



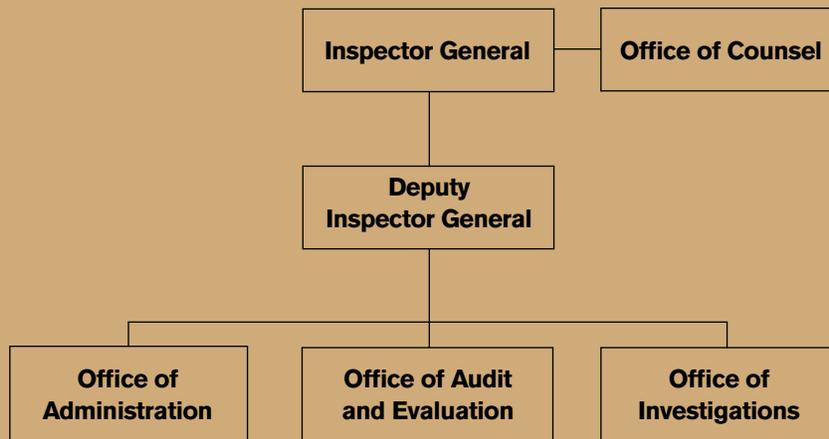
**U.S. Department of Commerce  
Office of Inspector General**

# Semiannual Report to Congress

**September 2013**



# 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  
 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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**U.S. Department of Commerce  
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# TABLE OF CONTENTS

<b>01</b>	<b>FROM THE INSPECTOR GENERAL</b>
<b>02</b>	<b>TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT</b>
<b>06</b>	<b>OVERSIGHT AREAS</b>
<b>06</b>	<b>DEPARTMENT-WIDE MANAGEMENT</b>
<b>16</b>	<b>ECONOMIC DEVELOPMENT ADMINISTRATION</b>
<b>20</b>	<b>ECONOMICS AND STATISTICS ADMINISTRATION</b>
<b>22</b>	<b>INTERNATIONAL TRADE ADMINISTRATION</b>
<b>24</b>	<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</b>
<b>28</b>	<b>NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION</b>
<b>30</b>	<b>UNITED STATES PATENT AND TRADEMARK OFFICE</b>
<b>34</b>	<b>AMERICAN RECOVERY AND REINVESTMENT ACT</b>
<b>38</b>	<b>WORK IN PROGRESS</b>
<b>42</b>	<b>STATISTICAL DATA</b>
<b>50</b>	<b>REPORTING REQUIREMENTS</b>
<b>52</b>	<b>ACRONYMS AND ABBREVIATIONS</b>

# FROM THE INSPECTOR GENERAL

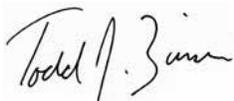
I am pleased to present the Department of Commerce Office of Inspector General's *Semiannual Report to Congress* for the 6 months ending September 30, 2013.

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 issued 11 audits, inspections, and responses to Congressional requests addressing programs overseen by the Economic Development Administration, National Oceanic and Atmospheric Administration, U.S. Patent and Trademark Office, and the Department itself.

A summary of our proposed top management challenges facing the Department in fiscal year 2014 appears on page 2. We will work closely with the Department and Congress in the months ahead to meet these and other challenges facing Commerce as it fulfills its complex mission.

Pursuant to the Whistleblower Protection Enhancement Act of 2012, OIG designated a whistleblower protection ombudsman to educate Department employees about prohibitions on retaliation for protected disclosures, as well as the rights and remedies against retaliation for those who have made or are contemplating making a protected disclosure. Training will be officially rolled out during the next semiannual period and detailed in the March 2014 *Semiannual Report to Congress*.

We thank 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. We also welcome Secretary Penny Pritzker to the Department and look forward to forging a close association with her.



TODD J. ZINSER

# TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT

The Reports Consolidation Act of 2000 requires inspectors general to identify the top management challenges facing their departments. In June 2013, OIG issued to the Department and its agencies a memorandum that previewed what OIG would discuss in further detail in the upcoming fiscal year (FY) 2014 *Top Management Challenges Facing the Department of Commerce*. We identified five major challenges that represent cross-cutting issues with a focus on the President's most important goals and longstanding Departmental management concerns. Our report will be issued in November 2013.

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## 1. STRENGTHEN COMMERCE INFRASTRUCTURE TO SUPPORT THE NATION'S ECONOMIC GROWTH

As reflected in the President's FY 2014 proposed budget, the Department is a key player in the federal government's efforts to stimulate economic growth and job creation. Several bureaus, which hold pivotal roles in providing the infrastructure for economic growth, face a variety of challenges. We have identified two key areas for management attention:

- promoting U.S. exports while protecting national security interests
- enhancing economic growth through intellectual property and wireless initiatives

## 2. STRENGTHEN OVERSIGHT OF NOAA PROGRAMS TO MITIGATE POTENTIAL SATELLITE COVERAGE GAPS, ADDRESS CONTROL WEAKNESSES IN ACCOUNTING FOR SATELLITES, AND ENHANCE FISHERIES MANAGEMENT

NOAA plays a critical role in protecting life and property, as well as supporting national economic vitality. To achieve these missions, NOAA must overcome the challenges associated with the acquisition, accounting, and operation of weather satellites and has to balance the competing interests concerning marine fisheries. We have identified three key areas for management attention:

- enhancing weather satellite development and mitigating potential coverage gaps
- addressing material weakness over satellite accounting
- enhancing fisheries management

## 3. CONTINUE ENHANCING CYBERSECURITY AND MANAGEMENT OF INFORMATION TECHNOLOGY INVESTMENTS

Pervasive and sustained cyber attacks against the United States could have a devastating effect on federal and nonfederal systems, disrupt the operations of governments and businesses, and impact the lives of the American people. The President's FY 2014 budget requires that agencies

eliminate duplicative or low-value IT investments while expanding efforts to counter current and evolving cyber threats. Accordingly, we identify five areas for management attention:

- establishing a robust capability to respond to cyber incidents
- continuing sustainable implementation of enterprise cybersecurity initiatives
- preserving the Chief Information Officer's oversight responsibility of satellite-related IT investments
- continuing vigilant oversight of IT investments
- maintaining momentum in consolidating commodity IT<sup>1</sup> to cut costs

#### **4. EXERCISE STRONG PROJECT MANAGEMENT CONTROLS OVER 2020 CENSUS PLANNING TO CONTAIN COSTS**

The decennial census is a highly visible, decade-long program that requires extensive planning and testing. The Census Bureau has promised bold design changes for the 2020 Census, seeking to reduce per household costs (on an inflation-adjusted basis) to an amount lower than the 2010 Census. To reach this goal, the Bureau must complete research and testing early enough in the decade to plan and build the necessary infrastructure for the projected workload and workforce. The Bureau will be making key 2020 Census design decisions during FYs 2015–16 that drive the program's methodology, quality, and cost. As a result of our 2010 Census oversight, we noted challenges the Census Bureau faces to innovate its 2020 Census design. The Bureau has partially addressed some of our recommendations; however, more work remains. We have identified two key areas for management attention:

- ensuring timely design decision making
- focusing on human capital management, timely research, and testing implementation

#### **5. CONTINUE TO FOSTER A CULTURE OF MANAGEMENT ACCOUNTABILITY TO ENSURE RESPONSIBLE SPENDING**

As the government experiences an extended period of tightened budgets, it is imperative to foster a culture of management accountability. OIG operates a complaint hotline for information about alleged wrongdoing, misconduct, or mismanagement. OIG's determination to audit, investigate, or provide the complaint information to Departmental or bureau management for appropriate action helps to instill a culture of ethical conduct and ensure that spending is appropriate, complies with laws and regulations, and promotes investments with long-term benefits. In response to complaints about mismanagement of appropriated funds within NOAA's National Weather Service (NWS) in 2010 and 2011, the Department conducted an internal inquiry that highlighted mismanagement of budgetary resources throughout NWS. While the Department and NOAA have taken steps to address the findings identified in the internal inquiry, additional work is needed. In addition, the lack of centralized financial reporting capability impedes the Department's ability to oversee and manage Department-wide financial activities. While the Department has developed plans to replace legacy systems, significant financial reporting challenges remain. Our audits also indicate that reducing the use of high-risk contracts remains a challenge for the Department. Other priorities include stricter oversight of the Department's annual acquisition of approximately \$2.4 billion in goods and services. Finally, an additional challenge is to strengthening bureaus'

<sup>1</sup> According to OMB, *commodity IT* includes "IT infrastructure (data centers, networks, desktop computers and mobile devices); enterprise IT systems (e-mail, collaboration tools, identity and access management, security, and web infrastructure); and business systems (finance, human resources, and other administrative functions)." See Office of Management and Budget, August 8, 2011. *Chief Information Officer Authorities*, Memorandum M-11-29. Washington, DC: OMB, 2.

oversight of Departmental programs that award grants or cooperative agreements due to the potential for misuse of federal funds by award recipients. We have identified five key areas for management attention:

- responding to concerns of mismanagement and ethical violations
- implementing stricter controls over funds
- modernizing the enterprise financial management system to strengthen financial oversight
- strengthening controls over high-risk contract actions and developing the acquisition workforce
- addressing grant management issues





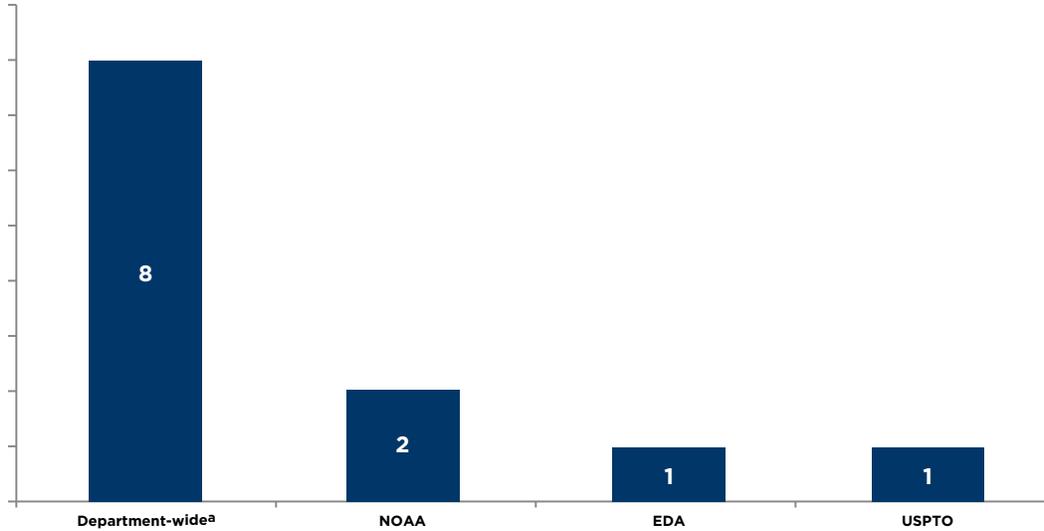
# DEPARTMENT-WIDE MANAGEMENT

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 decennial 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 11 audits, inspections, and responses to Congressional requests, and testified before Congress once.



<sup>a</sup> Department-wide completed works include 1 testimony.

**INTERNAL CONTROLS FOR COMMERCE PURCHASE CARD TRANSACTIONS NEED TO BE STRENGTHENED (OIG-13-025-A)**

In September 2011, we began an audit on transactions initiated during fiscal year (FY) 2011 to determine whether the Department had adequate transaction-level internal controls over the use of purchase cards. During this time period, Department staff used 4,515 purchase cards for 265,423 transactions, spending \$118,628,549.

We selected approximately 850 transactions for testing through a stratified random sample, ensuring that transactions from all bureaus were included and that results could be projected to the entire Department. We also projected bureau-specific results for the Census Bureau, NOAA, and NIST, because those bureaus represented the highest volume users of purchase cards.

Our audit found that transaction documentation was incomplete, procedural issues existed, transactions were improper or questionable, and cardholders and approving officials did not obtain annual refresher training.

We recommended that the Department’s Chief Financial Officer and Assistant Secretary for Administration

- direct cardholders to document purchase requests and approvals, budget approvals, and bona fide government needs for purchase card transactions;
- strengthen the monthly purchase card reconciliation process;
- ensure that purchases are equitably distributed among qualified vendors and that agencies determine the most efficient and effective method of obtaining services (e.g., insourcing versus outsourcing, purchase cards versus other procurement tools);

- develop policies and procedures to ensure that purchase card files are retained when cardholders or approving officials end employment with the Department or otherwise discontinue their functions as cardholders or approving officials;
- improve training—as well as tracking and monitoring—for cardholders and approving officials on regulations over the use of purchase cards;
- ensure that the Department's Electronic Transmission of Personally Identifiable Information policy is consistent with the *Commerce Acquisition Manual (CAM)*; and
- ensure that the *CAM's* record retention requirements expressly state the National Archives and Records Administration requirements.

## Obligations

An *obligation* is the amount of an order placed, contract awarded, or service purchased during an accounting period, which requires future payment.

An *unliquidated* obligation is an amount of money that has been designated for a specific purpose but has not been disbursed.

Obligations must be liquidated within certain time limits. If unobligated funds are not used for their original purpose within these time frames, the agency is required to release the funds for other allowable purposes or, depending on restrictions placed by Congress, return the money to the U.S. Treasury.

## MONITORING OF OBLIGATION BALANCES NEEDS STRENGTHENING (OIG-13-026-A)

As of December 31, 2011, the Department's unliquidated obligations exceeded \$9.9 billion. Of this amount, \$147 million in obligations were recorded in fiscal year 2006 or earlier. This is particularly important because susceptibility for misuse increases as the obligation ages.

We reviewed the Department's unliquidated obligation balances as of December 31, 2011, to assess whether the Department and bureaus have adequate controls over the management and closeout of unliquidated obligations. We examined a sample of obligations with balances as of December 31, 2011, and identified 49 obligation balances, totaling \$18.4 million, that could have been deobligated. NOAA and NTIA incurred 70 percent of the Department's unliquidated obligations. More than 60 percent of the unliquidated obligations were for grant funding.

Specifically, we found that original obligation balances could not be verified; accounting records did not accurately reflect Department obligations; bureaus did not know the status of obligation balances; obligation balances as of December 31, 2011, could not be verified; and bureaus improperly liquidated contract obligations.

Our findings included monetary benefits to the Department—in the form of estimated obligations that needed to have been deobligated by December 31, 2011—in the amount of \$159 million.

We recommended that the Office of the Secretary

- develop a Department-wide initiative related to the timely liquidation, deobligation, and closure of unneeded open obligations;
- enhance policies and procedures to include specific, comprehensive guidance for the consistent monitoring and deobligation of unliquidated obligation balances, as well as ongoing Departmental oversight;
- develop guidance and training on the quarterly verification of open obligations;
- investigate each specific instance noted in the report where contract obligations may have been liquidated against an incorrect fiscal year funding source or charged to the wrong account; and
- provide training on the proper methodology for funding invoices of multiple-year contracts.

## LETTER TO REPRESENTATIVE ISSA REGARDING OPEN AND UNIMPLEMENTED RECOMMENDATIONS (OIG-13-028-I)

In response to a Congressional request, the Inspector General provided information about the status of OIG's open and unimplemented recommendations. (*Open* recommendations are unresolved; *unimplemented* recommendations have approved action plans, but the bureaus have not yet completed their implementation of the recommendations.)

Of the 746 recommendations contained in OIG performance audit, evaluation, and inspection reports issued January 1, 2007–June 21, 2013, 20 recommendations were still open and 163 were still unimplemented at the time of this letter to Representative Issa. (Not included are classified or sensitive nonpublic recommendations, recommendations in financial statement audits, or those addressed to specific nonfederal entities in connection with audits of financial assistance awards.) The cumulative estimated cost savings associated with these open and unimplemented OIG recommendations is \$385.3 million. OIG's top open and unimplemented recommendations concern Departmental contracts, Departmental IT security, and NOAA environmental satellite programs.

## STATUS OF DEPARTMENTAL ACTIONS TO CORRECT NATIONAL WEATHER SERVICE MISMANAGEMENT OF FUNDS (OIG-13-029-I)

In June 2012, the U.S. Senate Appropriations Subcommittee for Commerce, Justice, Science, and Related Agencies asked OIG to review materials and findings from the Department's May 2012 *Internal Inquiry into Alleged Mismanagement of Funds Within the National Weather Service* report. We reviewed the actions taken by the Department and NOAA to address identified weaknesses to determine the adequacy of such actions in addressing issues arising from NWS's FY 2012 reprogramming requests. Our review compared actions against what was directed in the separate May 2012 decision memorandums from then-Deputy Secretary Rebecca Blank and then-Under Secretary of Commerce for Oceans and Atmosphere Jane Lubchenco.

Our review found that the Department and NOAA have taken steps to address the findings identified in the Department's internal inquiry, some of which were still ongoing as of our March 2013 end of fieldwork. Since May 2012, the Department and NOAA completed 15 out of 20 of their planned action items. We noted that the Department and NOAA need to take additional steps to ensure that budget formulation processes at line offices and the bureau are transparent and accountable, provide training to certain NOAA officials, and review NOAA's financial management team.

We recommended that the Department's Chief Financial Officer take appropriate action to

- issue an informational notice alerting Departmental staff to the OIG online hotline complaint process;
- ensure, for future inquiries, that Departmental offices are aware of the requirement to obtain and keep documentation supporting data requests and conclusions reached;
- provide a training module for NOAA managers and employees on reporting complaints of fraud, waste, abuse, and mismanagement at NOAA;

### Mismanagement of National Weather Service (NWS) Funds

In 2010 and 2011, the Department and OIG received a series of complaints about mismanagement of funds within NWS. In May 2012, the Department issued a report that found—in addition to the unauthorized reprogramming of NWS funds in FYs 2010 and 2011—significant management, leadership, budget, and financial control problems at NWS that resulted in Antideficiency Act violations.

Later that month, then-Deputy Secretary Rebecca Blank and then-Under Secretary of Commerce for Oceans and Atmosphere Jane Lubchenco issued separate decision memoranda, which required specific actions for correcting the conditions leading to the report's findings. These decision memoranda required Departmental actions on 20 distinct activities, including audits, organizational reporting adjustments, and changes to budget formulation and execution processes.

- evaluate the impact of Departmental senior executive training on the overall proficiency related to managing human, financial, and informational resources; and
- document an analysis of NOAA's financial management leadership that addresses improper past practices and how the current leadership team can provide effective financial management direction.

### Results of Investigation—NWS Reprogramming of Funds

Subsequent to the issuance of the Department's May 2012 inquiry report, OIG also received a hotline complaint alleging that unauthorized reprogramming at NWS had continued despite ongoing administrative inquiries and alleged knowledge of unauthorized reprogramming by NOAA leadership. Based on this complaint—and the Department's and NOAA's May 2012 report covering only FYs 2010 and 2011—we conducted an investigation focusing on whether senior leadership within NOAA, including NWS, had knowledge of unauthorized reprogramming, and whether unauthorized reprogramming occurred beyond the period covered by the joint Department–NOAA inquiry. We interviewed 20 NOAA officials, including the former NOAA Chief Financial Officer and current Chief of Resources and Operations Management. The former Assistant Administrator for NWS had retired and declined to be interviewed.

Our investigation did not find evidence that NOAA senior leadership had specific knowledge that unauthorized reprogramming activities were occurring within NWS at the time these activities occurred. However, both this investigation and the May 2012 Department–NOAA report preceding it identified a series of events and circumstances that should have alerted senior NWS and NOAA officials at the time these activities were occurring. Testimonial evidence reflects that the then-NWS Assistant Administrator, the NWS Deputy Assistant Administrator, and the then-NOAA Chief Financial Officer were made aware of funding concerns, specifically involving the Advanced Weather Interactive Processing System (AWIPS) program (activities later found to constitute unauthorized reprogramming). These programs were, over several years, consistently behind schedule and faced with budget issues well known in NWS and NOAA, but senior leaders failed to take appropriate action. We concluded that senior leaders' failure to address concerns repeatedly voiced to them by subordinate program managers allowed unauthorized reprogramming activities to occur at NWS over multiple fiscal years. Our report of investigation was referred to NOAA on September 30, 2013, for appropriate action.

### Executive Order 13526: Classified National Security Information

Executive Order 13526 prescribes a uniform system effective June 27, 2010, for classifying, safeguarding, and declassifying national security information. In addition to controlling the amount and duration of classification and sharing classified information more freely, order 13526 outlines mandatory training requirements for those with classification authority.

The Department of Commerce is responsible for both implementing national policies and establishing Departmental policies to ensure that such information is adequately safeguarded when necessary and appropriately shared whenever possible. Its Office of Security is responsible for overseeing all security management.

### CLASSIFIED INFORMATION POLICIES AND PRACTICES AT THE DEPARTMENT OF COMMERCE NEED IMPROVEMENT (OIG-13-031-A)

The Reducing Over-Classification Act of 2010 (Public Law 111-258) mandates that the inspector general of each department or agency with an officer or employee authorized to make original classification decisions conduct two evaluations to promote the accurate classification of information. The first evaluation must be completed by September 30, 2013; a second, to be completed by September 30, 2016, must review progress made after the first.

Our audit found that the Department has generally adopted policies, procedures, rules, and regulations prescribed by order 13526. However, we identified areas where the Department could improve certain classification policies, procedures, rules, and regulations:

- The Department must ensure its policies and practices are consistent with federal requirements. Some documents are not being received and reviewed timely for declassification or destruction, and some derivative classification documents contained marking deficiencies.
- Oversight and internal control processes need improvement. Data reported in the Security Manager database were inaccurate, and poor inventory practices contributed to inaccurate information.

We recommended that the Director, Office of Security

- ensure that the document custodian take action to finalize the disposition of the three documents identified with expired declassification dates;
- require container custodians to be responsible for the classified documents in the container(s) they control;
- amend the *Security Manual* to align with the language in Executive Order 13526 regarding markings on derivatively classified documents, as well as update biennial training on classification markings for derivatively generated documents;
- improve the process for entering accurate data into Security Manager and develop guidance addressing the processes to be followed for annual classified information inventory reviews; and
- incorporate any relevant changes made as a result of recommendations in this report as part of the Office of Security's annual reviews of the Department's classified information.

#### **LETTER TO THE HOUSE COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY REGARDING THE DEPARTMENT'S USE OF PERSONAL AND/OR ALIAS E-MAIL ACCOUNTS TO CONDUCT OFFICIAL GOVERNMENT BUSINESS**

In May 2012, the Inspector General responded to Representative Lamar Smith and House Committee on Science, Space, and Technology members with the results of OIG's inquiry into the Department's use of personal and/or alias e-mail accounts to conduct official government business. (For the purposes of this inquiry, *personal e-mail account* was defined as an account established with a commercial internet service provider such as Yahoo!, Gmail, or Hotmail. *Unofficial alias e-mail account* was defined as a Departmental email account where the name or position of the account holder is not readily apparent. *Official alias account* was defined as a Department-established e-mail account with a clearly identifiable account holder or purpose, such as one using an individual account holder's title or a group account holder's function.)

With a focus on the Office of the Secretary, NOAA, and NIST, OIG's inquiry examined various policies and procedures and included interviews with senior leadership within the Department, the Department's Chief Information Officer (CIO), and other relevant CIO staff from the Department, NIST, and NOAA.

OIG's examination could not determine the extent to which personal e-mail accounts were used by Commerce employees to conduct official business because the Department does not have the technology, policies, or procedures in place to provide this information. However, OIG found the following:

- Current Departmental policy and procedures regarding the use of personal or alias e-mail accounts for official business are only found in a "Remote Access Policy" and, therefore, not interpreted as a blanket policy.

- There is a lack of consistent, adequate training regarding the use of personal or alias e-mail accounts for official business.
- There is no record of adverse personnel action resulting from the use of personal or unofficial alias e-mail accounts for official business.
- Senior Departmental officials have neither encouraged the use of personal or unofficial alias email for official business nor used personal or unofficial alias e-mail for official business, except for incidental instances.

To ensure proper records management of all e-mails containing official business, and to facilitate transparency and oversight, OIG recommended that the Department's CIO, in coordination with the CIOs of each bureau

- finalize the pending policy revision to ensure the Department has a clear, comprehensive policy prohibiting the use of personal e-mail for conducting official business; and
- clearly communicate Commerce policies regarding the use of personal e-mails to all Commerce employees (e.g., through initial and annual refresher IT training presentations).

#### **CONGRESSIONAL TESTIMONY (OIG-13-023-T)**

On April 11, 2013, the Inspector General testified before the Senate Appropriations' Subcommittee on Commerce, Justice, Science, and Related Agencies about the Department's \$11.7 billion FY 2014 budget request. He noted that the Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation and, like other federal agencies, faces significant challenges in the upcoming year. After summarizing the management and performance challenges facing the Department, he focused on challenges specifically related to NOAA satellites, 2020 Census, U.S. Patent and Trademark Office, and Departmental operational controls and oversight.

#### **AUDITS OF COMMERCE FUND RECIPIENTS BY NONFEDERAL INDEPENDENT AUDITORS (REVIEWED BY OIG DURING THE 6 MONTHS ENDING SEPTEMBER 30, 2013)**

In addition to undergoing OIG-performed audits, certain recipients of Department of Commerce financial assistance or cost-reimbursable contracts are periodically examined by state and local government auditors and by independent public accountants. OMB Circular A-133 establishes requirements for most of these audits. For-profit organizations audited in accordance with *Government Auditing Standards (GAS)* include those that receive NIST awards from both the Technology Innovation Program (TIP) and the Measurement and Engineering Research and Standards (MERS) program. Some for-profit organizations are audited in accordance with other specific audit guides. These include Advanced Technology Program awards that are audited in accordance with the NIST *Program-Specific Audit Guidelines for Advanced Technology Program Cooperative Agreements*, as well as BTOP awards that are audited in accordance with the NTIA *Program-Specific Audit Guidelines for the Broadband Technology Opportunities Program*.

We examined 105 audit reports during this semiannual period to determine whether they contained audit findings related to departmental programs. For 52 of these reports, the Department acts as an oversight agency and monitors the audited entity's compliance with OMB Circular A-133, *Government Auditing Standards*, or program-specific reporting requirements. The other 53 reports cover entities for which other federal agencies have oversight responsibility. We identified 15 reports with material findings related to the Department.

Report Category	OMB A-133 Audits	Program-Specific Audits	Total
Pending Review (April 1, 2013)	16	3	19
Received	117	25	142
Examined	86	19	105
Pending Review (March 31, 2013)	47	9	56

The following table shows a breakdown by bureau of approximately \$855 million in Department funds audited through the A-133 or program-specific guidelines.

Agency	Funds
Census Bureau	268,986
Economic Development Administration	19,761,353
International Trade Administration	85,554
Minority Business Development Administration	0
National Institute of Standards and Technology <sup>a</sup>	11,669,864
National Oceanic and Atmospheric Administration	4,421,723
National Telecommunications and Information Administration <sup>b</sup>	113,338,682
Multi-bureau	705,123,540
<b>Total</b>	<b>854,669,702</b>

<sup>a</sup> Includes \$8,363,222 in program-specific audits; A-133 audits account for the remaining amount of \$3,306,642.

<sup>b</sup> Includes \$35,006,706 in program-specific audits; A-133 audits account for the remaining amount of \$78,331,976.

The audits identified a total of \$4,752,629 in the federal share of questioned costs, \$3,847,014 in federal unsupported costs and \$3,215,149 in funds to be put to better use. In most reports, the subject programs were not considered major programs; thus, the audits involved limited transaction and compliance testing against laws, regulations, and grant terms and conditions. The 15 reports with departmental findings are listed in table 7-a on page 49.

### RESULTS OF NONFEDERAL AUDITS FOR THE 6-MONTH PERIOD ENDING JUNE 30, 2013 (OIG-13-030-M)

OIG's report contained an analysis of findings identified in nonfederal audit reports from January 1 through June 30, 2013, noted trends in the types of findings reported and summarized findings by Departmental program.

### FINAL TWO MULTIMILLION DOLLAR GUILTY PLEAS IN PRICE-FIXING CASE

During this semiannual reporting period, two Japanese shipping companies pled guilty and were convicted for their roles in a conspiracy to fix certain fees in the provision of freight forwarding services for air cargo shipments from Japan to the U.S. between September 2002 and November 2007. The two companies were fined over \$15.4 million and \$3.5 million, respectively, and each was placed on probation for 24 months. During this reporting period we also confirmed another shipping company had been ordered to pay restitution in excess of \$10.4 million for violations in this case. As a result of this multiyear investigation, a total of 16 companies were convicted

and paid criminal fines totaling more than \$120 million for conspiring to suppress and eliminate competition by fixing certain components of freight forwarding service fees (i.e., fuel surcharges and security fees) charged to customers for services provided in connection with shipments of air cargo to the U.S. The investigation was conducted in conjunction with the Department of Justice's Antitrust Division–National Criminal Enforcement Section and the Federal Bureau of Investigation's Washington Field Office. Additional details have been provided in the past four *Semiannual Reports to Congress*.

#### **DEPARTMENTAL EMPLOYEE DISCIPLINED FOR TIME AND ATTENDANCE ABUSE**

In April 2013, the Department deducted over 130 hours of annual, sick, and compensatory leave from an employee's leave balance after our investigation determined the employee failed to record it on time sheets over a 7-month period. The leave was valued at over \$8,200. Moreover, we found the employee's responses during the interview with us lacked candor and credibility. The U.S. Department of Justice declined criminal prosecution in lieu of administrative action. The Department corrected the employee's leave balance and issued the employee a "last chance letter" for misconduct.





# 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.

## **MALWARE INFECTIONS ON EDA'S SYSTEMS WERE OVERSTATED AND THE DISRUPTION OF IT OPERATIONS WAS UNWARRANTED (OIG-13-027-A)**

In December 2011, the Department of Homeland Security (DHS) notified the Department of Commerce that it detected a potential malware infection within the Department's systems. The Department determined the infected components resided within IT systems operating on the Herbert C. Hoover Building (HCHB) network and informed EDA and another agency of a potential infection in their IT systems.

In January 2012—believing it had a widespread malware infection—EDA requested that the Department isolate its IT systems from the HCHB network. This action resulted in the termination of EDA's operational capabilities for enterprise e-mail and website access, as well as regional office access to database applications and information residing on servers connected to the HCHB network. Given the Department's limited incident response capabilities and the perceived extent of the malware infection, the Department and EDA decided to augment the Department's incident response team. Additional incident response support was provided by DHS, the Department of Energy, NIST, and the National Security Agency, as well as a cyber security contractor. In early February 2012, EDA entered into an agreement with the Census Bureau to provide interim e-mail capability, Internet access to EDA staff, and Census Bureau surplus laptops for EDA staff.

In accordance with the Federal Information Security Management Act of 2002 (FISMA), we evaluated EDA's IT security program and the events surrounding the December 2011 cyber incident response and recovery efforts. We found that (1) EDA based its critical cyber-incident response decisions on inaccurate information, (2) deficiencies in the Department's incident response program impeded EDA's incident response, and (3) misdirected efforts hindered EDA's IT system recovery. Because of a series of missteps in responding to this incident, a common malware infection originally found on two EDA computers was portrayed as a widespread cyber attack on its IT infrastructure. This resulted in a prolonged disruption of normal business operations and the unnecessary spending of more than \$2.7 million for its recovery activities.

We recommended that EDA's Deputy Assistant Secretary

- identify EDA's areas of IT responsibility and ensure the implementation of required security measures;
- determine whether EDA can reduce its IT budget and staff expenditures, through the increased efficiencies of EDA's involvement in the Department's shared services; and
- ensure that EDA does not destroy additional IT inventory that was taken out of service as a result of this cyber incident.

We also recommended that the Department's Chief Information Officer

- ensure the Department's Computer Incident Response Team (DOC CIRT) can appropriately and effectively respond to future cyber incidents,
- ensure incident response procedures clearly define DOC CIRT as the incident response coordinator for the bureaus relying on DOC CIRT's incident response services, and
- ensure that DOC CIRT management has proper oversight and involvement in cyber incidents to ensure that required incident response activities take place.

**BILL FOR COLLECTION ISSUED TO EDA GRANTEE FOR CONFLICTS OF INTEREST, SENIOR EDA OFFICIAL COUNSELED FOR LACK OF OVERSIGHT, AND NEW PROCEDURES INSTITUTED FOR GRANTS MANAGEMENT FOR ALL EDA EMPLOYEES**

In April 2010, we initiated an investigation into multiple allegations of conflicts of interest by an EDA grantee as well as into EDA's management and oversight of the award. Our investigation found that the president of the awardee organization had a personal financial interest in another company associated with the grant, in violation of EDA policy. The president received monetary benefits despite several EDA employees and officials being aware of the apparent conflict of interest. In addition, the grantee spent award funds in a different area of the state than originally specified in the grant and provided false statements to EDA about it. As a result, the organization improperly received supplemental funding. We also established that the awardee violated several stipulations in the Special Award Conditions, which caused EDA to misallocate a considerable portion of federal share funds. The U.S. Department of Justice declined criminal prosecution in lieu of administrative action. EDA subsequently agreed to make a final determination of the disallowed amounts and established a debt of over \$485,000 in accordance with 15 C.F.R. Part 19. The agency formally counseled a senior EDA official regarding the poor management and inadequate oversight of the grant funds. EDA also revised its policy and operations manual to address the issues raised by our investigation.





# 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.

### **CENSUS EMPLOYEE REMOVED FOR MISCONDUCT**

In August 2010, a state agency notified our office of possible time and attendance (T&A) fraud committed by a Census employee who was also employed by the state in question. A comparison of T&A records determined that the individual had claimed compensation for the same time periods from both agencies which, coincidentally, were physically located within blocks of each other. In September 2010, the individual was terminated by the state agency, in part for the individual's double billing. In February 2012, our office referred this matter to the Census Bureau to determine whether this person's termination from state employment would impact the individual's Census Bureau employment. The Census Bureau terminated the individual in September 2013 for falsifying official Census Bureau documents.

### **FORMER CENSUS CONTRACTOR REACHES SETTLEMENT IN CIVIL FALSE CLAIM ACTION**

In April 2013, a former U.S. Census Bureau contractor organization, along with its parent company, agreed to settle a civil false claims action for over \$645,000 following an extensive investigation into numerous violations of the Federal Acquisition Regulation on several Census Bureau contracts. The settlement, negotiated by the U.S. Attorney's Office for the Eastern District of Virginia, was reached following an investigation we initiated in 2005 into seven indefinite delivery, indefinite quantity contracts for information technology services. The investigation established the contractor had mischarged subcontract labor hours not worked on a task order, billed the Census Bureau for project hours not worked on task orders, overbilled prime contractor labor hours on four task orders, charged hours worked prior to the start of one task order, billed the Census Bureau for direct labor hours for services that were not supported with employee timesheets, charged the Census Bureau for a labor category not supported by the timesheets or monthly status reports, and did not credit back any overpayments to the government.



INTERNATIONAL  
**T R A D E**  
ADMINISTRATION

# INTERNATIONAL TRADE ADMINISTRATION

The **International Trade Administration** strengthens the competitiveness of U.S. industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of our trade laws and agreements. ITA works to improve the global business environment and helps U.S. organizations compete at home and abroad. ITA is organized into four distinct but complementary business units.

***U.S. and Foreign Commercial Service***—Promotes U.S. exports, particularly by small- and medium-size enterprises, and provides commercial diplomacy support for U.S. business interests around the world.

***Manufacturing and Services***—Strengthens U.S. competitiveness abroad by helping shape industry-specific trade promotion policy.

***Market Access and Compliance***—Assists U.S. companies and helps create trade opportunities through the removal of market access barriers.

***Import Administration***—Enforces U.S. trade laws and agreements to prevent unfairly traded imports and to safeguard the competitive strength of U.S. businesses.

## **TWO ITA EMPLOYEES COUNSELED FOR MISCONDUCT**

In April 2013, following our investigation, two ITA employees were counseled for violating the Standards of Ethical Conduct for Employees of the Executive Branch. We found that a senior official permitted a subordinate employee to participate on an evaluation committee for a contract without the proper written authorization. The subordinate was employed by one of the potential contractors during the preceding year, which would have required documented authorization to participate in any dealings between the government and the subordinate's former employer. An attorney from the contract law division of the Department's Office of General Counsel provided a presentation on government contracting ethics to staff in that particular office.



# 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, space environment, and the earth.

***Office of Program Planning and Integration***—Develops and coordinates NOAA's strategic plan, supports organization-wide planning activities, guides managers and employees on program and performance management, and integrates policy analysis with decision making.

## RESULTS OF OIG ONLINE SURVEY OF FISHERY MANAGEMENT COUNCIL MEMBERS AND STAFF (OIG-13-022-I)

As part of our continuing oversight of fisheries management at the National Marine Fisheries Service (NMFS), OIG sent a survey to 292 Fishery Management Council members and staff. The purpose of the survey was to obtain an FMC perspective on fishery regulatory requirements, rulemaking, and improvements in fisheries management. Seventy nine percent of survey recipients (235 persons) responded.

We asked FMC members and staff about interactions with NMFS and with the fishing industry and nongovernment organizations, regulatory requirements, FMC operations and training, and FMC compliance with the code of conduct.

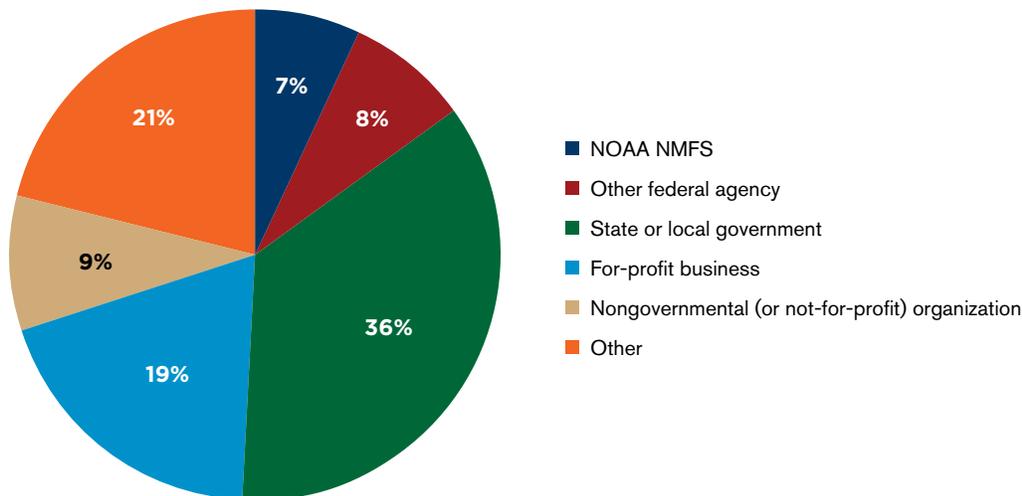
In general, responses to the survey were positive. Most survey participants were satisfied with their interactions with NMFS, as well as with the fishing industry and nongovernment organizations. Suggestions to improve collaboration between NMFS and FMCs mainly involved occurrence and methods of communication, participation from NOAA's Office of the General Counsel, and outreach and transparency to stakeholders.

### National Marine Fisheries Service (NMFS) and Fishery Management Councils (FMCs)

NMFS is responsible for the management and conservation of living marine resources within the statutorily prescribed areas in the U.S. Exclusive Economic Zone, the area extending from 3 to 200 nautical miles offshore.

Eight regional FMCs, established by the Magnuson-Stevens Fishery Conservation and Management Act, partner with NMFS, state agencies, and other federal agencies to develop fisheries management strategies and rules for the commercial and recreational fishing industries.

### Survey Respondents by Employer or Section Represented



FMC members and staff also believed that FMCs and NMFS were complying with the Magnuson-Stevens Fishery Conservation and Management Act and the FMC code of conduct. Nonetheless, when asked to select the "top three problems in the fishery management plan development and amendment processes," respondents chose complexity of the process, timeliness, and public distrust.

Finally, less than a third of survey respondents rated FMC training as effective (most selected "Neutral" or "Don't know" for questions regarding training). When asked about successful practices at their FMCs, respondents cited public participation, consideration of public input, and outreach and public education.

A summary of our initial report—*NOAA Needs to Continue Streamlining the Rulemaking Process and Improve Transparency and Consistency in Fisheries Management (OIG-13-011-I)*—appears on page 27 of the March 2013 *Semiannual Report to Congress*.

**COMPREHENSIVE MITIGATION APPROACHES, STRONG SYSTEMS ENGINEERING, AND COST CONTROLS ARE NEEDED TO REDUCE RISKS OF COVERAGE GAPS IN GEOSTATIONARY OPERATIONAL ENVIRONMENTAL SATELLITE-R SERIES (OIG-13-024-A)**

The GOES-R program is a mission-critical acquisition and development effort with a life-cycle cost of \$10.9 billion. The program engages multiple contractors and close management attention is required, as it prepares for its integration and test phase. The increasing risk associated with meeting key milestones in preparation for the first satellite's launch readiness date of October 2015 necessitated our review. Our audit sought to assess (1) the adequacy of contract management and administration and (2) the effectiveness of management's direction, monitoring, and collaboration for development of select components of the GOES-R program.

We found that:

- NOAA needs to develop a comprehensive plan to mitigate the risk of potential launch delays and communicate to users and other stakeholders changes that may be necessary to maintain the first GOES-R satellite's launch readiness date.

### NOAA's National Environmental Satellite, Data and Information Service (NESDIS)

One of the primary functions of NESDIS is to acquire and manage the nation's operational environmental satellites. One type of satellite NESDIS operates is a geostationary operational environmental satellite (GOES)—which orbits approximately 22,300 miles above Earth, producing images every 15 minutes. These satellites provide cloud, land, and ocean temperatures; monitor sun activities; and assist with search and rescue activities.

NOAA, in conjunction with the National Aeronautics and Space Administration, is developing the next generation of GOES satellites known as the GOES-R Series of four satellites (GOES-R, -S, -T and -U). The first satellite in the series, GOES-R, is scheduled for launch in October 2015.

- Program systems engineering has been strengthened; however, early in system development, it contributed to ground system schedule compression and increased costs.
- NOAA needs to ensure NASA's evaluation of contractors' proposals and subsequent plans is effective in assessing technical readiness to reduce delays and cost increases.
- NOAA lost the opportunity to negotiate on significant costs for ground system contract changes because it did not finalize these changes in a timely manner.

OIG identified over \$8.8 million in questioned costs and over \$105.9 million in funds to be put to better use.

We recommended that the NOAA Deputy Under Secretary for Operations

- develop a comprehensive set of tradeoff approaches to mitigate launch delays and communicate approaches to stakeholders and users,
- keep stakeholders and users informed of tradeoffs made to meet the launch date, and
- direct NESDIS to report periodically on the adequacy of program systems engineering integration and NASA systems engineering support.

We also recommended that the NOAA Assistant Administrator for Satellite and Information Services ensure that NASA:

- effectively validate contractors' proposals and subsequent plans, to verify that technical

designs meet readiness requirements per NASA standards;

- modify contract award-fee structures to reduce award fee percentages and clearly articulate how scores should be adjusted based on the magnitude of cost overruns; and
- adjust future award fees to be more commensurate with contractor performance.

We further recommended that the NOAA Deputy Under Secretary for Operations

- direct the development of a policy for managing undefinitized contract actions to definitize change orders in the shortest practicable time.



# 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.

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## **ENGINEERING CONSULTANT SENTENCED FOR FELONY THEFT OF NTIA GRANT FUNDS**

In November 2012, as reported in the March 2013 *Semiannual Report to Congress*, an engineering consultant on an NTIA grant pled guilty to one felony count of violating 18 U.S.C. § 641, theft of public money. Our office initiated an investigation based on a complaint from NTIA regarding suspicious activity observed on a 2009 Public Telecommunications Facilities Program (PFTP) grant for the construction and operation of a radio station on a Navajo reservation in the Shiprock, New Mexico, area. Our investigation determined that the engineering consultant transferred nearly all of the \$322,364 grant award to his personal bank account, subsequently using much of it for personal purchases of dining, foreign and domestic travel, a car, and assorted retail goods. OIG traced the stolen grant funds and seized over \$130,000, which was returned to the U.S. Treasury. In April 2013, the engineering consultant was sentenced to time served and 3 years' probation. He was also ordered to pay restitution of over \$240,000 and forfeit the 2010 Infiniti G37 sedan he purchased with proceeds of the theft. The individual has been suspended from doing business with the government.



# 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 SUCCESSFULLY IMPLEMENTED MOST PROVISIONS OF THE AMERICA INVENTS ACT, BUT SEVERAL CHALLENGES REMAIN

Given the magnitude of changes required by the America Invents Act (AIA), OIG audited USPTO's effectiveness and progress in implementing them by the law's multiple deadlines. We found that USPTO implemented most provisions of the AIA on time but is overdue on several others.

Specifically, we noticed significant problems with the planning and implementation of one IT system—the Patent Review Processing System—which was developed to meet AIA mandates and had cost overruns and limited functionality.

In addition, USPTO's initial plan to assess training provided to approximately 8,000 examiners on AIA-mandated changes was not sufficient and did not enable structured feedback from the examiners.

Challenges also remain for the satellite office program. To increase the agency's presence beyond USPTO's Alexandria, Virginia, headquarters, the AIA required the agency to establish at least three satellite offices by September 16, 2014, subject to available resources. The agency opened the first of these offices in Detroit in July 2012, but is unlikely to open the remaining offices by the September 16, 2014, deadline. USPTO is required to report to Congress by September 30, 2014, on the effectiveness of these offices, and the delayed openings will affect the report.

Finally, we found that USPTO lacks implementation plans to complete the overall AIA implementation report and operate two AIA-mandated programs, the Pro Bono and Diversity of Applicants programs.

We recommended that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office

- strengthen project planning and execution between the Office of the Chief Information Officer and the Patent Trial and Appeal Board (PTAB), and with other USPTO units;
- develop a multiyear plan that comprehensively addresses PTAB's IT requirements to support its expanded responsibilities under the AIA;
- ensure the quality of processing first-inventor-to-file (FITF) applications by soliciting feedback from examiners after FITF training and after their first reviews of those applications, as well as by oversampling recently filed FITF applications;
- update Congress on the agency's ability to establish satellite offices that meet AIA provisions and provide a plan for more satellite offices as resources become available;
- strengthen management of the satellite office program to develop a consistent and coordinated approach for establishing and operating satellite offices; and
- prepare a comprehensive plan for issuing the overall AIA implementation report that includes milestones for completing the remaining AIA reports and for operational oversight needed to carry out the Pro Bono and Diversity of Applicants programs.

### Leahy-Smith America Invents Act (Public Law 112-29)

The President signed the Leahy-Smith America Invents Act (AIA) in September 2011. The AIA included fundamental revisions to patent laws and USPTO practices, such as moving to a first-inventor-to-file patent process, authorizing the agency to set and retain fees to ensure it has sufficient resources for its operations, and establishing satellite offices.

USPTO has stated these changes would help it process applications faster, reduce the patent application backlog, increase patent quality through expedited patent challenges, and improve examiner recruitment and retention.

The new law, containing 37 provisions, mandated USPTO to implement 24 rules, 7 reports, and 4 programs and the Small Business Administration and the Government Accountability Office to issue one report each by September 16, 2015.

## **USPTO IMPLEMENTS ANNUAL ETHICS TRAINING FOR ALL PATENT EXAMINERS FOLLOWING OIG INVESTIGATION**

Our investigation found that a patent examiner committed ethics violations when the individual purchased stock from a company for which he was simultaneously processing and examining patent applications. In addition, we found several internal control weaknesses that could adversely affect the integrity of operations at USPTO, including limited ethics training for examiners at the levels of GS-12 and below. In this specific case, the patent examiner had not had ethics training for 4 years. We also learned that patent examiners below GS-13 are not required to file confidential financial disclosure reports, which would have required this particular individual to disclose the conflict of interest. Further investigation revealed that USPTO does not require patent examiners to self-identify potential conflicts of interest or affirmatively assert their independence for applications under their personal review. Based upon these findings, we referred this matter to the Commissioner for Patents in May 2013 for review and comment. USPTO agreed to implement annual ethics training for patent examiners at all grade levels. Our investigative findings in this case have been referred to USPTO.





## AMERICAN RECOVERY AND REINVESTMENT ACT

The Recovery Act—signed into law by President Barack Obama on February 17, 2009—had three immediate goals: (1) create new jobs and save existing ones, (2) spur economic activity and invest in long-term growth, and (3) foster unprecedented levels of transparency and accountability.

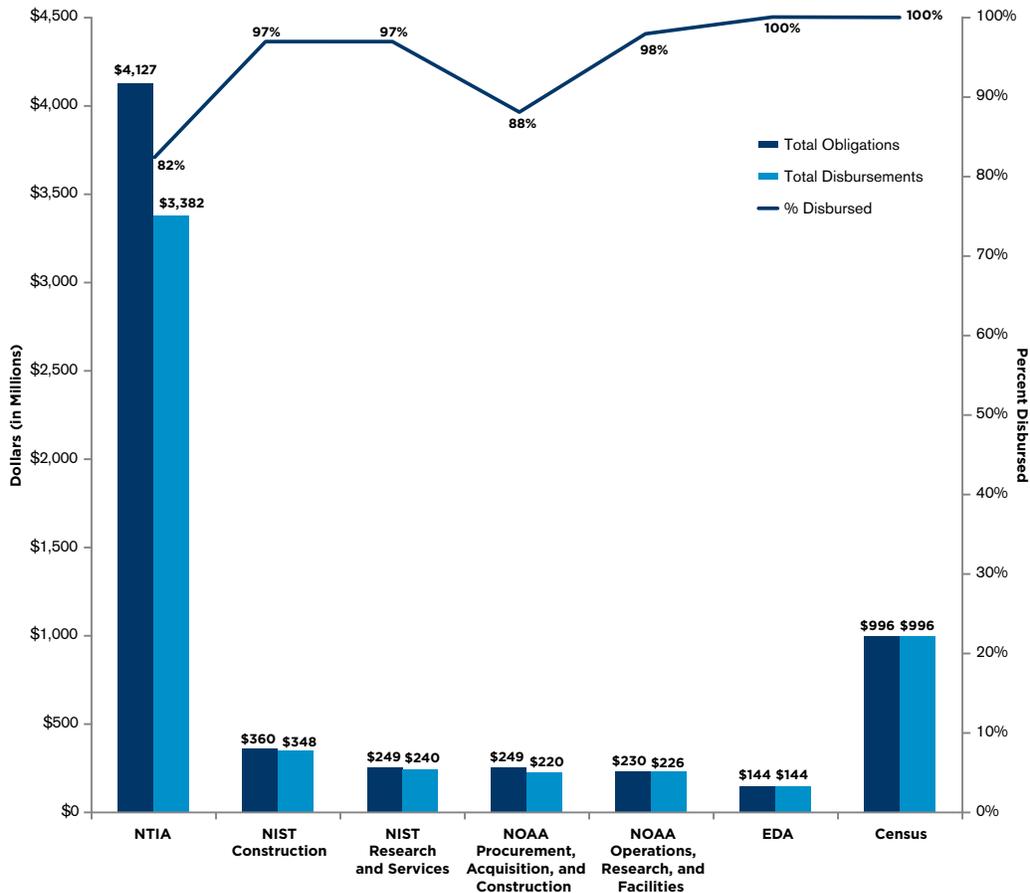
Five Department of Commerce bureaus—the Census Bureau, EDA, NIST, NOAA, and NTIA—and OIG received \$7.9 billion under the Act, with \$1.2 billion ultimately rescinded or transferred to other agencies. As of September 30, 2013, the Department had obligated and disbursed almost all of the approximately \$5.9 billion remaining. (The disbursement amount includes funding for the now-completed NTIA Digital Television Converter Box Coupon Program.)

**OIG RECOVERY ACT OVERSIGHT, FEBRUARY 2009–SEPTEMBER 2013**

Funded by \$16 million for proactive oversight of the Department's Recovery Act programs and activities, OIG has been evaluating whether agencies are using Recovery Act funds efficiently and effectively and following up on complaints, including whistleblower reprisal allegations.

Key Activities	Cumulative Results
Published audit and evaluation reports	22
Other work products (correspondence to Congress and the Recovery Accountability and Transparency Board)	7
Audits/evaluations in progress	2
OIG recommendations for action, correction, or improvement	88
Recommendations implemented to take corrective action by making improvements, reducing risk, or preventing waste	78
Investigations completed	25
Investigations in progress	4
Whistleblower reprisal allegations received	13
Whistleblower reprisal allegations accepted	7
Debarments and corporate compliance agreements implemented	0
Proactive training and outreach sessions held	129
Individuals trained	6,624
Hours of training provided	8,259

**COMMERCE BUREAUS' RECOVERY ACT OBLIGATIONS AND DISBURSEMENTS AS OF SEPTEMBER 30, 2013**



## **BTOP SUSPENDS AND REDUCES AWARD TO GRANTEE AND REQUIRES THE COMPANY TO REORGANIZE**

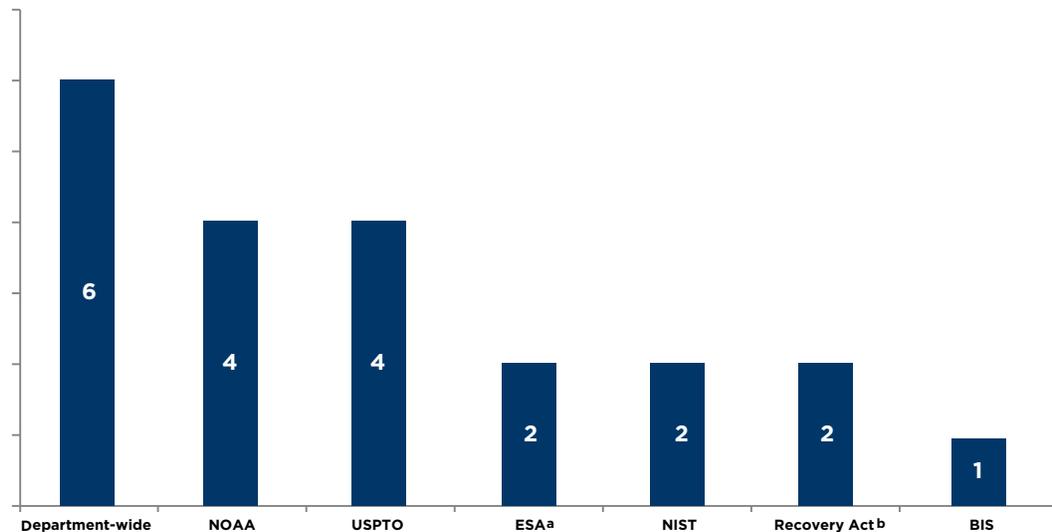
In June 2012, we initiated an investigation of alleged violations of an Arizona grantee who received a \$39.3 million BTOP award from NTIA. The alleged scheme involved using grant funds to pay for unauthorized and unreasonable expenses unrelated to the purposes of the grant, such as chartering a helicopter and private aircraft to fly to destination spots for personal purposes. Our investigation included extensive financial analysis, but did not identify any criminal misuse of grant funds. However, further investigation identified numerous administrative problems with their management, including travel expenses and unreasonable vendor costs and transfers of funds to another business. In April 2013, the U.S. Department of Justice declined to take criminal or civil action against the grantee. NTIA's administrative action included suspending the award for nearly a year and declaring a portion of the award as unallowable costs under the grant. Additionally, NTIA required the grantee to restructure its organization and make significant improvements to its grant oversight and internal control policies.



# WORK IN PROGRESS

## WORK IN PROGRESS (BY OVERSIGHT AREA)

During this reporting period, 21 OIG audit and evaluation projects were initiated or underway.



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

<sup>b</sup> Both Recovery Act-related works in progress concern NTIA.

## DEPARTMENT-WIDE

### FY 2014 Top Management Challenges

An annual report, required by the Reports Consolidation Act of 2000, highlighting the most significant management challenges facing the Department of Commerce.

### Office of Secretary Working Capital Fund

Evaluate controls over the Department's Working Capital Fund, including a review of the Department's budget process and financial management of the fund.

### FY 2013 Audit of the Department's Financial Statements

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 applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements).

### Department's Incident Detection and Response Capabilities

Determine whether key security measures are in place to adequately monitor networks, detect malicious activities, and handle cyber incidents.

### **Review of Climate Change Efforts**

Review the Department's policies, environmental programs, and activities to carry out requirements that federal agencies address climate change, including (a) a review of renovation initiatives at the Department's Herbert C. Hoover Building, to determine whether they meet requirements to reduce energy use in federal buildings and (b) an assessment of the Department's fleet management, to determine how it is reducing petroleum use.

### **Audit of Department's Use of Time-and-Materials and Labor-Hour Contracts**

Evaluate the Department's awarding and administering of time-and-materials and labor-hour contracts, which constitute a high risk to the government, as part of a risk-based oversight strategy developed to help the Department address management challenges in its acquisition function and to comply with the Office of Management and Budget's directive that federal agencies reduce their use of high-risk contracting authorities.

## **BUREAU OF INDUSTRY AND SECURITY**

### **BIS Export Control Reform Preparedness**

Audit BIS' plans to implement changes to its licensing and enforcement operations resulting from the Export Control Reform Initiative, including (a) a review of the adequacy of BIS program plans and budget requests to address the increased workloads in FYs 2014–2016 and (b) an evaluation of existing BIS licensing, outreach, and enforcement activities to identify any areas for increased efficiencies.

## **ECONOMICS AND STATISTICS ADMINISTRATION**

### **Census 2020 Planning**

Evaluate the Census 2020 planning efforts. Assess the implementation status of the research and testing and the Geographic Support System initiative projects related to the Census 2020 design, the Census Bureau's plans to evaluate each research project, and whether governance and internal controls are sufficient to manage the design effort.

### **Census Budget Reduction Implementation**

Review the Census Bureau's process for implementing budget reductions to the 2020 Census Research Program in FYs 2013 and 2014.

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

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

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.

### **Review of FYs 2011 and 2012 Manufacturing Extension Partnership (MEP) Conference Spending**

Review federal spending at MEP conferences in FYs 2011 and 2012, including the May 2012 conference, to determine the legitimacy and reasonableness of related charges.

## **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION**

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

Assess, as part of our FY 2013 Federal Information Security Management Act audit, the effectiveness of NOAA's information security program by determining whether key security measures adequately protect NOAA's systems.

### **Review of NOAA's Catch Share Program**

Review fisheries management at NOAA and eight regional fishery management councils regarding NOAA's catch share programs (i.e., allocation of the total allowable fishery catch or a specific fishing area to individuals, cooperatives, communities, or other entities) to determine the adequacy of related NOAA controls and processes.

### **Joint Polar Satellite System (JPSS) Implementation Risks**

Review the adequacy of JPSS development activities, including the flight, ground, and "free-flyer" projects, as the program completes system definition and transitions to implementation according to NOAA and National Aeronautics and Space Administration (NASA) standards. Monitor NOAA's overall progress in establishing the program's capabilities (requirements), schedule, and cost baselines by the end of summer 2013 and its efforts in mitigating the projected data gap between Suomi National Polar-orbiting Partnership satellite's end-of-design life and the planned operational availability of the first JPSS satellite (JPSS-1).

### **Audit of Geostationary Operational Environmental Satellite—R Series (GOES-R) Program**

Assess the adequacy of GOES-R development activities in accordance with NOAA and NASA standards. Monitor 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.

## **UNITED STATES PATENT AND TRADEMARK OFFICE**

### **FY 2013 Audit of USPTO Financial Statements**

Audit USPTO's FY 2013 financial statements to determine whether the financial statements are presented fairly, in all material respects, and in accordance with generally accepted accounting principles. (The audit will also consider USPTO's internal control over financial reporting and test compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the financial statements).

### **Audit of USPTO's Use of Time-and-Materials and Labor-Hour Contracts**

Evaluate USPTO's awarding and administering of time-and-materials and labor-hour contracts, which constitute high risk to the government, as part of a risk-based oversight strategy developed to help the Department address management challenges in its acquisition function and comply with the Office of Management and Budget's directive that federal agencies reduce their use of high-risk contracting authorities.

### **Audit of USPTO IT Modernization Projects**

Assess the impact of IT contract termination decisions made as a result of the \$110 million reduction in USPTO's IT budget, review progress USPTO has made in implementing the recommendations from the FY 2011 Patent End-to-End audit, and assess the project management and technical progress USPTO has made in development and implementation of the Trademark Next Generation project.

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### **Audit of USPTO's Delays in Processing Request for Continued Examination (RCE) Patent Applications**

Evaluate the reason for the increase in the RCE backlog and review USPTO's efforts to address this issue.

## **AMERICAN RECOVERY AND REINVESTMENT ACT**

### **Broadband Technology Opportunities Program (BTOP) Equipment Review**

Determine whether NTIA has the personnel and processes in place to monitor BTOP grantees' equipment acquisitions; assess whether grantees have appropriately acquired, tested, and implemented the most effective equipment; and evaluate whether grantees are on track to complete BTOP projects on schedule and achieve project goals.

### **Broadband Technology Opportunities Program (BTOP) Closeout Audit**

Evaluate the effectiveness of closeout procedures for the NTIA's BTOP awards as they near completion. Assess whether NTIA—along with the grants offices at NIST and NOAA—have established adequate policies and procedures for closing out approximately 230 BTOP awards (valued at approximately \$3.9 billion) and closeout procedures are being followed.

# 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	42
2. Audit Resolution and Follow-up	43
3. Audit, Evaluation, and Inspection Statistical Highlights for This Period	44
4. Audits with Questioned Costs	45
5. Audits with Recommendations That Funds Be Put to Better Use	46
6. Report Types for This Period	46
6-a. Performance Audits	47
6-b. Evaluations and Inspections	47
7. Single Audit and Program-Specific Audits	48
7-a. Processed Reports with Material Audit Findings	49
8. Audits Unresolved for More Than 6 Months	49

## 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** presents 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>Investigative Activities</b>	
Investigations opened	53
Investigations closed	50
Arrests	4 <sup>a</sup>
Indictments/Informations	7 <sup>b</sup>
Convictions	2
Fines and other financial recoveries	\$31,293,342.45 <sup>c</sup>
<b>Allegations Processed</b>	
Hotline complaints	660
Total complaints, all sources	660
Referrals to bureaus or non-Commerce agencies	275
Referrals with response required	55
Responses received	94
From referrals made this reporting period	28
From referrals made prior	66
Referrals closed	92
Referrals with no response required	124
Evaluated but not accepted for investigation or referral	316

<sup>a</sup> Individuals arrested as part of on-going joint investigations with other federal agencies.

<sup>b</sup> Four of the seven indictments actually occurred in the previous reporting period, but were not reported in the March 2013 *Semiannual Report to Congress*. We are counting these indictments in the current period's total to accurately reflect our annual investigative statistics. The indictments related to an investigation regarding price-fixing and to an internal matter.

<sup>c</sup> A portion of this total is derived from our participation in federal multiagency investigations. It does not reflect actual monetary recoveries for the Department.

## 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, 2013) for which no management decision had been made by the end of the period (September 30, 2013). One audit report remains unresolved for this reporting period (see page 49).

**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 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, 2013)	0	2
Submissions	0	3
Decisions	0	2
Actions pending (September 30, 2013)	0	3

**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.

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

**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>	\$13,610,379
Value of audit recommendations that funds be put to better use <sup>b</sup>	\$268,155,937
Value of audit recommendations agreed to by management <sup>c</sup>	\$279,705,019

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 preaward 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 <sup>a</sup>	18	\$16,723,493	\$955,735
B. Reports issued during the reporting period	14	13,610,379	3,847,014
Total reports (A+B) requiring a management decision during the period <sup>b</sup>	32	30,333,872	4,802,749
C. Reports for which a management decision was made during the reporting period <sup>c</sup>	23	26,620,178	1,989,450
i. Value of disallowed costs		13,235,771	41,810
ii. Value of costs not disallowed		13,384,407	1,947,640
D. Reports for which no management decision had been made by the end of the reporting period	9	3,713,694	2,813,299

<sup>a</sup> One audit report included in this table is also included among reports with recommendations that funds be put to better use (see table 5). However, the dollar amounts do not overlap.

<sup>b</sup> In category C, lines i and ii do not always equal the total line in 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*.

Report Category	Number	Value
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	4	268,155,937
Total reports (A+B) requiring a management decision during the period <sup>b</sup>	4	268,155,937
C. Reports for which a management decision was made during the reporting period <sup>c</sup>	3	266,469,248
i. Value of recommendations agreed to by management		266,469,248
ii. Value of recommendations not agreed to by management		0
D. Reports for which no management decision had been made by the end of the reporting period	1	1,686,689

<sup>a</sup> One audit report included in this table is also included among reports with questioned costs (see table 4). However, the dollar amounts do not overlap.

<sup>b</sup> In category C, lines i and ii do not always equal the total line in 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 a criminal 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.

Type	Number of Reports	Table Number
Performance audits	6	Table 6-a
Evaluations and inspections	4	Table 6-b
<b>Total</b>	<b>10</b>	

**TABLE 6-A. PERFORMANCE AUDITS**

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use	Amount Questioned	Amount Unsupported
<b>Economic Development Administration</b>					
Malware Infections on EDA's Systems Were Overstated and the Disruption of IT Operations Was Unwarranted	OIG-13-027-A	06.26.2013	0	0	0
<b>Office of the Secretary</b>					
Internal Controls for Purchase Card Transactions Need to Be Strengthened	OIG-13-025-A	05.02.2013	0	0	0
Monitoring of Obligation Balances Needs Strengthening	OIG-13-026-A	06.18.2013	159,000,000	0	0
Classified Information Policies and Practices at the Department of Commerce Need Improvement	OIG-13-031-A	09.30.2013	0	0	0
<b>National Oceanic and Atmospheric Administration</b>					
Audit of Geostationary Operational Environmental Satellite-R Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps	OIG-13-024-A	04.25.2013	105,940,788	8,857,750	
<b>U.S. Patent and Trademark Office</b>					
USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain	OIG-13-032-A	09.30.2013	0	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>National Oceanic and Atmospheric Administration</b>					
Results of Commerce OIG's Survey of Fishery Management Council members and Staff	OIG-13-022-I	04.05.2013	0	0	0
<b>Office of the Secretary</b>					
Letter to Representative Issa Regarding Information on OIG's Open and Unimplemented Recommendations	OIG-13-028-I	06.28.2013	0	0	0
Nonfederal Audit Results for the 6-Month Period Ending June 30, 2013	OIG-13-030-M	09.09.2013	0	0	0
Status of Departmental Actions to Correct National Weather Service Mismanagement of Funds	OIG-13-029-I	09.13.2013	0	0	0

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

OIG reviewed and accepted 105 audit reports prepared by independent public accountants and local, state, and other federal auditors. The reports processed with questioned costs, recommendations that funds be put to better use, and/or nonfinancial recommendations are listed in table 7-a.

<b>Agency</b>	<b>Audits</b>
Census	1
Economic Development Administration	24
International Trade Administration	1
National Institute of Standards and Technology <sup>a</sup>	17
National Oceanic and Atmospheric Administration	9
National Telecommunications and Information Administration <sup>b</sup>	19
Multibureau	32
No Departmental expenditures	2
<b>Total</b>	<b>105</b>

<sup>a</sup> Includes 11 program-specific audits.

<sup>b</sup> Includes 8 program-specific audits.

**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>Economic Development Administration</b>					
City of Baldwin Park, CA	ATL-09999-13-4796	06.27.2013	1,686,689	0	0
Northeastern Pennsylvania Industrial Resource Center Inc.	ATL-09999-13-4803	07.09.2013	0	260,546	0
Southwest Arkansas Planning and Development District Inc.	ATL-09999-13-4768	05.21.2013	1,528,460	0	0
<b>National Institute of Standards and Technology</b>					
Ebert Composites Corporation (70NANB10H010)	ATL-09999-13-4843	08.20.2013	0	6,284	0
Nanoridge Materials Inc. (70NANB7H7043)	ATL-09999-13-4757	06.28.2013	0	248,340	0
Nanoridge Materials Inc. (70NANB7H7043)	ATL-09999-13-4812	06.28.2013	0	151,862	0
Nanoridge Materials Inc. (70NANB7H7043)	ATL-09999-13-4813	06.28.2013	0	164,837	0
University of Nebraska	ATL-09999-13-4853	07.19.2013	0	28,526	0
<b>National Oceanic and Atmospheric Administration</b>					
Commonwealth of the Northern Mariana Islands	ATL-09999-13-4838	06.27.2013	0	257,332	246,731
New Jersey Sea Grant Consortium Inc.	ATL-09999-13-4821	08.02.2013	0	24,385	0
Republic of the Marshall Islands	ATL-09999-13-4737	04.12.2013	0	50,705	50,705
State of Maine	ATL-09999-13-4780	06.27.2013	0	10,234	0
<b>National Telecommunications and Information Administration</b>					
The Navajo Nation	ATL-09999-13-4805	07.19.2013	0	2,762,594	2,762,594
State of Oklahoma	ATL-09999-13-4794	06.27.2013	0	418,788	418,788
State of West Virginia	ATL-09999-13-4787	06.13.2013	0	368,196	368,196

**TABLE 8. AUDITS UNRESOLVED FOR MORE THAN 6 MONTHS****Economic Development Administration****Acadiana Regional Development District**

OIG received the Audit Resolution Proposal on May 7, 2013. Since then, there have been extensive and ongoing discussions between OIG and EDA.

# 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	50
5(a)(1)	Significant Problems, Abuses, and Deficiencies	16-32
5(a)(2)	Significant Recommendations for Corrective Action	16-32
5(a)(3)	Prior Significant Recommendations Unimplemented	50
5(a)(4)	Matters Referred to Prosecutorial Authorities	43
5(a)(5) and 6(b)(2)	Information or Assistance Refused	51
5(a)(6)	Listing of Audit Reports	47
5(a)(7)	Summary of Significant Reports	16-32
5(a)(8)	Audit Reports—Questioned Costs	45
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	46
5(a)(10)	Prior Audit Reports Unresolved	51
5(a)(11)	Significant Revised Management Decisions	51
5(a)(12)	Significant Management Decisions with Which OIG Disagreed	51
5(a)(14)	Results of Peer Review	51

## 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. However, information on the status of any audit recommendations can be obtained through OIG upon request.

## **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.

In our March 2013 *Semiannual Report to Congress*, we reported that NOAA's Deputy Secretary for Operations informed the Inspector General via e-mail that OIG and GAO staff—both of whom had been routine observers at past Program Management Council (PMC) meetings—would no longer be invited to attend the monthly PMC meetings, where the National Environmental Satellite, Data and Information Service environmental satellite program management offices report progress and issues to NOAA executives. The Inspector General reported OIG's concerns to NOAA and the Deputy Secretary, and to the Secretary upon her arrival in July, and requested that OIG attendance be reinstated. NOAA now allows OIG and GAO representatives to attend the monthly PMC meetings. The matter is resolved.

## **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 is one EDA report 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 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 two 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 2012 by the Office of Personnel Management (OPM) Office of Inspector General. OPM OIG's *System Review Report* of our audit operations is available on our website. We received a *pass* rating, the highest available rating. We are implementing all of OPM OIG's recommendations for process and policy improvements.

The most recent peer review of the Office of Investigations was conducted in 2011 by OPM's OIG. We received a *compliant* rating. The final report of this peer review was issued on April 30, 2012.

In 2012, we conducted our latest peer review, which examined NASA OIG's audit operations. NASA OIG has informed us that it is implementing the recommendation we made in our review.

## ACRONYMS AND ABBREVIATIONS

<b>AIA</b>	America Invents Act	<b>M&amp;IE</b>	meals and incidental expenses
<b>ATP</b>	Advanced Technology Program	<b>MEP</b>	Manufacturing Extension Partnership (NIST)
<b>BIS</b>	Bureau of Industry and Security	<b>MERS</b>	Measurement and Engineering Research and Standards
<b>BTOP</b>	Broadband Technology Opportunities Program	<b>NASA</b>	National Aeronautics and Space Administration
<b>CIRT</b>	Computer Incident Response Team	<b>NIST</b>	National Institute of Standards and Technology
<b>CAM</b>	Commerce Acquisition Manual	<b>NMFS</b>	National Marine Fisheries Service
<b>DOC CIRT</b>	Department of Commerce Computer Incident Response Team	<b>NOAA</b>	National Oceanic and Atmospheric Administration
<b>EDA</b>	Economic Development Administration	<b>NTIA</b>	National Telecommunications and Information Administration
<b>ESA</b>	Economics and Statistics Administration	<b>NWS</b>	National Weather Service
<b>FISMA</b>	Federal Information Security Management Act of 2002	<b>OIG</b>	Office of Inspector General
<b>FITF</b>	first-inventor-to-file	<b>OMB</b>	Office of Management and Budget
<b>FMC</b>	Fishery Management Council	<b>OPM</b>	Office of Personnel Management
<b>FY</b>	fiscal year	<b>PFTP</b>	Public Telecommunications Facilities Program
<b>GAO</b>	Government Accountability Office	<b>PTAB</b>	Patent Trial and Appeal Board
<b>GAS</b>	<i>Government Auditing Standards</i>	<b>RCE</b>	request for continued examination
<b>GOES</b>	Geostationary Operational Environmental Satellite	<b>Suomi NPP</b>	Suomi National Polar-orbiting Partnership
<b>GOES-R</b>	Geostationary Operational Environmental Satellite-R Series	<b>T&amp;A</b>	time and attendance
<b>HCHB</b>	Herbert C. Hoover Building	<b>TIP</b>	Technology Innovation Program
<b>IT</b>	information technology	<b>USPTO</b>	U.S. Patent and Trademark Office
<b>ITA</b>	International Trade Administration		
<b>JPSS</b>	Joint Polar Satellite System		



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