TO ENSURE IG ACCESS TO RECORDS (OIG-15-039-T)**

On August 5, 2015, Acting IG David Smith testified before a hearing of the Committee on the Judiciary, United States Senate, on "‘All’ Means ‘All’: The Justice Department's Failure to Comply with Its Legal Obligation to Ensure Inspector General Access to All Records Needed for Independent Oversight." The hearing pertained to a recent opinion issued by the U.S. Department of Justice Office of Legal Counsel (OLC) and its impact on the ability of OIGs to carry out their mission. In his testimony, the acting IG provided a specific example of how the opinion affected the Department of Commerce OIG even before it was released.

He discussed how, earlier this year, we began an audit of the International Trade Administration's Enforcement and Compliance business unit's efforts to ensure it was conducting quality and timely trade remedy determinations. However, both ITA and OGC raised concerns that providing us access to the business proprietary information we requested as part of an audit would be a violation of the Tariff Act of 1930, as amended—and, in conjunction with 18 U.S.C. §1905 (Federal Trade Secrets Act), could expose the Department to potential criminal litigation and penalties.

The Office of General Counsel (OGC) reached out to OLC for guidance on the matter. According to OGC, OLC said it would issue an opinion, expected imminently, to provide a framework to advise on this subject. In light of the potential criminal penalties, OGC concluded it was advisable to wait until the opinion was released. Subsequently, OGC stated that—while ITA may be able to release data to our office for an investigation particular to a specific proceeding—there is no exception in the Tariff Act applicable to an audit.

OGC asserted that Tariff Act amendments that came into effect after 1978, when the IG Act was passed, did not reflect an OIG's authority to access the information. The acting IG discussed how, after 2 months of trying to get access to the information, we had no choice but to terminate the stalled audit because of the Department's refusal to provide the requested information.

Conflicting laws hamper OIGs' ability to fulfill their missions under the IG Act "(A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations." The Tariff Act and the Trade Secrets Act were cited as the reason for denying OIG access to records. However, the IG Act authorizes OIGs "to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to" their departments; this access should pertain to all government records.



# ECONOMIC DEVELOPMENT ADMINISTRATION

The **U.S. Economic Development Administration**'s mission is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. Its investment policy is designed to establish a foundation for sustainable job growth and the building of durable regional economies throughout the United States. This foundation builds on two key economic drivers: innovation and regional collaboration.

## **EDA FACES CHALLENGES IN EFFECTIVELY MONITORING ITS REVOLVING LOAN FUNDS (OIG-15-031-A)**

The Revolving Loan Fund (RLF) program, established in 1975, is designed to provide grants to state and local governments, political subdivisions, and nonprofit organizations to operate a lending program that offers low-interest loans to businesses that cannot get traditional bank financing. Grant recipients are required to manage their RLF according to their RLF administrative plan, a document that describes the lending strategy and administrative procedures for a specific RLF project. As of September 2013, EDA had awarded approximately \$555 million in grants for the 558 RLF programs then operating. Those awards had a capital base of approximately \$843 million, including recipient contributions.

In response to our 2007 report on the program, EDA developed and began using the RLF Management System (RLFMS) in April 2010. We conducted a June 2015 audit of EDA's RLF program as part of our fiscal year 2014–15 audit and evaluation plan to assess EDA's current oversight of RLF projects in three of the six regional offices. Our objective was to determine whether EDA effectively responds to performance problems and changes to distressed or underserved communities within the RLF program.

We found that EDA did not aggressively respond to noncompliant RLFs, exposing agency funds to misuse and economic loss. For instance, the agency had not: addressed persistent noncompliance with capital utilization requirements; consistently required corrective action plans or set milestones to address RLFs with high loan default rates; or ensured grantee compliance with semiannual reporting requirements. Further, at least two EDA regional offices do not use single audit report results to monitor RLF performance. Finally, the agency had not required grantees to submit updated RLF plans. In addition to these issues, we also identified approximately \$46 million in RLF funds that could have been put to better use.

We recommended that the Assistant Secretary for Economic Development direct the appropriate EDA regional officials to do the following:

- Reimplement RLFMS or a replacement system that includes standard grantee reporting, program monitoring, and file maintenance.
- Develop an improved process for monitoring grantee sequestrations of excess funds, default rates, and semiannual reporting requirements, as well as timely corrective actions for noncomplying RLFs.
- Document determinations on whether RLFs with multiple periods of excess funds should be terminated, transferred, or consolidated—or have funds partially deobligated or transferred from them.
- Develop a staffing plan to balance the workload of RLF administrators.
- Develop an improved process for identifying required single audits and enforcing the consequences of noncompliance.
- Identify projects with RLF plans more than 5 years old and document determinations on whether those plans require modifications—including determinations on whether a need for the RLF still exists in a particular location or whether funds should be transferred.
- Document considerations and potential consequences of possible RLF program adjustments, including defederalization of funds, transferring funds to other EDA programs, and sunset provisions.
- Evaluate conditions related to the grantee identified in this report that executed a loan exceeding the maximum amount allowed in its RLF plan.



## ECONOMICS AND STATISTICS ADMINISTRATION

The **Economics and Statistics Administration** analyzes economic activity, formulates policy options, and produces a major share of the U.S. government's economic and demographic statistics. ESA has one constituent operating unit and two primary operating units.

**Office of the Chief Economist**—Provides the Department with expertise on key economic forces affecting the U.S. economy, delivering timely, relevant, and credible economic analysis and advice to government leaders and the public.

**Census Bureau**—Publishes a wide variety of statistical data about the nation's people and economy, conducting approximately 200 annual surveys in addition to the decennial census of the U.S. population and the quinquennial census of industry.

**Bureau of Economic Analysis**—Prepares, develops, and interprets national income and product accounts (summarized by the gross domestic product), as well as aggregate measures of international, regional, and state economic activity.

## **2020 CENSUS: THE 2014 CENSUS TEST MISSES AN OPPORTUNITY TO VALIDATE COST ESTIMATES AND ESTABLISH BENCHMARKS FOR PROGRESS (OIG-15-044-A)**

Our audit of the 2014 Census Test had two objectives: (1) evaluate whether 2013 test results informed 2014 testing strategies and (2) examine whether projects' testing strategies included in the 2014 Census Test responded to the Bureau's original research questions. In addition to our original objectives—and because the Bureau is committed to conducting the 2020 Census at a lower per-household cost (adjusted for inflation) than the 2010 Census—we assessed the cost estimation practices that the Bureau was using to estimate the amount of cost savings that will result from the new design innovations being developed for the 2020 Census.

We found that the Decennial Program has not developed a cost model that complies with best practices, as recommended in prior audit reports, and that the calculations used to estimate the \$5.1 billion in potential savings are not well-supported. In addition, the Bureau's current cost estimation is not sufficiently robust to be updated as design decisions are determined to be viable or eliminated. Neither the self-response component nor the nonresponse component of the 2014 Census Test produced cost data that can be used to validate cost-savings estimates for stakeholders, compare costs of various design strategies, or make informed design decisions.

In reviewing the projects included in the 2014 Census Test, we found that project teams neither (1) created approved baselined project plans, nor (2) followed project plan management and change control protocols, which require all changes to the baselined plan to be documented and approved. Additionally, six of the seven project teams did not develop sufficiently quantifiable (or otherwise measurable) success criteria that could be used to validate potential cost savings, establish benchmarks for success, or perform a cost-benefit analysis of test results.

We recommended that the Director of the Census Bureau do the following:

- Obtain and keep a record of documentation that supports the cost estimation process and results.
- Implement a sufficiently robust cost modeling system, which includes all vital component variables, and incorporates cost updates as design decisions are reached, or quantifies the effect on the cost of design alternatives as needed.
- Prior to testing activities, ensure that the cost information that will be collected is reliable and can be used to validate life-cycle estimates.
- Develop an improved process for research project teams to document and maintain a complete history throughout each project's life cycle, and prepare updated project plans prior to the start of tests.
- Develop test success criteria that are in compliance with the guidelines recommended by the Government Accountability Office (GAO) and the Census Bureau.

## **CONTROL DEFICIENCIES RELATED TO THE OVERTIME APPROVAL PROCESS AT A CENSUS BUREAU REGIONAL OFFICE (OIG-15-040-M)**

We identified some overtime approval irregularities during a recent regional office site visit. Although this memorandum pertained to one regional office, we believe our findings and recommendations have broader, bureau-wide application. Specifically, our audit of the Census Bureau's Regional Office Realignment and Field Management Reforms included a site visit to a regional office to review survey operations. During our site visit, we noted potential issues related to the approval of overtime. We expanded our testing to determine whether overtime charges were properly approved and monitored, and identified control deficiencies. Although the issues

described in this memo were outside the scope of our current audit, we believe they are significant and should be addressed by Census management. Failure to address these deficiencies could result in unallowable overtime charges being processed through the payroll system.

We recommended that the Census Director make the following changes to improve control over the authorization and monitoring of overtime charges:

- Ensure that the authority to approve overtime is re-delegated, as deemed appropriate, in writing.
- Establish a process for ensuring that requests for overtime are completed in full and that they include the signature of the requestor, approver, and individual providing verification of funds available, when a form CD-81 is used.
- Establish procedures for ensuring that hours charged in WebTA are less than or equal to the overtime hours approved.

#### **REVIEW OF A CENSUS BUREAU SOLE SOURCE AWARD FOR EXECUTIVE SEARCH SERVICES (14-0408)**

On March 3, 2014, OIG was contacted by an executive search firm (Complainant), which alleged that the Census Bureau had improperly awarded a sole source contract for executive search services. The Complainant asserted that the sole source award and justification in support of the award were improper because several other firms were capable of providing the executive search services sought by Census.

On June 3, 2015, OIG issued a report of its investigation into the matter. OIG's investigation found that the Census Bureau, in attempting to recruit top talent to fill a critical position at the agency, failed to adhere to several rules and regulations related to federal contracting and recruiting. Specifically, the OIG found the following:

- The Census Bureau did not comply with the Competition in Contracting Act (CICA) of 1984 and the Federal Acquisition Regulation (FAR) when it awarded a sole source contract to the executive search firm.
- The Census Bureau did not comply with federal regulations governing the use of commercial recruiting firms.
- The acceptance of voluntary services from the executive search firm implicated the Antideficiency Act.
- The Census Bureau Director did not comply with Department policy by receiving services from the executive search firm without a contract in place.
- The Census Bureau Director did not comply with Department policy and government-wide guidance by using personal email to conduct official government business.
- A senior Census Bureau executive did not comply with federal regulations in the procurement process that led to the contract award to the executive search firm.
- The Census Bureau's Acquisition Division failed to perform its oversight function and did not appropriately advise Census Bureau officials with respect to the acquisition.



In light of the findings contained in this report, OIG recommended the following:

- The Department should consider appropriate action regarding the officials involved with the compliance matters discussed in the report.
- The Department should evaluate whether an Antideficiency Act violation occurred.
- The Census Acquisition Division should remind its staff that they are the first line of defense in the acquisition process, and it is their job to enforce the acquisition rules regardless of the value of the contract or who is seeking the product or service. The U.S. Census Bureau should provide training to its acquisition staff regarding sole source awards to ensure that all future awards are made in compliance with CICA and the FAR.
- The U.S. Census Bureau should consider a requirement that the Department's Office of General Counsel review all sole source awards requiring a justification for legal sufficiency prior to award of the contract.

#### **ALLEGED TIME AND ATTENDANCE FRAUD AND OTHER MISCONDUCT BY EMPLOYEES IN THE CENSUS HIRING AND EMPLOYMENT CHECK OFFICE (14-0790)**

On September 15, 2015, OIG issued a report to the U.S. Census Bureau presenting its findings of widespread misconduct in the Census Hiring and Employment Check (CHEC) Office. The evidence obtained over the course of OIG's investigation established that many current and former CHEC employees engaged in pervasive misconduct over several years, including widespread time and attendance abuse, misuse of office, and repeated attempts to retaliate against a perceived whistleblower.

OIG's investigation resulted from a hotline complaint alleging that certain CHEC Office employees had been fraudulently reporting their time and attendance. Specifically, the complaint alleged that six CHEC Office employees had regularly recorded and received pay for time not actually worked since at least 2010. OIG referred the complaint to Census and required the Bureau to notify the OIG of the disposition of the complaint. Census reported to OIG that it found "significant misconduct related to the receipt of pay for time not worked on the part of each employee" named in the initial complaint. The Bureau further stated that it expanded its review to include three additional employees and found that those employees also engaged in the same misconduct. The Bureau proposed the removal (i.e., termination) of all nine employees.

Due to the criminal implications of the conduct at issue, OIG opened this investigation into the fraudulent reporting of time and attendance by the subject employees. OIG's preliminary analysis not only confirmed significant discrepancies in time and attendance recording by the identified employees, but also indicated that the problem was much broader than a specific group of employees. OIG therefore expanded the scope of its investigation to include 40 current and former employees in the CHEC Office. Further, during the course of our investigation, OIG uncovered evidence of additional misconduct by certain CHEC employees, including the misuse of official position, whistleblower retaliation, and interfering with OIG's investigation.

Based on the findings in this report, the OIG made several recommendations regarding the misconduct and to address the problematic culture in the CHEC Office:

- Consider taking administrative action against CHEC Office employees as the Bureau deems necessary and appropriate, including the recovery of funds paid for time not worked.
- Consider a change in CHEC Office leadership and personnel.

- Review the Bureau's Alternative Work Schedule (AWS) and telework programs to ensure proper internal controls are in place and functioning correctly.
- Consider improving time and attendance policies and training.
- Consider providing comprehensive training regarding the federal rules governing hiring, including the ethics regulations that prohibit using public office for private gain and granting preferential treatment.
- Consider providing IT security training to discourage the sharing of passwords.
- Consider revising or developing CHEC Office policies and procedures to ensure adequate quality control mechanisms are in place.
- Consider conducting a review of CHEC Office contracts and procedures.



# **NIST** NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

The **National Institute of Standards and Technology** promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST carries out its mission via three programs:

***NIST Laboratories***—Conduct research that advances the nation’s technology infrastructure and is needed by U.S. industry to continually improve products and services.

***Hollings Manufacturing Extension Partnership***—Works with small- and mid-sized U.S. manufacturers through a nationwide network of 350 field offices to help them create and retain jobs, expand into new markets and new products, increase profits, and save time and money.

***Baldrige Performance Excellence Program***—Promotes performance excellence among U.S. manufacturers, service companies, educational institutions, health care providers, and nonprofit organizations through outreach programs and the annual Malcolm Baldrige National Quality Award.

## **AUDIT OF NIST QUALITY SYSTEM FOR MEASUREMENT SERVICES (OIG-15-038-M)**

The National Institute of Standards and Technology implemented the Quality System for Measurement Services (QSMS) in 2003. The QSMS contains specific policies and procedures established to meet NIST's technical standards, such as acceptance of requests for measurement services; technical procedures for calibrations; reference material certification measurements; staff qualifications, responsibilities, and training; control of technical records; and document development approval and control. For reference materials, it contains procedures for candidate material selection, identification, preparation, storage, and characterization. NIST has engaged in a process of continually improving its quality system through internal audits and a formalized process to track non-conformities. Non-conformities and related corrective actions are tracked by NIST management. The QSMS procedures are documented in the NIST Quality Manual.

As part of our FY 2015 work plan, we reviewed NIST's QSMS at the Boulder and Gaithersburg, Maryland, locations. The objective of our audit was to determine whether NIST Boulder manages its laboratories and divisions in accordance with QSMS policies and procedures. After assessing risk through documentation reviews, quality system staff interviews, and examinations of responses to questionnaires completed by staff of the four NIST divisions we queried, we did not identify significant risks to the QSMS. Therefore, we concluded our test work related to this audit assignment. However, we did identify four areas for improvement as follows:

- Time spent on quality management is not tracked.
- There is no designated backup for the NIST Quality Manager.
- NIST has not established a formal QSMS training program.
- Required internal audits have not been performed.

We recommended that the NIST Director and the Acting Associate Director for Laboratory Programs:

- Create a code in the time-and-attendance system to track time spent on QSMS activities and add language to NIST quality manuals making this a requirement.
- Formally appoint a backup for the NIST Quality Manager in case the manager is not available to facilitate the QSMS responsibilities.
- Establish a formal NIST quality training program for the staff who engage in QSMS activities.
- Ensure that all QSMS laboratories perform internal audits every 2 years as required.

## **NIST POLICE OFFICER ADMITS TO ATTEMPTING TO MANUFACTURE METHAMPHETAMINE**

On August 21, 2015, the U.S. Attorney's Office for the District of Maryland announced that a former police officer at NIST pleaded guilty to attempting to manufacture methamphetamine in a laboratory room on the NIST campus in Gaithersburg, Maryland, which resulted in an explosion.

According to the plea agreement, on July 18, 2015, the officer, a lieutenant with the NIST police force, reported to work at NIST. In the evening, the officer entered a room inside a NIST building in order to use equipment to manufacture methamphetamine under a chemical fume hood. While attempting to manufacture methamphetamine, the individual caused an explosion that damaged four of the room's windows. The shatterproof windows were found at distances ranging from 22 to 33 feet from the building. The individual suffered burns on his head and arm.

The individual faces a maximum sentence of 20 years in prison. A U.S. District Judge has scheduled sentencing for November 2015. OIG investigated this matter alongside the Federal Bureau of Investigation (FBI), U.S. Drug Enforcement Administration (DEA), and the Montgomery County (Maryland) Police Department.

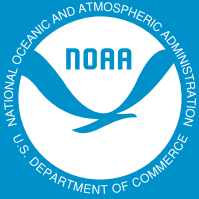
### **DIRECTOR OF CENTER FOR MANUFACTURING AND TECHNOLOGY PLEADS GUILTY TO FRAUD**

On June 11, 2015, the U.S. Attorney's Office for the District of South Carolina announced that a former director of the University of South Carolina's Center for Manufacturing and Technology (CMAT) pleaded guilty to wire fraud, a violation of 18 U.S.C. § 1343.

As director of CMAT, the individual submitted fraudulent documentation that allowed CMAT to obtain federal grant money through the Manufacturing Extension Partnership, a grant program at NIST. The fraudulent documentation indicated that work was completed for CMAT when it had not been. Additionally, the individual approved contracts and payments to shell corporations that were controlled by friends, family members, and herself for work that was not completed. In total, the former director submitted approximately \$336,000 worth of fraudulent documentation to the University, the government, and to the entity responsible for administering the grant money.

This matter was investigated by OIG with assistance from the FBI.





# NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The **National Oceanic and Atmospheric Administration** mission is to understand and predict changes in Earth's environment, as well as conserve and manage coastal and marine resources to meet our nation's economic, social, and environmental needs. NOAA does this through six line offices.

***National Environmental Satellite, Data, and Information Service***—Observes the environment by operating a national satellite system.

***National Marine Fisheries Service***—Conducts a program of management, research, and services related to the protection and rational use of living marine resources.

***National Ocean Service***—Provides products, services, and information to promote safe navigation, support coastal communities, sustain marine ecosystems, and mitigate coastal hazards.

***National Weather Service***—Reports the weather of the United States and provides weather forecasts and warnings to the general public.

***Office of Oceanic and Atmospheric Research***—Conducts research related to the oceans and Great Lakes, the lower and upper atmosphere, and the earth.

***Office of Marine and Aviation Operations***—Manages and operates NOAA ships and aircraft, which play a critical role in the collection of oceanographic, atmospheric, hydrographic, and fisheries data.



## **AUDIT OF THE GEOSTATIONARY OPERATIONAL ENVIRONMENTAL SATELLITE-R SERIES: LEADERSHIP MUST PROACTIVELY ADDRESS INTEGRATION AND TEST RISKS TO MAINTAIN REVISED LAUNCH SCHEDULE (OIG-15-030-A)**

NOAA's Geostationary Operational Environmental Satellites (GOES) have provided data for weather observation, research, and forecasting since 1975. The GOES-R series of satellites will incorporate the first technological advance in GOES instrumentation since the launch of the GOES I-M series, which began in 1994—and will have a longer expected operational life of a minimum of 8 years, versus 5 years, for previous GOES series.

The overall GOES-R program is managed by NOAA with two integrated NOAA/National Aeronautics and Space Administration (NASA) offices—the ground segment project and the flight segment project—as well as integrated supporting offices such as program systems engineering and program contracts. In September 2014, at a joint NOAA/NASA Program Management Council (PMC) meeting, NOAA leadership approved delaying the first GOES-R satellite's launch date from October 2015 to March 2016, due to late delivery of some flight segment components, and authorized the program to enter into the system assembly, integration and test, launch phase. (Since the issuance of report OIG-15-030-A, the launch of the first GOES-R satellite has been delayed to October 2016.)

Our objectives were to assess the adequacy of GOES-R development activities as the program completes the ground system and fabrication of flight instruments and the spacecraft, and transitions to system integration and test, per NOAA and NASA standards. We also monitored NOAA's progress in developing and vetting with stakeholders a comprehensive set of trade-off approaches to mitigate launch delays and its oversight of GOES-R systems engineering.

We found that

- A GOES-R launch delay has increased the length of a potential on-orbit backup satellite gap for the GOES constellation.
- The ground segment project initially lacked experienced lead engineering managers and consistent contracting office support.
- Planning and communications deficiencies forced two costly re-plans of core ground system development.

We recommended that the NOAA Administrator

- Establish a communications mechanism among Department of Commerce, NASA, and GOES-R spacecraft and ground system contractors' leadership, to foster rapid identification and resolution of system integration and test issues that could impact the GOES-R launch date.
- Establish a communications process that ensures stakeholders (including Congress) are provided with current GOES-R product availability schedules, leading up to and after launch.
- Ensure that future National Environmental Satellite, Data and Information Service (NESDIS) programs leverage NASA, or other organizations' ground systems engineering expertise early in the development cycle.
- Direct NOAA's Acquisition and Grants Office (AGO) to provide reporting metrics regarding GOES-R ground segment contracting actions or changes at monthly joint NOAA/NASA PMC meetings.

- Direct NESDIS and NOAA AGO to re-examine GOES-R contracting division staffing approach effectiveness.
- Ensure that future NESDIS acquisition programs have consistent and adequate contracting officer and specialist support.
- Direct NESDIS to provide reporting metrics regarding core ground system schedule delays at monthly joint NOAA/NASA PMC meetings.

### **COST ESTIMATES, LONG-TERM SAVINGS, MILESTONES, AND ENTERPRISE ARCHITECTURE POLICY ARE NEEDED FOR COMMON SATELLITE GROUND SYSTEM PROGRAM (OIG-15-032-I)**

To reduce costs and accelerate deployment of capabilities, NOAA is transitioning to an Enterprise Architecture (EA) approach for developing ground system capabilities supporting its environmental satellites. NOAA's program for implementing this approach is known as the Ground Enterprise Architecture Services (GEARS) program. NOAA's environmental satellite programs are managed by the National Environmental Satellite, Data, and Information Service (NESDIS). In collaboration with the National Aeronautics and Space Administration (NASA), NESDIS is responsible for seven major satellite programs with satellites that operate in geostationary, low-Earth (e.g., polar), and other orbits.

Our objectives for this review were to determine (1) the progress of NOAA's planning efforts and milestones for implementing a common satellite ground system architecture (i.e., an EA), and (2) whether NOAA's plans and efforts provide adequate consideration for system redundancy, security, and scalability. Our review covered NOAA's efforts from June 2013 to April 2015 and its plans to implement the architecture in the future.

We found that

- EA planning is underway, but cost estimates are needed to determine appropriate investment reviews and reporting.
- Planning is following best practices, but return on investment and plans and milestones beyond 2016 are yet to be determined.
- NESDIS is mostly compliant with EA guidance, but improvements are needed to enhance institutional commitment, quality assurance, information sharing, and IT security planning.

We recommended that the NOAA Administrator

- Develop a GEARS program cost estimate based on a defined time frame.
- Identify OMB, Department, and NOAA review and reporting requirements applicable to the program cost estimate.
- Identify and regularly communicate anticipated GEARS return on investment, milestones, and performance measures to NOAA, the Department, and Congressional stakeholders.
- Direct NESDIS to establish an EA policy.
- Direct NESDIS to establish an executive committee with adequate experience and training to review GEARS technical implementation, and ensure its members are included in the development and approval of plans.

- Establish an independent review team with adequate EA expertise to review GEARS.
- Direct NESDIS to implement an EA repository during planning.
- Direct NESDIS to identify methods and milestones for including IT security architects in GEARS development and determine milestones for management review of plans.
- Direct NESDIS to identify IT security weaknesses in legacy systems to be integrated or replaced by GEARS and ensure mitigations are included in GEARS transition plans.

### **INVESTIGATION INTO ENVIRONMENTAL STEWARDSHIP ON A NOAA RESEARCH VESSEL (14-0505)**

On September 1, 2015, OIG issued a report of its investigation based on a complaint by a former National Oceanic and Atmospheric Administration (NOAA) employee (complainant). The complainant alleged he was terminated for reporting that a NOAA research vessel violated the Federal Water Pollution Control Act (Clean Water Act or CWA), 33 U.S.C. §§ 1251 et seq., by routinely discharging oily bilgewater directly into the ocean. Our investigation included a review of a fuel spill from this same ship because of the overall implications on environmental stewardship practices.

OIG's investigation uncovered no evidence of retaliation against the complainant—but did discover numerous underlying violations by personnel from the engineering staff. Some officials initially argued that NOAA vessels fell within the CWA exemption for “public vessels,” and thus the improper discharges were not a violation of law. The OIG report details the specifics of how the public vessel exception was misapplied.

The investigation noted a general lack of oversight concerning engineering operations by several NOAA Commissioned Officer Corps on this ship, as well as a culture that discouraged environmental compliance efforts. Contributing factors to the incidents reported include stagnation and lack of rotation in the engineering staff.

In the report, OIG made recommendations that are abridged below:

- NOAA should take steps to replace aging vessels with more modern vessels designed to comply with current regulatory requirements when funding is available.
- For all ships in the NOAA Research Fleet, configuration changes should be tracked from inspection to inspection and among the different classes of ship to ensure NOAA Fleet Inspections personnel understand what changes have been made aboard each ship, aboard ships of the same class, and between each inspection.
- Shipboard Environmental Compliance Officers (ECOs) should be authorized to thoroughly and rigorously inspect engineering operations that may have an impact on environmental compliance. NOAA policy should strongly emphasize that commissioned NOAA Corps officers have priority rank over any civilian position, particularly in areas that involve safety and environmental compliance, especially over the engineering department.
- NOAA should consider making the Chief Marine Engineer (CME) position a NOAA Commissioned Corps officer, and establish a career track that extends to the Marine Engineering career field.
- NOAA should rotate the shipboard engineering crew at least once every 5 years to avoid stagnation and encourage re-evaluation of procedures on an ongoing basis.

- NOAA should ensure no nepotism exists among ship crews, either real or perceived, and take steps to rotate staff to address these potential issues.
- NOAA should provide additional training to its entire staff, including management and Commissioned Corps officers, on the importance of disclosing violations of law, policy and/or mismanagement to OIG, consistent with Department Administrative Order 207-10.
- NOAA should implement a compliance program whereby it provides additional environmental compliance training to all Office of Marine and Aviation Operations employees.
- NOAA should consider discipline for any employees involved in submitting false statements to the Environmental Protection Agency, or for falsifying Engineering Logs or Oil Record Books. NOAA should consider discipline for employees and NOAA Corps officers involved in the improper discharge of bilgewater in violation of Vessel General Permit requirements.
- NOAA should consider taking corrective action with employees and NOAA Corps officers involved in activities resulting in the fuel spill.

### **MEMBER OF CONGRESS AND ASSOCIATES INDICTED**

On July 29, 2015, the U.S. Attorney's Office for the Eastern District of Pennsylvania indicted a member of Congress and four of his associates for participating in a racketeering conspiracy. The indictment, which named Congressman Chaka Fattah Sr. and four others, cited 29 counts including bribery, money laundering, bank fraud, and false statements to a financial institution.

The indictment alleged that, in connection with his failed 2007 campaign to serve as mayor of Philadelphia, Fattah and certain associates perpetuated several schemes to extinguish campaign debts by issuing sham contracts and grants. One scenario included \$130,000 owed to a political consultant to whom Fattah and his associates allegedly arranged for the award of federal grant funds. According to the allegations in the indictment, Fattah directed the consultant to apply for a \$15 million grant (which ultimately the consultant did not receive) on behalf of a then non-existent nonprofit entity. In exchange for Fattah's efforts to arrange the award of the funds to the nonprofit, the consultant allegedly agreed to forgive the debt owed by the campaign.

Another of the five schemes with which Fattah and associates are charged is one OIG discovered and investigated, related to grant fraud involving the Educational Advancement Alliance, a recipient of a NOAA grant. The indictment alleged that the Educational Advancement Alliance obtained \$50,000 in federal grant funds to support a conference on higher education, even though the conference never took place. Instead, the grant funds were used to pay \$20,000 to a political consultant and \$10,000 to an attorney. Other funds were converted for personal use.

This matter was investigated by the FBI, IRS, and OIGs from the Departments of Justice and Commerce, as well as NASA OIG. While indictments and other charging documents indicate serious matters, all defendants are presumed innocent until proven otherwise.

### **ALLEGED CONTRACTING MISCONDUCT AND EXERTION OF IMPROPER INFLUENCE INVOLVING A SENIOR NATIONAL WEATHER SERVICE OFFICIAL (12-0447)**

On June 2, 2015, OIG issued a report detailing our investigation into allegations of impropriety involving a senior official at NWS who became a consultant to the agency immediately upon his retirement from federal service. Based on evidence obtained over the course of the investigation, OIG identified a number of problems related to the retention of this senior official as a consultant that indicated several agency officials lacked an understanding of key government contracting and ethics regulations.

As for the actions of the senior official himself, OIG concluded that he was personally and substantially involved in the procurement of his own post-retirement consulting services. This involvement implicated numerous federal laws and regulations, including the criminal conflict-of-interest statute found in 18 U.S.C. § 208. Specifically, the evidence obtained over the course of our investigation established that the senior official, while still holding his position as a federal employee, engaged in

- drafting and editing the applicable statement of work for his post-retirement consulting position;
- participating with NWS officials in setting what labor category and rates would be used to pay for his consulting services; and
- signing the task management plan that created the consulting position he would take upon his retirement on behalf of the contractor that would be employing him.

Additionally, evidence established that this senior official took inappropriate steps to arrange for NWS to pay approximately \$50,000 worth of his post-retirement housing expenses. In particular, while still holding his government position, the official instructed his direct subordinate to facilitate his post-retirement use of a National Marine Fisheries Service housing contract intended to accommodate high-ranking government employees on temporary assignments to NOAA headquarters.

Evidence obtained by OIG also established that, after he became a contractor himself, the subject contacted several NWS officials in an attempt to secure another contract position at the agency for one of his immediate family members. We concluded that the senior official's actions in attempting to influence the NWS staff were improper, and some of those actions may have implicated 18 U.S.C. § 201, the criminal statute prohibiting bribery of public officials.

As a result of our investigation and initial briefings with NOAA's senior leadership regarding the evidence, NOAA took immediate action to stop work on the senior official's task order in early 2012. In total, this senior official's post-retirement work as a consultant cost the government \$471,875.34. OIG did not issue formal recommendations in this report; however, we are seeking the suspension and debarment of the senior official from any future contracting work.

While our inquiry focused on the activities of the senior official specifically named in the complaints that prompted our investigation, we nonetheless concluded that several government officials beyond the subject of our investigation share responsibility for the events we investigated. In particular, evidence indicated that (1) the subject acted at the direction, and with the approval, of his supervisor at all times and (2) the subject's consulting arrangement was facilitated and approved by other officials with responsibility for ensuring integrity in government contracting.

Further, evidence from witness testimony during our investigation indicates that hiring former employees as consultants to do work similar to what they performed prior to retirement may well be a common practice. With this in mind, OIG is now taking steps to assess how common it is for NOAA employees to return as contractors after leaving full-time employment—including an audit, initiated in June 2015, of NWS awarding and administration of procurement actions that support its workforce. Our audit will seek to determine whether (1) existing contract control measures are functioning properly and (2) NOAA should implement additional safeguards to prevent abuses such as those uncovered by this investigation.

## CONGRESSIONAL TESTIMONY

### OIG TESTIMONY ON INVESTIGATING CONTRACT MISCONDUCT AT THE NATIONAL WEATHER SERVICE (12-0447-T)

On July 15, 2015, Mark Greenblatt (Deputy Assistant Inspector General for Compliance and Ethics, OIG) testified before a hearing of the House Committee on Science, Space, and Technology about post-employment consulting practices at NOAA's National Weather Service (NWS).

Mr. Greenblatt's testimony provided an overview of our investigation and its findings. He also noted additional action that OIG is taking as a result of these findings, including the OIG audit initiated in June 2015 of NWS awarding and administration of procurement actions that support its workforce.

Members of the House Committee on Science, Space, and Technology responded to Mr. Greenblatt's testimony with questions focused on a variety of topics, including the following:

- the reasons the Department of Justice declined to pursue this matter for prosecution
- the number of government officials who knew of or were involved in the activity investigated by OIG
- whether federal employees receive training on the government ethics violations detailed in OIG's investigative report
- whether any disciplinary action resulted from OIG's investigation
- whether OIG's investigation indicates an institutional failure on the part of the NWS when it comes to hiring contractors
- whether it is commonplace for federal employees to return to government agencies as consultants immediately upon their retirement from federal service, and whether it is typical for such employees to write their own consulting contracts
- the financial cost involved in retaining the services of former government employees as contractors

Members of the Committee also expressed an interest in learning the outcome of the audit initiated by the OIG as a result of its investigative findings, once those results become available.





# NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

The **National Telecommunications and Information Administration** serves as the executive branch's principal adviser to the President on domestic and international telecommunications and information policy issues. NTIA manages the federal use of the electromagnetic spectrum, provides grants for national information and public broadcasting infrastructure projects, and performs telecommunications research and engineering. It works to enhance citizens' access to cable television, telephone, and other telecommunications services, and educates state and local governments and other entities on ways to use information technology and telecommunications more effectively.



## **AUDIT OF FIRSTNET WORKFORCE AND RECRUITING CHALLENGES, PARTICIPATION AND DISCRETIONARY OUTREACH EVENTS, AND INTERNAL CONTROL (OIG-15-036-A)**

We initiated an audit of the First Responder Network Authority's (FirstNet) technical development of the Nationwide Public Safety Broadband Network (NPSBN). Our modified objective was to assess FirstNet's efforts and progress to developing the NPSBN—including establishing an organizational structure, conducting initial consultation and outreach, and finalizing a network design.

We found that FirstNet

- faces hiring challenges and places significant responsibility on a few key individuals, and has also encountered difficulties in hiring and maintaining staff for other key positions.
- can improve planning for discretionary outreach events designed to educate and engage stakeholders in the public safety community throughout the U.S. and territories.
- is not consistently executing its established controls to provide and document adequate review.
- did not meet its original goal of scheduling initial state consultation meetings with each jurisdiction, a significant factor in ensuring the successful deployment and implementation of the NPSBN.

We recommended that FirstNet's Acting Executive Director:

- Develop a comprehensive plan, including an execution strategy, to identify how FirstNet will use its limited outreach resources to participate in discretionary outreach events throughout the country;
- Establish and implement procedures to monitor progress against this comprehensive plan; and
- Instruct personnel to follow established controls and documentation requirements.



# UNITED STATES PATENT AND TRADEMARK OFFICE

The **United States Patent and Trademark Office** administers the nation's patent and trademark laws. Patents are granted and trademarks registered under a system intended to provide incentives to invent, invest in research, and commercialize new technology. USPTO also collects, assembles, publishes, and disseminates technological information disclosed in patents.

## **USPTO NEEDS TO STRENGTHEN PATENT QUALITY ASSURANCE PRACTICES (OIG-15-026-A)**

In FY 2011 USPTO's Office of Patent Quality Assurance (OPQA), in response to stakeholder concerns about patent quality, expanded its procedures to include assessments of the quality of an examiner's initial search and whether preliminary decisions conformed to best practices. At the same time, USPTO also revised how it measured the quality of each examiner's work product through annual performance assessments.

We conducted this audit to assess USPTO's quality assurance programs. Our audit objectives were to (1) determine the sufficiency of USPTO's quality assurance program's processes to prevent the issuance of low-quality patents and (2) assess the additional quality reviews performed to measure examiner performance and ensure that examiners are fully qualified to issue patent determinations without supervisory review.

We found that

- USPTO's performance appraisal plan and related policies are ineffective at measuring whether examiners are issuing high-quality patents.
- USPTO's official quality metrics may underrepresent the true error rate.
- USPTO is not collecting data that could improve patent quality.
- USPTO's response to patent mortgaging may not discourage abuse.

We recommended that the Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

- Refine supervisory guidance, processes, and performance plans to effectively measure patent examiner quality efforts and distinguish levels of performance—including taking steps to avoid the disincentives for supervisors to charge errors to examiners when assessing performance under the requirements set forth in the examiner performance appraisal plans.
- Strengthen OPQA's (a) independent quality review procedures to ensure their consistent application, particularly with respect to the application of new case law and how errors are categorized, and (b) internal audit process, by minimizing the predictable nature of the audit steps and allowing for the identification of the informal practices followed by some OPQA reviewers.
- Use available databases and systems to collect information on patent applications reviewed and errors found, to improve USPTO's ability to identify quality trends.
- Develop and document additional controls to better detect and monitor the practice of patent mortgaging and continue to ensure consistent application of USPTO disciplinary policies that address instances of it.

## **AUDIT OF USPTO'S UNLIQUIDATED OBLIGATION BALANCES (OIG-15-041-A)**

Our objective was to evaluate the effectiveness of USPTO's obligation and deobligation review policies and procedures implemented in response to our June 2013 audit report, which reviewed the Department's unliquidated obligation balances as of December 31, 2011. In that report, we concluded that Department-wide controls over the management of unliquidated obligations needed strengthening. Further, effective management of outstanding obligation balances allows agencies to review and deobligate unneeded funds, promoting a better use of federal resources.

In this follow-up audit, we found that overall controls and procedures USPTO implemented in response to the report were effective in reducing and managing unliquidated obligation balances and that USPTO had achieved the intent of our recommendations. As a result of implementation of these procedures and management's focus on the management of obligation balances, USPTO was able to reduce excess unliquidated balances by more than 90 percent since our last review. We found that USPTO generally addressed the intent of our original recommendations related to the monitoring of outstanding balances. Our conclusion was based on our review of the adequacy of procedures and their effectiveness in monitoring and reducing unliquidated obligation balances.

We recommended that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office instruct the Director of USPTO Office of Finance to:

- follow up on the remaining obligations identified in this report to ensure that, if they are no longer needed then proper action is taken; and
- update its obligation review policies to conduct quarterly reviews.

#### **ALLEGED TIME AND ATTENDANCE ABUSE BY A PATENT EXAMINER (15-0076)**

In August 2014, two supervisory patent examiners at USPTO walked into their offices and found copies of the same anonymous letter, which made allegations about the work performance of an examiner (Examiner A). OIG consequently initiated this investigation and issued an August 19, 2015, report—which substantiated that Examiner A committed at least 730 hours of time and attendance abuse, resulting in the payment of approximately \$25,500 for hours not worked in FY 2014 alone. The number of Examiner A's unsupported hours in FY 2014 amounted to approximately 43 percent of the total hours he certified for the fiscal year.

In light of the evidence obtained over the course of the investigation, OIG concluded that there was sufficient evidence to support a finding that Examiner A violated 18 U.S.C. §§ 287, 641, and 1001, 5 C.F.R. § 2635.101, and USPTO's policy on work schedules.

Examiner A resigned from his position immediately prior to a scheduled interview with OIG investigators. In an instant message to a co-worker on the day of his resignation, Examiner A stated that the Patent Office Professional Association, the union representing patent examiners, advised him that he could keep his official personnel file free of any derogatory information if he resigned before the OIG interview. At the conclusion of the investigation, Examiner A declined an opportunity to review the draft report and provide comments.

In light of the findings contained in the report, the OIG made the following recommendations:

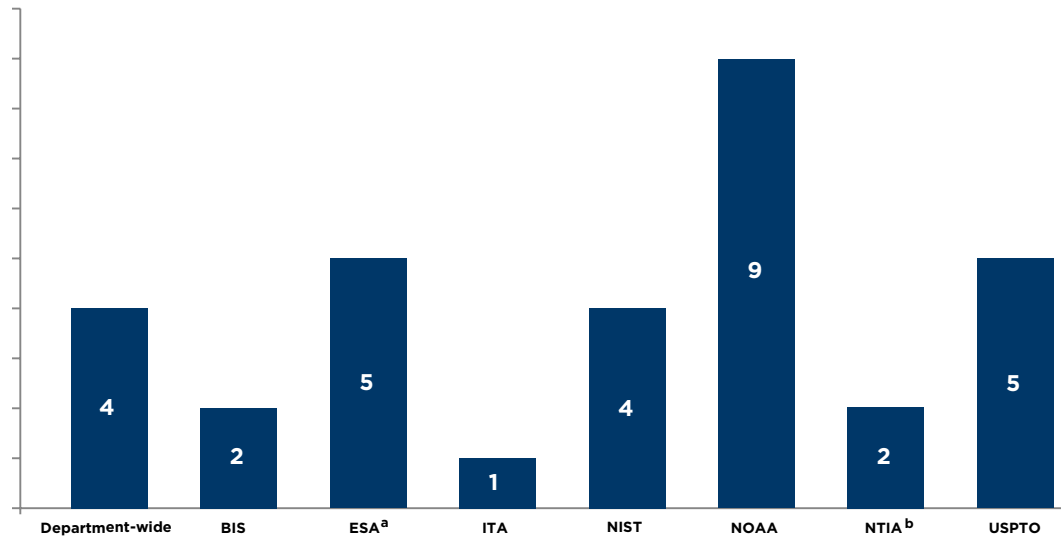
- USPTO management should consider investigating whether Examiner A fraudulently certified hours in FY 2015.
- USPTO management should consider consulting with the relevant USPTO officials, including legal counsel and Patent Office Professional Association, to implement a plan to legally recover—voluntary or involuntarily—the funds Examiner A fraudulently received in FY 2014, and any other payments for work that he did not perform during FY 2015.
- USPTO management should consider the feasibility and cost-effectiveness of (1) restoring backup tapes containing the virtual private network(VPN) and workstation data from FYs 2012 and 2013, (2) investigating whether Examiner A fraudulently certified hours in those years, and (3) recovering funds Examiner A fraudulently received, if applicable. In assessing these issues, USPTO management should also consider the benefits that such restoration would provide in connection with future investigations.

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- In light of Examiner A's apparent decision to resign to preserve "a clean slate [with] no conduct or performance record," USPTO management should consider taking action that would note these findings in Examiner A's personnel file.
  - USPTO management should consider reassessing the current controls to monitor the time and attendance of its employees, providing supervisors with patent examiner schedules, and requiring the presence indicator to reflect actual work presence.
  - USPTO management, in conjunction with the Office of the Chief Information Officer, should consider retaining the data stored in its servers, including VPN and workstation event data, for at least a 3-year period, as the current retention period of 1 year severely limits both agency and OIG investigations.
  - USPTO should consider reinstating its requirement that employees use their USPTO-issued ID badges to exit through the access control turnstiles during weekday working hours.
  - USPTO should consider implementing a semiannual or annual review of the time and attendance of employees who receive an "Unacceptable" annual performance rating.
  - USPTO should consider modifying its Performance Appraisal Plan and applicable Human Resources policies regarding employees with below standard performance to address individuals who receive consecutive "Unacceptable" annual performance ratings.

# WORK IN PROGRESS

## WORK IN PROGRESS (BY OVERSIGHT AREA)

During this reporting period, 32 OIG audit and evaluation projects were initiated or underway.



<sup>a</sup> All five ESA works in progress concern the Census Bureau.

<sup>b</sup> The NTIA works in progress concern the Broadband Technology Opportunities Program (BTOP) and FirstNet.

## DEPARTMENT-WIDE

### Top Management Challenges Facing the Department in FY 2016

To highlight the most significant management challenges facing the Department of Commerce (as required annually by the Reports Consolidation Act of 2000).

#### Audit of FY 2015 FISMA Compliance

To assess the effectiveness of the Department's information security program and practices—specifically, the Department's and selected bureaus' policies and procedures and selected IT systems.

#### Audit of Department's FY 2015 Consolidated Financial Statements

To determine whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit will also consider the Department's internal control over financial reporting and test compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

#### Complying with Uniform Guidance on Fees Under Federal Assistance Awards

To provide background discussion of how costs were previously considered and the changes outlined in the new Uniform Guidance; discuss implementation of the new Guidance, including potential issues that may arise; offer recommendations for the Department moving forward.

## **BUREAU OF INDUSTRY AND SECURITY**

### **Audit of Bureau of Industry and Security's Continuous Monitoring Strategy and Practices**

To assess whether BIS's continuous monitoring strategy and practices—including ongoing security control assessments of its critical information systems—provide adequate information for authorizing officials to make proper risk-based decisions.

### **Audit of BIS USXPORTS Adoption and CUESS Implementation**

To determine whether BIS is (1) effectively and efficiently managing its transition toward using the USXPORTS system to perform export licensing processing and (2) using effective and efficient software development practices for CUESS.

## **ECONOMICS AND STATISTICS ADMINISTRATION**

### **Audit of the Census Bureau's Regional Office Realignment and Field Management Reforms**

To determine whether the bureau is meeting, or on pace to meet, its goals of reduced cost and improved efficiency and responsiveness, while maintaining data quality across the many surveys it conducts annually.

### **Audit of the 2015 Census Test (Maricopa County, Arizona)**

To assess the Census Bureau's progress for determining whether enumerators are able to use mobile devices to collect household data during the 2015 Census Test as well as the status of the Bureau's efforts to overcome policy and legal issues associated with the use of employee-owned mobile devices. We will also assess the effectiveness of the Bureau's reengineered and automated operational control system to manage field work.

### **Audit of the U.S. Census Bureau's Efforts to Continuously Update the MAF-TIGER Database and the LUCA Program in Preparation for the 2020 Decennial Census**

To assess the methods and costs of continuously updating the Master Address File (MAF) Topologically Integrated Geographic Encoding Reference System (TIGER) database (MTdb), determine how efforts, such as the 2015 Address Validation Test, support the accuracy of the MAF, and evaluate preparation of the Local Update of Census Addresses (LUCA) program for the 2020 decennial census.

### **Audit of the Census Bureau's Unliquidated Obligations**

To evaluate the effectiveness of the Census Bureau's obligation and deobligation review policies and procedures that were implemented since our 2013 report *Monitoring of Obligation Balances Need Strengthening* (OIG-13-026-A; June 18, 2013).

### **Audit of the Census Bureau's Working Capital Fund**

To evaluate the budgetary controls over the fund; to assess the controls in place to develop reimbursement formulas, the relationship of reimbursements to client services, the appropriateness of the level of fund balances, and the extent of compliance with appropriation language.

## **INTERNATIONAL TRADE ADMINISTRATION**

### **Audit of the Department's Trade-Related Operations in China**

To assess the Department's trade-related operations in China, including management, administrative, and financial arrangements for the Department's bureaus and units operating in China. Audit will focus primarily on the International Trade Administration's (ITA) U.S. & Foreign Commercial Service, the bureau with the largest presence in China, which also accommodates personnel from other Departmental bureaus at post.

## **NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY**

### **Audit of NIST's Oversight of Contracts**

To determine whether (1) NIST has managed and administered contracts in accordance with federal and Departmental guidelines, policies, and procedures, and (2) officials with performance monitoring responsibilities possess the requisite training, technical expertise, and certification of qualifications.

### **Audit of NIST's Management of Unliquidated Obligation Balances**

To evaluate the effectiveness of NIST's obligation and deobligation review policies and procedures that were implemented since our 2013 report *Monitoring of Obligation Balances Need Strengthening* (OIG-13-026-A; June 18, 2013).

### **Audit of Controls over NIST's Working Capital Fund**

To evaluate the budgetary controls over the fund; to assess the controls in place to develop reimbursement formulas, the relationship of reimbursements to client services, the appropriateness of the level of fund balances, and the extent of compliance with appropriation language.

### **Audit of NIST Security and Foreign National Access**

To determine whether NIST has adequate processes and procedures to ensure that foreign nationals have the proper access limitations to NIST facilities and information systems.

## **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION**

### **Audit of the National Marine Fisheries Service's (NMFS) Observer Program**

To understand how effectively NMFS has evaluated and implemented alternative fishery monitoring options, innovations, and methods in the National Observer Program.

### **Audit of NOAA's Polar Satellite Follow-on Planning and JPSS Implementation**

To determine the progress of polar satellite follow-on program planning, monitor ongoing JPSS acquisition and development, and assess the extent of potential data gaps.

### **Audit of the Office of Coastal Protection and Restoration Authority (CPRA) Grant Number NMA11NMF4630150**

To determine whether CPRA complied with grant terms and conditions and applicable laws and regulations, has met the 15 percent matching share requirement, and claimed reasonable and allowable costs under the grant award.

### **Audit of NOAA Hurricane Sandy Disaster Relief Funds**

To determine whether NOAA adequately followed federal and departmental guidelines in awarding and monitoring Hurricane Sandy relief funds for repair and replacement of equipment damaged by Hurricane Sandy.

### **Audit of NOAA's IT Security Practices**

To determine the significant factors that contributed to the successful cyberattack on NOAA information systems and evaluate NOAA's handling of the detection, analysis, eradication, and reporting of the attack, as well as recovery from it.

### **Audit of Controls over Contractor Services Used to Support NWS Workforce**

To evaluate whether NWS has adequate controls in place to ensure compliance with applicable laws and regulations for personnel support acquired through service contracts.

### **Audit of GOES-R Integration and Test Activities**

To assess the adequacy of NOAA's Geostationary Operational Environmental Satellite-R Series (GOES-R) integration and test activities in preparation for launch and data distribution, per NOAA



and NASA standards. We will also monitor the program's progress in developing and reporting on flight and ground segment contracting actions and changes to minimize cost increases.

### **Audit of the National Ocean Service (NOS) Sole-Source Contract Regarding Gulf Oil Spill**

To determine whether the Department's Office of Acquisition Management effectively evaluated the acquisition risk and properly documented the justification of awarding sole-source contracts in its response to the Deepwater Horizon oil spill that began on April 10, 2010, in the Gulf of Mexico.

### **Audit of the NOAA Fisheries Finance Program**

To evaluate the program's effectiveness and management controls, including those related to compliance and loan monitoring.

## **NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION**

### **Audit of First Responder Network Authority's Efforts to Address Federal Agency Challenges**

To assess FirstNet's effectiveness in addressing federal agency challenges with respect to the development and planned operation of the NPSBN.

### **Audit of Broadband Technology Opportunities Program (BTOP) Inventory Excess**

To review BTOP grantees' inventory of excess equipment to (1) determine whether grantees purchased equipment beyond program needs for commercialization (i.e., whether grantees warehoused equipment), (2) assess NTIA's procedures for identifying recipients maintaining excess inventory, and (3) evaluate NTIA's procedures for disposition of excess BTOP award inventory, including construction equipment and vehicles.

## **U.S. PATENT AND TRADEMARK OFFICE**

### **Audit of USPTO's Contracts Awarded Using Other Than Full and Open Competition**

To determine whether USPTO's noncompetitive contract awards were properly justified.

### **Audit of USPTO Office of Trademark's Activity-Based Information System**

To review allocation algorithms and controls of USPTO's Activity-Based Information (ABI) system and determine whether the Office of Trademark's use of ABI justifies and supports fee changes.

### **Audit of USPTO's FY 2015 Financial Statement**

To determine whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit will also consider the USPTO's internal control over financial reporting and test compliance with certain provisions of laws, regulations, and contracts that could have a direct and material effect on the financial statements.

### **Audit of USPTO's Inventory of Hoteling Employees' Equipment**

To assess the effectiveness of USPTO's controls over inventory and equipment used by hoteling employees

### **Audit of the Intellectual Property Rights Attaché Program**

To assess the Intellectual Property Rights Attaché Program's management controls, focusing primarily on the effectiveness and efficiency of program management and the validity of program expenditures.

# STATISTICAL DATA

The Inspector General Act Amendments of 1988 require us to present the statistical data contained in tables 1–8.

TABLES	Page
1. Office of Investigations Statistical Highlights for This Period	46
2. Audit Resolution and Follow-up	47
3. Audit, Evaluation, and Inspection Statistical Highlights for This Period	48
4. Audits with Questioned Costs	49
5. Audits with Recommendations That Funds Be Put to Better Use	49
6. Report Types for This Period	50
6-a. Performance Audits	51
6-b. Evaluations and Inspections	52
6-c. Published Investigative Reports	52
7. Single Audit and Program-Specific Audits	53
7-a. Processed Reports with Material Audit Findings	53
8. Audits Unresolved for More Than 6 Months	53

## TABLE 1. OFFICE OF INVESTIGATIONS STATISTICAL HIGHLIGHTS FOR THIS PERIOD

**Investigative activities** cover investigations opened and closed by OIG; arrests by OIG agents; indictments and other criminal charges filed against individuals or entities as a result of OIG investigations; convictions secured at trial or by guilty plea as a result of OIG investigations; and fines, restitution, and all other forms of financial recoveries achieved by OIG as a result of investigative action.

**Allegations processed** present the number of complaints from employees, stakeholders, and the general public that were handled by our Complaint Intake Unit. Of these, some resulted in the opening of investigations; others were referred to bureaus for internal administrative follow-up. Others were unrelated to Departmental activities or did not provide sufficient information for any investigative follow-up and so were not accepted for investigation or referral. Fines and other financial recoveries refer only to agreements that a judge accepted.

<b>Allegations Received<sup>a</sup></b>	
Total hotline contacts	961
Of which, are complaints related to Commerce programs	323
Number of hotline referrals to Commerce management	235
<b>Investigative Caseload</b>	
Investigations opened this period	28
Investigations closed this period	41
Investigations in progress as of September 30, 2015	90
<b>Prosecutive Actions and Monetary Results</b>	
Indictments/Informations	5
Arrests	0
Convictions	3
Monetary Issues Identified (waste, questioned costs, recoveries, and fines.)	\$1,782,249
<b>Administrative Actions</b>	
Suspension/Debarment	2
Disciplinary action	4

<sup>a</sup> OIG is in the process of implementing a new case management system for investigations, which does not yet have any analytics or reporting functionality. As a result, all data included in this table should be considered to be estimated.

## TABLE 2. AUDIT RESOLUTION AND FOLLOW-UP

The Inspector General Act Amendments of 1988 require us to present in this report audits issued before the beginning of the reporting period (April 1, 2015) for which no management decision had been made by the end of the period (September 30, 2015). Ten audit reports remain unresolved for more than 6 months for this reporting period (see table 8, page 53).

**Audit resolution** is the process by which the Department of Commerce reaches an effective management decision in response to audit reports. **Management decision** refers to management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

Department Administrative Order 213-5, *Audit and Evaluation Resolution and Follow-up*, provides procedures for management to request a modification to an approved audit action plan or for a financial assistance recipient to appeal an audit resolution determination. The following table summarizes modification and appeal activity during the reporting period.

Report Category	Modifications	Appeals
Actions pending (April 1, 2015)	0	3
Submissions	0	0
Decisions	0	3
Actions pending (September 30, 2015)	0	0

### TABLE 3. AUDIT, EVALUATION, AND INSPECTION STATISTICAL HIGHLIGHTS FOR THIS PERIOD

**Audits** comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions.

**Evaluations and inspections** include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

Questioned costs <sup>a</sup>	\$556,681
Value of audit recommendations that funds be put to better use <sup>b</sup>	\$48,180,722
Value of audit recommendations agreed to by management <sup>c</sup>	\$12,243

These amounts include costs questioned by state and local government auditors or independent public accountants.

<sup>a</sup> **Questioned cost:** This is a cost questioned by OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>b</sup> **Value of audit recommendations that funds be put to better use:** This results from an OIG recommendation that funds could be used more efficiently if Department management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in pre-award reviews of contracts or grant agreements; or (6) any other savings specifically identified.

<sup>c</sup> **Value of audit recommendations agreed to by management:** This is the sum of (1) disallowed costs and (2) funds put to better use that are agreed to by management during resolution. Disallowed costs are the amount of costs that were questioned by the auditors or the agency action official and subsequently determined—during audit resolution or negotiations by a contracting officer—not to be charged to the government.

**TABLE 4. AUDITS WITH QUESTIONED COSTS**

See table 3 for a definition of “questioned cost.” An **unsupported cost** is a cost that is not supported by adequate documentation at the time of the audit. Questioned costs include unsupported costs.

<b>Report Category</b>	<b>Number</b>	<b>Questioned Costs (\$)</b>	<b>Unsupported Costs (\$)</b>
A. Reports for which no management decision had been made by the beginning of the reporting period	6	885,494	586,994
B. Reports issued during the reporting period	5	556,681	112,164
<b>Total reports (A+B) requiring a management decision during the period</b>	<b>11</b>	<b>1,442,175</b>	<b>699,158</b>
C. Reports for which a management decision was made during the reporting period <sup>a</sup>	7	564,290	12,234
i. Value of disallowed costs		12,243	12,193
ii. Value of costs not disallowed		552,056	41
D. Reports for which no management decision had been made by the end of the reporting period	4	877,885	686,924

<sup>a</sup> In category C, lines i and ii do not always equal the total in line C because resolution may result in values greater than the original recommendations.

**TABLE 5. AUDITS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

See table 3 for a definition of “recommendation that funds be put to better use.”

<b>Report Category</b>	<b>Number</b>	<b>Value (\$)</b>
A. Reports for which no management decision had been made by the beginning of the reporting period	0	0
B. Reports issued during the reporting period	2	48,180,722
<b>Total reports (A+B) requiring a management decision during the period</b>	<b>2</b>	<b>48,180,722</b>
C. Reports for which a management decision was made during the reporting period <sup>a</sup>	0	0
i. Value of recommendations agreed to by management	0	0
ii. Value of recommendations not agreed to by management	0	0
D. Reports for which no management decision had been made by the end of the reporting period	2	48,180,722

<sup>a</sup> In category C, lines i and ii do not always equal the total in line C because resolution may result in values greater than the original recommendations.

## TABLE 6. REPORT TYPES FOR THIS PERIOD

**Performance audits** are engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

**Evaluations and inspections** include evaluations, inquiries, and similar types of reviews that do not constitute an audit or investigation. An inspection is defined as a process that evaluates, reviews, studies, or analyzes the programs and activities of a department or agency to provide information to managers for decision making; make recommendations for improvements to programs, policies, or procedures; and identify where administrative action may be necessary.

**Published investigative reports** memorialize the evidentiary findings, analysis, and conclusions of certain OIG investigations. Investigations are different from evaluations and other types of OIG reviews as they are initiated to resolve specific allegations, generally dealing with violations of law, regulations, or policies. In investigations, OIG collects evidence through a variety of methods, including witness interviews, subpoenas, and document requests, and examines that evidence to determine whether allegations are substantiated. OIG publishes certain investigative reports in the interest of increased transparency and accountability.

Type	Number of Reports	Table Number
Performance audits	9	Table 6-a
Evaluations and inspections	6	Table 6-b
Published investigative reports	6	Table 6-c
<b>Total</b>	<b>21</b>	

TABLE 6-A. PERFORMANCE AUDITS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
<b>Economics and Statistics Administration</b>					
2020 Census: The 2014 Census Test Misses An Opportunity to Validate Cost Estimates and Establish Benchmarks for Progress	OIG-15-044-A	09.30.2015	0	0	0
<b>Economic Development Administration</b>					
The Economic Development Administration Faces Challenges in Effectively Monitoring Its Revolving Loan Funds	OIG-15-031-A	06.05.2015	46,458,670	0	0
<b>National Institute of Standards and Technology</b>					
Audit of NIST Quality System for Measurement Services	OIG-15-038-M	08.14.2015	0	0	0
<b>National Oceanic and Atmospheric Administration</b>					
Audit of the Geostationary Operational Environmental Satellite-R Series: Leadership Must Proactively Address Integration and Test Risks to Maintain Revised Launch Schedule	OIG-15-030-A	05.28.2015	0	0	0
<b>National Telecommunications and Information Administration</b>					
Audit of FirstNet's Workforce and Recruiting Challenges, Participation at Discretionary Outreach Events, and Internal Control	OIG-15-036-A	08.14.2015	0	0	0
<b>Office of the Secretary</b>					
Inaccurate Reporting of Undefined Actions in the Federal Procurement Data System-Next Generation	OIG-15-033-A	06.19.2015	0	0	0
The Department Must Strengthen Controls over Premium-class Travel Justification, Approval, and Reporting	OIG-15-034-A	08.06.2015	0	112,164	112,164
<b>U.S. Patent and Trademark Office</b>					
USPTO Needs to Strengthen Patent Quality Assurance Practices	OIG-15-026-A	04.10.2015	0	0	0
Audit of USPTO's Management of Unliquidated Obligation Balances	OIG-15-041-A	09.04.2015	1,722,052	0	0

**TABLE 6-B. EVALUATIONS AND INSPECTIONS**

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
<b>Economics and Statistics Administration</b>					
Control Deficiencies Related to the Overtime Approval Process at a Census Bureau Regional Office	OIG-15-040-M	08.19.2015	0	0	0
<b>National Oceanic and Atmospheric Administration</b>					
Cost Estimates, Long-Term Savings, Milestones, and Enterprise Architecture Policy Are Needed for Common Satellite Ground System Program	OIG-15-032-I	06.11.2015	0	0	0
<b>Office of the Secretary</b>					
Incorporating Audits into Contract Administration Planning and Performance at the Department of Commerce	OIG-15-027-M	04.29.2015	0	0	0
FY 2014 Compliance with Improper Payment Requirements	OIG-15-029-I	05.15.2015	0	0	0
Letter to Senate Committee on Homeland Security and Governmental Affairs re: the Department's FOIA Response Process	OIG-15-037-M	08.14.2015	0	0	0
Nonfederal Audit Results for the 6-Month Period Ending June 30, 2015	OIG-15-042-M	09.20.2015	0	0	0

**TABLE 6-C. INVESTIGATIVE PUBLIC REPORTS**

Report Title	Report Number	Date Issued
<b>Economics and Statistics Administration</b>		
Review of Census Sole Source Award	OIG-14-0408	06.03.2015
Alleged Time and Attendance Fraud in the Census Check Office	OIG-14-0790	09.15.2015
<b>National Oceanic and Atmospheric Administration</b>		
Review of Alleged NWS Contracting Misconduct	OIG-12-0447	06.03.2015
OIG Investigation into Environmental Stewardship on a NOAA Research Vessel	OIG-14-0505	09.01.2015
<b>Office of the Secretary</b>		
Review of Alleged Misconduct and Waste of Government Resources by a Senior Official	OIG-14-0153	08.27.2015
<b>U.S. Patent and Trademark Office</b>		
OIG Investigation into Alleged Time and Attendance Abuse by a Patent Examiner	OIG-15-0076	08.19.2015



## TABLE 7. SINGLE AUDIT AND PROGRAM-SPECIFIC AUDITS

OIG reviewed and accepted 6 program-specific audit reports prepared by independent public accountants. The reports processed with questioned costs, recommendations that funds be put to better use, and/or nonfinancial recommendations are listed in table 7-a.

Agency	Audits
National Institute of Standards and Technology	5
National Telecommunications and Information Administration	1
<b>Total</b>	<b>6</b>

## TABLE 7-A. PROCESSED REPORTS WITH MATERIAL AUDIT FINDINGS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
<b>National Institute of Standards and Technology</b>					
Wiss, Janey, Elstner Associates	OIG-15-05076	04.28.2015	0	5,775	0
MesoCoat Inc.	OIG-15-05086	05.06.2015	0	52,641	0
MesoCoat Inc.	OIG-15-05092	05.06.2015	0	230,283	0
Precision Biosciences	OIG-15-05080	09.16.2015	0	155,818	0

## TABLE 8. AUDITS UNRESOLVED FOR MORE THAN 6 MONTHS

<b>National Institute of Standards and Technology</b>	<b>Five nonfederal audits of financial assistance grants awarded to Massachusetts Manufacturing Extension Partnership for FY2008–2012.</b> NIST and OIG continue to work to resolve these audits.
<b>National Institute of Standards and Technology</b>	<b>Five nonfederal audits of financial assistance grants awarded to Florida Manufacturing Extension Partnership for FY 2008–2012.</b> NIST and OIG continue to work to resolve these audits.

# REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages of this report.

Section	Topic	Page
4(a)(2)	Review of Legislation and Regulations	54
5(a)(1)	Significant Problems, Abuses, and Deficiencies	8–41
5(a)(2)	Significant Recommendations for Corrective Action	8–41
5(a)(3)	Prior Significant Recommendations Unimplemented	54
5(a)(4)	Matters Referred to Prosecutorial Authorities	46
5(a)(5) and 6(b)(2)	Information or Assistance Refused	55
5(a)(6)	Listing of Audit Reports	8–41
5(a)(7)	Summary of Significant Reports	8–41
5(a)(8)	Audit Reports—Questioned Costs	49
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	49
5(a)(10)	Prior Audit Reports Unresolved	55
5(a)(11)	Significant Revised Management Decisions	55
5(a)(12)	Significant Management Decisions with Which OIG Disagreed	55
5(a)(14)	Results of Peer Review	56

## SECTION 4(A)(2): REVIEW OF LEGISLATION AND REGULATIONS

This section requires the inspector general of each agency to review existing and proposed legislation and regulations relating to that agency's programs and operations. Based on this review, the inspector general is required to make recommendations in the semiannual report concerning the impact of such legislation or regulations on (1) the economy and efficiency of the management of programs and operations administered or financed by the agency or (2) the prevention and detection of fraud and abuse in those programs and operations. Comments concerning legislative and regulatory initiatives affecting Departmental programs are discussed, as appropriate, in relevant sections of the report.

## SECTION 5(A)(3): PRIOR SIGNIFICANT RECOMMENDATIONS UNIMPLEMENTED

This section requires identification of each significant recommendation described in previous semiannual reports for which corrective action has not been completed. Section 5(b) requires that the Secretary transmit to Congress statistical tables showing the number and value of audit reports for which no final action has been taken, plus an explanation of why recommended action has not occurred, except when the management decision was made within the preceding year. Information on the status of any audit recommendations can be obtained through OIG upon request.

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## **SECTIONS 5(A)(5) AND 6(B)(2): INFORMATION OR ASSISTANCE REFUSED**

These sections require a summary of each report to the Secretary when access, information, or assistance has been unreasonably refused or not provided.

We reported to the Secretary about our terminated audit of ITA's efforts to conduct quality and timely trade remedy determinations. Both ITA and the Department's OGC raised concerns that providing us access to the business proprietary information we requested as part of the audit would be a violation of the Tariff Act of 1930, as amended—and, in conjunction with the Federal Trade Secrets Act, could expose the Department to potential criminal litigation and penalties. After 2 months of trying to get access to the information, we had no choice but to terminate the stalled audit because of the Department's refusal to provide the requested information.

In addition, on a semiannual basis, we respond to requests from the U.S. House of Representatives Committee on Oversight and Government Reform—as well as a joint request from the chairs of the United States Senate Committee on Homeland Security and Governmental Affairs and the Committee on the Judiciary—to report on unimplemented recommendations and issues related to information access.

## **SECTION 5(A)(10): PRIOR AUDIT REPORTS UNRESOLVED**

This section requires (1) a summary of each audit report issued before the beginning of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report); (2) an explanation of why a decision has not been made; and (3) a statement concerning the desired timetable for delivering a decision on each such report. There are 10 nonfederal audit reports concerning two NIST grant recipients, which are more than 6 months old for which no management decision has been made. (See table 8.)

## **SECTION 5(A)(11): SIGNIFICANT REVISED MANAGEMENT DECISIONS**

This section requires an explanation of the reasons for any significant revision to a management decision made during the reporting period. Department Administrative Order 213-5, *Audit and Evaluation Resolution and Follow-up*, provides procedures for revising a management decision. For financial assistance audits, OIG generally must concur with any decision that would change the audit resolution proposal in response to an appeal by the recipient. There are no appeals pending at the end of this period.

## **SECTION 5(A)(12): SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREED**

This section requires information concerning any significant management decision with which the inspector general disagrees. Department Administrative Order 213-5 provides procedures for elevating unresolved audit recommendations to higher levels of Department and OIG management, including their consideration by an audit resolution council. During this period, no audit issues were referred.

**SECTION 5(A)(14): RESULTS OF PEER REVIEW**

The most recent peer review of the Office of Audit and Evaluation was conducted in 2015 by the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB OIG). FRB OIG's *System Review Report* of our audit operations is available on our website. We received a *pass* rating, the highest available rating. We have implemented all of FRB OIG's recommendations for process and policy improvements.

On March 2, 2015, OIG's Office of Investigations received official notification that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards established by CIGIE and the applicable Attorney General Guidelines. The peer review was conducted by the Federal Reserve Board OIG.

# ACRONYMS AND ABBREVIATIONS

<b>BIS</b>	Bureau of Industry and Security	<b>GOES-R</b>	Geostationary Operational Environmental Satellite-R Series
<b>BTOP</b>	Broadband Technology Opportunities Program	<b>IT</b>	information technology
<b>CHEC</b>	Census Hiring and Employment Office	<b>ITA</b>	International Trade Administration
<b>CICA</b>	Competition in Contracting Act	<b>JPSS</b>	Joint Polar Satellite System
<b>CIGIE</b>	Council of Inspectors General on Integrity and Efficiency	<b>NASA</b>	National Aeronautics and Space Administration
<b>CMAT</b>	Center for Manufacturing and Technology	<b>NESDIS</b>	National Environmental Satellite, Data, and Information Service
<b>CRT</b>	Coordinated Review Team	<b>NIST</b>	National Institute of Standards and Technology
<b>EA</b>	Enterprise Architecture	<b>NMFS</b>	National Marine Fisheries Service
<b>EDA</b>	Economic Development Administration	<b>NOAA</b>	National Oceanic and Atmospheric Administration
<b>ESA</b>	Economics and Statistics Administration	<b>NOS</b>	National Ocean Service
<b>FAR</b>	Federal Acquisition Regulation	<b>NPSBN</b>	Nationwide Public Safety Broadband Network
<b>FirstNet</b>	First Responder Network Authority	<b>NTIA</b>	National Telecommunications and Information Administration
<b>FISMA</b>	Federal Information Security Management Act of 2002	<b>NWS</b>	National Weather Service
<b>FOIA</b>	Freedom of Information Act	<b>OGC</b>	Office of General Counsel
<b>GAO</b>	Government Accountability Office	<b>OIG</b>	Office of Inspector General
<b>GEARS</b>	Ground Enterprise Architecture Services	<b>OLC</b>	Office of Legal Counsel
<b>GOES</b>	Geostationary Operational Environmental Satellite	<b>OMB</b>	Office of Management and Budget

<b>OPM</b>	Office of Personnel Management	<b>RCE</b>	Request for Continued Examination
<b>OPQA</b>	Office of Patent Quality Assurance	<b>RLF</b>	Revolving Loan Fund
<b>QSMS</b>	Quality Systems for Measurement Services	<b>USPTO</b>	U.S. Patent and Trademark Office



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