

FY 2014
CONGRESSIONAL SUBMISSION

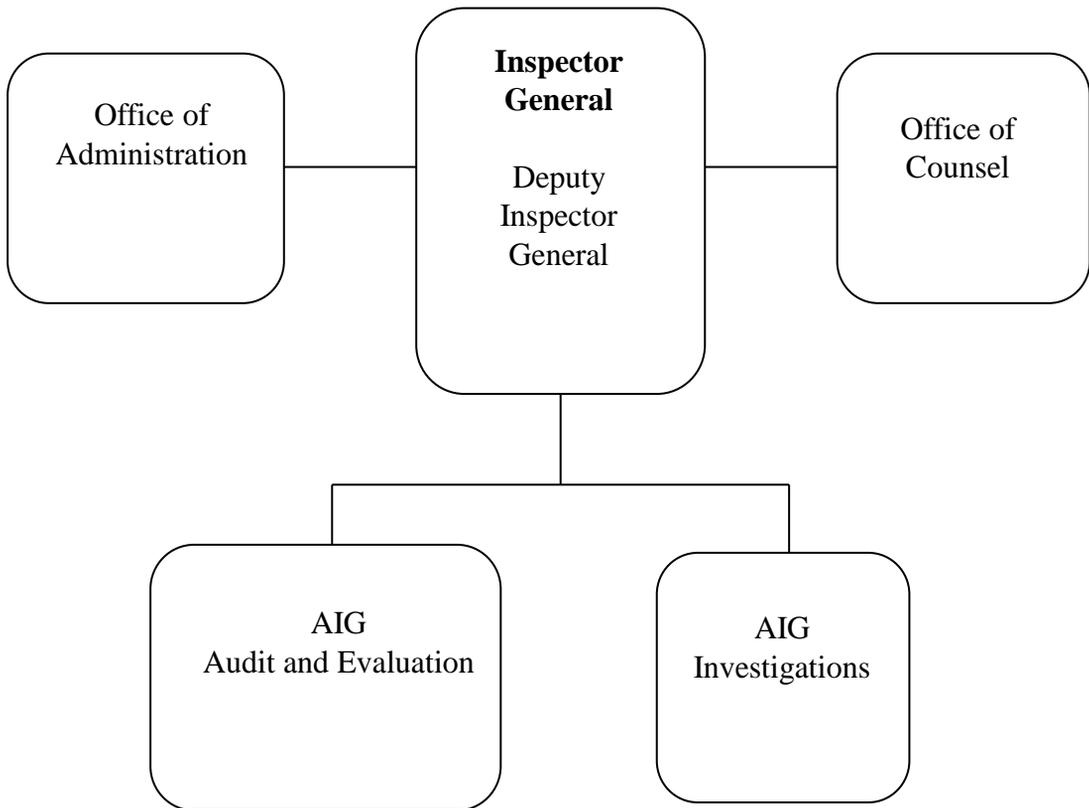
**Department of Commerce
Office of Inspector General
FY 2014 Congressional Submission**

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**Department of Commerce
Office of Inspector General
Current Organizational Chart**



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**Department of Commerce
Office of Inspector General
Budget Estimates, Fiscal Year 2014**

General Statement

The Office of Inspector General has the mission of providing a unique, independent voice to the Secretary of Commerce and senior managers, and Congress, in combating fraud, waste, abuse, and mismanagement, and in improving the efficiency, effectiveness, and economy of Department operations. The Office has authority to inquire into all program and administrative activities of the Department, including individuals or organizations performing under contracts, grants, cooperative agreements, and other financial assistance awards. The Inspector General Act of 1978, as amended, and other legislation authorize the specific functions and programs that make up these broad activities.

For FY 2014, OIG will continue to focus its work on the Department's efforts to address the major challenges we have identified. OIG will continue oversight of Departmental contracting and procurement, and will increase its oversight of the U.S. Patent and Trademark Office. Other critical areas of focus will be the National Oceanic and Atmospheric Administration's (NOAA's) environmental satellites, the Department's efforts to promote international trade and domestic commerce, and ensuring information technology security.

OIG is also monitoring the progress of the 2020 Census research and testing operations as the Census Bureau must make key design decisions at the end of FY2014 that will impact the cost trajectory of this activity which may incur lifecycle costs of almost \$18 billion.

In addition to the requests for increases detailed in Exhibit 12, OIG requests \$2 million and 14 FTE to oversee the highly complex and vital functions performed by USPTO. Since USPTO is a fully user-fee funded entity, OIG further requests that this additional oversight be funded through a transfer from USPTO's user fees. The cost of oversight by OIG is a reasonable part of the cost of doing business by USPTO and should be borne by patent and trademark applicants and holders.

This change is especially important in light of the overall decline in OIG's FTE over the last 10 years, a trend that has begun to change course only in the last several years. Working within these constraints, OIG has prioritized its work to meet its mission under the Inspector General Act of 1978, as amended, to promote economy, efficiency, and effectiveness. A greater investment in USPTO oversight would help to promote integrity and efficiency in a bureau that has a profound effect on intellectual property rights, innovation, and commerce throughout the U.S. and abroad.

In FY 2009 and FY 2012, Congress provided one-time transfers from USPTO to OIG totaling \$3.0 million for increased oversight of USPTO. When these funds are exhausted, however, OIG will have to realign base resources to provide USPTO audits and oversight, reducing oversight to other areas of the Department. In order to provide adequate oversight of USPTO, without reducing the level of oversight of other competing priorities and statutory mandates, OIG requires these additional resources. The proposed increase is modest when compared to USPTO's budget and likely cost savings and program improvements.

(Dollar amounts in thousands)

<u>Appropriation</u>	<u>2013 CR</u>		<u>2014 Estimate</u>		<u>Inc. (+) or Dec. (-)</u>	
	<u>(Annualized)</u>		<u>Positions</u>	<u>Amount</u>	<u>Positions</u>	<u>Amount</u>
	<u>Positions</u>	<u>Amount</u>				
Office of Inspector General Pos./Appr.	131	27,111	144	30,490	+13	+2,379
Total, Office of Inspector General Pos./Appr.	131	27,111	144	30,490	+13	+2,379

FY 2014 Annual Performance Plan

Office of Inspector General

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Agency Information

Mission Statement: The mission of the Office of Inspector General (OIG) is to improve the programs and operations of the Department of Commerce through independent and objective oversight.

Vision Statement: OIG's vision is:

- We work as a seamless, integrated team delivering valuable products to serve the public and to support decision-makers in the Department, OMB, and Congress.
- We are an integral and trusted broker to our stakeholders.
- We are catalysts for positive change throughout the Department.
- We are fully staffed and have the resources to get the job done.
- We have a diverse, competent, enthusiastic, and productive workforce and a cadre of effective managers at every level of the organization.
- We have credible risk assessment processes that drive strategic and operational plans, priorities, and programs.
- We have efficient, effective processes and a state-of-the-art infrastructure.
- We have performance metrics that drive high performance and accountability.

Cross-Agency Priority Goals

The Office of Inspector General is not a participant in any Cross-Agency Priority Goals.

Corresponding DOC Strategic Theme(s) and Goal(s)

OIG's activities apply to Departmental Theme 5: Organizational Excellence and the Department's Strategic Goal: Create a high-performing organization with integrated, efficient, and effective service delivery.

In carrying out its mission, OIG strives to promote integrity, efficiency, and effectiveness in the programs and operations of the Department, and detect and prevent waste, fraud, abuse, and mismanagement in those programs and operations. OIG proposes innovative ideas and constructive solutions that lead to positive internal and external changes for the Department. OIG provides timely, useful, and reliable information and advice to Department officials, the Administration, Congress, and the public, to improve the Department's management, operations, and delivery of services.

Strategic Objectives

Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources.

As the Department of Commerce works to accomplish its mission, OIG speaks with a unique, independent voice to the Secretary and other Department leaders, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness and prevent and detect waste, fraud, and abuse in Department programs and operations. This work is primarily accomplished through audits, inspections, evaluations, investigations, and a variety of other activities geared toward carrying out these objectives. OIG strives to perform high-quality, timely work; concentrate its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities; investigate criminal and civil cases; and achieve results that allow government funds to be put to better use.

The Department uses reviews and reports generated by OIG to evaluate activities of the Department related to these goals and its achievement of performance targets consistent with the Department's FY 2011 – FY 2016 Strategic Plan.

OIG performs its activities in accordance with the General Accountability Office's (GAO's) Government Auditing Standards and guidelines adopted and established by the Council of Inspectors General on Integrity and Efficiency (CIGIE). OIG's audit and investigations programs are subject to external peer reviews conducted under guidelines issued by CIGIE and are designed to evaluate compliance with applicable standards.

Mitigating Strategies: A variety of external factors may affect OIG's ability to reach its targets. Key among these is the ability to hire staff with appropriate skills that are able to institute best practices for OIG's programs and operations.

Priorities / Management Challenges

OIG's priorities continue to be: providing statutorily-mandated oversight, pursuing criminal investigations and whistleblower allegations; work requested by Congress and Departmental leadership; and oversight of the Department's top management challenges, which for FY 2013 are:

- Stimulate the economy and create jobs through promoting innovation, managing trade, and balancing public interests;
- Enhance stewardship of resources entrusted by the public and invest for long-term savings;

- Strengthen security and investments in information technology;
- Implement acquisition project management framework and improve contracts oversight; and
- Reduce risks of cost overruns, schedule delays, and coverage gaps for NOAA's satellite programs.

The FY 2013 President's budget included a request for funds for increased acquisition and contract oversight. Also, Congress in FY 2012 provided a one-time appropriation of \$1 million for oversight of NOAA satellite program contracting. OIG's challenge is to balance its resources to provide adequate statutorily-mandated oversight, respond to requests by Congress and Departmental leadership, assist the Department in dealing with its top management challenges, and identify and respond to emerging issues.

Another resource-related challenge for OIG is continued oversight of the Broadband Technology Opportunities Program (BTOP). NTIA has obligated over \$4 billion in BTOP funds for 230 projects. These projects have until September 30, 2013, to be completed. Since 2009, OIG has delivered fraud and awareness compliance training to over 3,000 NTIA staff, applicants and recipients; issued three reports that recommended improvements in the program office internal controls and communications with federal agencies supporting BTOP; delivered congressional testimony; and provided other technical assistance concerning the program.

OIG planned to largely conserve its BTOP oversight funds for when grantees actually begin spending their grant funds. This is when the risk of fraud, waste and mismanagement is the greatest and oversight is most important. Under the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), OIG requested a waiver from the Dodd-Frank provisions. Unlike the grant funds, which have all been obligated, OIG funds, which are primarily used to pay salaries for our audit and investigation staff, cannot be obligated in advance. OIG's waiver request, submitted through CIGIE in June 2011 and approved by the President in December 2012, estimated an unobligated balance on December 31, 2012 of \$4 million. On that date, OIG's actual unobligated balance was \$5.4 million, but the President's waiver was interpreted to be limited to the original \$4 million estimate. The loss of the additional \$1.4 million will significantly impact OIG's ability to provide adequate oversight of BTOP projects.

Our future BTOP oversight will include a combination of program audits (e.g., sub-recipient monitoring and cash management issues¹) and targeted audits of risky grants. In addition, we are responsible for investigating and resolving complaints of wrongdoing made against BTOP award recipients. Without the dedicated funding that Congress appropriated, oversight for this important program would have to compete with other high-risk oversight priorities, such as the Department's information technology (IT) security initiatives.

Finally, the qualifications of OIG audit personnel change as the nature of Departmental challenges change. OIG's challenge is the expedited hiring of qualified personnel, both to assist with emerging responsibilities and to discharge OIG's recurring duties.

¹ *Cash management issues* include matters related to drawdowns of funds to reimburse grant expenditures (for example, if the drawdowns are too slow, it may indicate that the project is behind schedule, while significant drawdowns ahead of schedule may indicate that the project is encountering problems as well).

Performance Goals and Other Indicators

Targets and Performance Summary / FY 2014 Target Description / Measure Descriptions / Validation and Verification

Outcome 1 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1a: Percent of audit recommendations that were issued three years prior, which have been implemented by Departmental and bureau management.	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Targets based on original Amount	N/A	N/A	N/A	96%	90%	90%
Increase in performance as a result of Recovery Act Funds	/1	/1	/1	/1	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	TBD	TBD
Revised Measure: This measure was revised for FY 2012. The prior measure and results are: Percentage of OIG recommendations accepted by Departmental and bureau management.	97%	100%	92%	N/A	N/A	N/A
Description: Many of the improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG’s effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG’s recommendations is the extent to which they are accepted by Commerce management.						
Comments on Changes to Targets: In FY 2012, this measure changed to: “Percent of audit recommendations that were issued three years prior, which have been implemented by Departmental and bureau management.”						
Impact of Recovery Act: We have taken a proactive approach to working with the bureaus to provide internal controls guidance to guard against fraud, waste, and abuse. We believe these activities helped bureaus to implement controls which significantly improved program operations.						
Relevant Program Changes:	Acquisition and Contracts Oversight Complaint Inquiry and Analysis				Exhibit 12-15 Page # 22 Page # 27	
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures	Data Limitations	Actions to be Taken	
OIG audit and inspection process	As conducted	OIG files	OIG review	None	Continue collecting data	

/1: Our recommendations included in the reports issued addressed program internal control effectiveness and operational efficiency. The bureaus agreed to implement all OIG recommendations and once implemented, these will improve the performance of the Department program operations.

Outcome 1 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1b: Dollar value of financial benefits identified by OIG.	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Targets based on original Amount	\$126.9 M	\$47.8 M	\$33.5 M	\$175.8 M	\$39.0 M	\$39.0 M
Increase in performance as a result of Recovery Act Funds	/1	/1	/1	/1	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	\$126.9 M	\$47.8 M	\$33.5 M	\$175.8 M	\$39.0 M	\$39.0 M
Description: A key measure of the value of OIG’s work is its dollar return on investment. Financial benefits include: (1) questioned costs agreed to by management, (2) funds put to better use, and (3) administrative, civil, and criminal recoveries.						
Comments on Changes to Targets: None.						
Impact of Recovery Act: We have taken a proactive approach to working with the bureaus to provide internal controls guidance to guard against fraud, waste, and abuse. We believe these activities helped bureaus to implement controls which significantly improved program operations.						
Relevant Program Changes:	Acquisition and Contracts Oversight Complaint Inquiry and Analysis				Exhibit 12-15 Page # 22 Page # 27	
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None	Continue collecting data

/1: Currently, only 75 percent of all DOC ARRA funds and only 67 percent of the \$4.7 billion in Broadband Technology Opportunities Program funds have been disbursed. Our work to date has primarily been proactive in nature and has addressed the activities to set up and establish program operations. Our work going forward into FY 2013 and FY 2014 will include reviews of grant activities and program spending. Given this, it is still too early to assess the dollar value of OIG work.

Outcome 1 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1c: Percentage of investigative cases for which investigation is complete within 12 months.	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Targets based on original Amount	N/A	N/A	N/A	58%	70%	70%
Increase in performance as a result of Recovery Act Funds	/1	/1	/1	/1	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	TBD	TBD
Revised Measure: This measure was revised for FY 2012. The prior measure and targets were: Percentage of investigative cases for which investigation is complete within 12 months. Percentage of criminal and civil matters accepted for prosecution.	78%	38%	73%	N/A	N/A	N/A
Description: OIG investigative work that helps prevent waste, fraud and abuse results in either civil or criminal legal issues that are referred for prosecution. Thus, the percentage of investigative work that results in civil or criminal referrals for prosecution is a measure of the quality of OIG investigative work.						
Comments on Changes to Targets: In FY 2012, this measure was changed to: “Percent of investigative cases for which investigation is complete within 12 months.”						
Impact of Recovery Act: We have taken a proactive approach to working with the bureaus to provide internal control guidance to guard against fraud, waste, and mismanagement. We believe these activities helped bureaus to implement controls which significantly improved program operations.						
Relevant Program Change(s):	Complaint Inquiry and Analysis					Exhibit 13 Page # 23
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None.	Continue collecting data.

/1: Our recommendations included in the reports issued addressed program internal control effectiveness and operational efficiency. The bureaus agreed to implement all OIG recommendations and once implemented, these will improve the performance of the Department program operations.

Resource Requirements Table

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 CR (annualized)	FY 2014 Base	Increase/ Decrease	FY 2014 Request
<i>Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources.</i>								
Office of Inspector General	28,123	36,245	37,745	34,707	42,262	32,877	4,613	37,490
FTE	114	120	161	147	137	134	24	158
Total Funding								
Direct	27,285	31,137	33,580	31,040	37,262	27,877	4,613	32,490
Reimbursable	838	5,108	4,165	3,661	5,000	5,000	0	5,000
Total	28,123	36,245	37,745	34,701	42,262	32,877	4,613	37,490
Total FTE								
Direct	113	114	155	146	131	131	13	144
Reimbursable	1	6	6	1	6	3	11	14
Total	114	120	161	147	137	134	24	158

Agency Priority Goals / Measures

OIG's three performance (GPRA) measures are its priority goals. OIG incorporates views and suggestions obtained through any congressional consultations on priority goals / measures through its focus on specific programs/bureaus.

Other Information

- a) OIG's organizational and individual performances are driven by results. Prior to the end of each fiscal year, OIG leadership identifies its core "strategic deliverables" for the new fiscal year. The strategic deliverables are aligned with the Department's strategic goals/themes that have a direct impact on the work of OIG. These departmental goals are supported by the following four OIG goals:
- Deliver timely, relevant, and high-impact OIG products.
 - Attract and retain a highly motivated, multidisciplinary workforce.
 - Institute effective processes for planning and prioritizing work.
 - Develop a robust infrastructure to support a high-performing OIG.

Each OIG employee performance plan is linked with one or more of the above goals based on critical performance elements and special performance requirements. Senior Executive Service, Senior Level, and Scientific and Professional performance plans have specific results-driven elements which constitute 60 percent or more of total element weights. Additionally, comprehensive organizational assessments are conducted at the end of each appraisal period, providing a critical tool to gauge OIG's overall performance and the performance of its major offices. The results of these assessments are considered in making individual performance rating determinations.

OIG's Human Capital programs, initiatives, and projects represent the essential drivers for the advancement of organizational goals and objectives. Human Capital programs, initiatives, and projects are not identified in a vacuum, but are planned, developed, and implemented in a manner that employs the use of clear metrics, communication, and accountability requirements. Annual organizational self-assessments aid OIG in identifying new or revised programs, initiatives, and projects that address targeted organizational goals and objectives. This approach encompasses a complete 360 degree transparent process by incorporating a "top-down" and "bottom-up" performance management infrastructure where every employee understands how his or her performance contributes to the success of OIG and the Department.

OIG's Human Capital Strategic Plan for FY 2012-2016 is a key for organizational mission and goal achievement, and supports two of the Department's current strategic themes; organizational excellence and workforce excellence. The Plan is built on a platform of five human capital strategic goals:

- Talent Management
- Workforce Utilization and Succession Readiness
- Continuous Learning Environment
- Results-Oriented Performance Culture
- Human Capital Business Solutions

In support of the above goals, the plan identified 32 individual objectives, initiatives, metrics, and accountability requirements that will ensure maximum success in OIG meeting its human capital goals and objectives over the five year span of the plan.

- b) Cross-agency collaborations – OIG has maintained a strong association with the Council of Inspectors General for Integrity and Efficiency (CIGIE). CIGIE was established as an independent entity by the Inspector General Reform Act of 2008 to address integrity, economy, and effectiveness issues that transcend individual government agencies; to increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. CIGIE is comprised of all Inspectors General whose offices are established under section 2 or section 8G of the Inspector General Act of 1978 (5 U.S.C. App.), those that are Presidentially appointed/Senate confirmed, and those that are appointed by agency heads (designated federal entities).
- c) Program evaluations – OIG will monitor and evaluate its acquisition and contract oversight to ensure the adequacy of resources. For FY 2014 OIG requested a program increase of \$1.8 million and nine FTE to expand oversight of the Department's acquisitions and contracts. The potential OIG reviews in the following areas would support the Department's mission:
 - Ensuring bureaus optimize available resources;
 - Ensuring acquisitions and contract are pursued efficiently and effectively;
 - Reducing waste, fraud, and mismanagement in Departmental procurements; and
 - Ensuring bureaus' acquisition strategies are aligned with their resources, as well as ensuring their general program effectiveness.

OIG expects to issue two additional audit reports in this area in FY 2013, increasing to 6 additional audit reports in FY 2014. OIG will include a link to its FY 2013 – FY 2014 Audit and Evaluation Plan when finalized. OIG also evaluates the effectiveness of its own programs and processes through A-123 internal control reviews.

- d) The FY 2012 Performance and Accountability Report includes in the Secretary's Statement, an assessment of the reliability and completeness of the Department's performance data.
- e) Lower-priority program activities for FY 2013 can be found in *The Cuts, Consolidations and Savings* volume of the President's budget, available at: <http://www.whitehouse.gov/omb/budget/CCS>.

Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

	Positions	FTE	Budget Authority	Direct Obligations
FY 2013 CR (annualized)	133	131	30,111	30,111
less: Recovery Act	0	0	0	0
less: Terminations			(3,000)	(3,000)
2014 Adjustments to Base				
plus: Uncontrollable cost changes	0	0	766	766
2014 Base	133	131	27,877	27,877
less: Administrative savings [amount reinvested]			[445]	[445]
plus: 2014 Program changes	17	13	2,613	2,613
plus: 2014 Transfers	0	0	2,000	2,000
2014 Estimate	150	144	32,490	32,490

		2012 Actual	2013 CR (annualized)		2014 Base		2014 Estimate		Increase/ (Decrease) Over 2014 Base		
Comparison by program:		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Inspector General	Pos./BA	148	29,946	133	30,111	133	27,877	150	32,490	17	4,613
	FTE/Obl.	146	31,040	131	37,262	131	27,877	144	32,490	13	4,613
TOTALS	Pos./BA	148	29,946	133	30,111	133	27,877	150	32,490	17	4,613
	FTE/Obl.	146	31,040	131	37,262	131	27,877	144	32,490	13	4,613
Adjustments to Obligations											
	Recoveries		0		0		0		0		0
	Unobligated Balance, start of year		(8,334)		(7,151)		0		0		0
	Unobligated Balance transferred		0		0		0		0		0
	Unobligated Balance, end of year		7,151		0		0		0		0
	Unobligated Balance expiring		89		0		0		0		0
Financing from transfers:											
	Transfer from other accounts (-)		(3,000)		(3,000)		0		(2,000)		(2,000)
	Transfer to other accounts (+)		0		0		0		0		0
Appropriation			26,946		27,111		27,877		30,490		2,613

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF REIMBURSABLE OBLIGATIONS**
(Dollar amounts in thousands)

		2012 Actual		2013 CR (annualized)		2014 Base		2014 Estimate		Increase (Decrease)	
Comparison by Program		FTE	Amount /1	FTE	Amount /2	FTE	Amount	FTE	Amount /2	FTE	Amount
Inspector General	Pos/BA	1	3,661	6	5,000	3	5,000	14	5,000	11	0
	FTE/Obl.	1	3,661	6	5,000	3	5,000	14	5,000	11	0
Total	Pos/BA	1	3,661	6	5,000	3	5,000	14	5,000	11	0
	FTE/Obl.	1	3,661	6	5,000	3	5,000	14	5,000	11	0

/1 Includes \$1 million transfer from USPTO for oversight.

/2 Includes \$2 million transfer from USPTO for oversight.

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Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	2012 Actual	2013 (annualized)	2014 Base	2014 Estimate	Increase/ (Decrease) Over 2013 Base
Total Obligations	31,040	37,262	27,877	32,490	4,613
Offsetting Collections from:					
Federal Funds	0	0	0	0	0
Unobligated balance, start of year	(8,334)	(7,151)	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	7,151	0	0	0	0
Unobligated balance expiring	89	0	0	0	0
Budget Authority	29,946	30,111	27,877	32,490	4,613
Financing:					
Transfer from other accounts (-)	(3,000)	(3,000)	0	(2,000)	(2,000)
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	26,946	27,111	27,877	30,490	2,613

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
JUSTIFICATION FOR ADJUSTMENTS TO BASE**
(Dollar amounts in thousands)

	<u>FTE</u>	<u>AMOUNT</u>
<u>2014 Pay Raises</u>		171

Annualization of FY 2013 Pay Raise

A pay raise of 0.5% will be effective January 1, 2013.

Total cost in FY 2014 of FY 2013 pay raise	89,333	
Less amount funded in FY 2013	(67,000)	
Amount requested in FY 2014 to provide for full-year cost of FY 2013 pay raise	22,333	

FY 2014 Pay Raise and Related Costs

A general pay raise of 1.0% is assumed to be effective January 2014.

Total cost in FY 2014 of January 2014 pay raise.....	\$144,000	
Payment to Working Capital Fund.....	5,000	
Amount requested in FY 2014 for FY 2014 pay raises.....	\$149,000	

Adjustment to base	171,333	
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<u>Civil Service Retirement System (CSRS)</u>		(27)
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The number of employees covered by CSRS continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will decrease from 7.6% in FY 2013 to 4.9% in FY 2014 for regular employees. It will remain at 0% for law enforcement employees.

The contribution rates for regular employees and law enforcement employees will remain at 7.0% for regular employees; OIG has one law enforcement personnel participating in CSRS.

Regular employees:		
FY 2014 (\$14,156,445 x .0490 x .0700)	48,557	
FY 2013 (\$14,156,445 x .0760 x .0700)	- 75,312	
Subtotal	(26,755)	

Total adjustment to base	(26,755)
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Federal Employees Retirement System

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The estimated percentage of payroll for regular employees covered by FERS is 92.4% in FY 2013 and 95.1% in FY 2014. The estimated percentage of payroll for law enforcement employees covered by FERS will decline from 88.1% to 86.9 % from FY 2013 to FY 2014. The estimated contribution rate for regular employees is 11.7% FY 2013 and 11.9% for FY 2014. The estimated contribution rate for law enforcement employees is 25.7% in FY 2013 and 26.3 % in FY 2014.

Regular employees:

FY 2014 (\$14,156,445 x .9510 x .1190)	1,602,071
FY 2013 (\$14,156,445 x .9240 x .1170)	- <u>1,530,425</u>

Subtotal	71,646
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Law enforcement employees:

FY 2014 (\$1,605,555 x .8690 x .2630)	366,945
FY 2013 (\$1,605,555 x .8810 x .2570)	- <u>363,525</u>

Subtotal	3,420
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Total adjustment to base	75,066
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Federal Insurance Contributions Act (FICA) – Old Age Survivors and Disability Insurance (OASDI)

22

The OASDI contribution rate will remain at 6.20% for employees in FY 2014. However, the annual salary subject to the OASDI tax will increase from \$13,697,000 to \$14,156,445 in FY 2014. The total salaries subject to the OASDI tax will increase from 90.60% to 92.80% for FY 2014. The OASDI participation rate for regular employees will increase from 92.40% in FY 2013 to 95.10% in FY 2014, and will decrease from 88.10% to 86.90% for law enforcement employees.

Regular employees:

FY 2014 (\$14,156,445 x .9510 x .9280 x .0620)	774,594
FY 2013 (\$14,156,445 x .9240 x .9280 x .0620)	- <u>752,603</u>

Subtotal	21,991
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Law enforcement employees:

FY 2014 (\$1,605,555 x .8690 x .9280 x .0620)	80,276
FY 2013 (\$1,605,555 x .8810 x .9280 x .0620)	- <u>81,384</u>

Subtotal	(1,108)
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Other salaries

FY 2014 (\$466,414 x .9510 x .9280 x .0620)	25,521
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FY 2013 (\$466,414 x .9240 x .9280 x .0620)	- <u>24,796</u>
Subtotal	725

Total adjustment to base	21,680
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Thrift Savings Plan

7

The estimated percentage of payroll for regular employees covered by FERS will be 92.40% in FY 2013 and 95.10% in FY 2014. The percentage for law enforcement employees will be 88.10% for FY 2013 and 86.90% for FY 2014. The contribution rate for regular and law enforcement employees will remain at 2.0% in FY 2013 and FY 2014.

Regular employees:

FY 2014 (\$14,156,445 x .9510 x .02)	269,256
FY 2013 (\$14,156,445 x .9240 x .02)	- <u>261,611</u>
Subtotal	7,645

Law enforcement employees:

FY 2014 (\$1,605,555 x .8690 x .02)	27,905
FY 2013 (\$1,605,555 x .8810 x .02)	- <u>28,290</u>
Subtotal	(345)

Total adjustments to base.	7,260
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Employee Compensation Fund

23

The Employee Compensation Fund bill for the year ending June 30, 2011, increased by \$23,000 from the bill of \$0 for the year ending June 30, 2010. Therefore, \$23,000 in charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.

Adjustments to base	23,000
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Health Insurance

37

Effective January 2010, OIG's contribution to Federal employees' health insurance premiums increased by 4.4%. Applied against the 2014 estimate of \$838,443, the additional amount required for FY 2014 is \$36,891.

Adjustment to base	36,891
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Travel – Per Diem

0

As of October 1, 2011, the General Services Administration had not changed per diem rates throughout the continental U.S.

Adjustment to base	0
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Travel – Mileage

0

During FY 2011, the General Services Administration increased the mileage reimbursement rate for the use of privately owned automobiles a total of 7.8%. This percentage, applied against the FY 2013 estimated mileage reimbursement cost of \$4,808 increases the total cost for FY 2014 to \$5,183, an increase of \$375 from FY 2013.

Adjustment to base 375

Rental Payments to GSA

30

GSA rental rates are projected to increase 1.6% in FY 2014. This percentage, applied to the FY 2013 estimate of \$1,884,000 raises the total cost of rental payments to GSA to \$1,914,144 for FY 2014, an increase of \$30,144 over FY 2013.

Adjustment to Base 30,144

General Pricing Level Adjustment

37

The federal non-defense, non-pay deflator for FY 2014 is 1.7%. This percentage was applied to the FY 2013 estimates for sub-object cost classes where the prices the government pays are established through the market system. Factors are applied to supplies and materials (\$663); other services (\$34,000); transportation of things (\$136); printing (\$153); communications and miscellaneous expenses, excluding postage & FTS (\$211); and equipment (\$1843).

Adjustment to base 37,006

<u>Working Capital Fund</u>	426
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An increase of \$426,000 is requested in the payment to the Department's Working Capital Fund as a result of cost increases to the centralized services provided by the Department.

Adjustment to base	426,000	
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<u>Utilities</u>	(35)
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Based on estimates of charges for FY 2014 from GSA, WSSC, and Pepco, costs will decrease by \$46,000 for electricity, and increase by \$11,000 for water. Charges for water are not expected to change.

Adjustment to base	(35,000)	
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Total Adjustment to Base	0	766
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**Department of Commerce
Office of Inspector General
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS**
(Dollar amounts in thousands)

Program: Inspector General

		2012 Actual		2013 CR (annualized)		2014 Base		2014 Estimate		Increase (Decrease) Over 2014 Base	
Subprogram:		Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount
Executive Direction & Counsel	Pos./BA	19	3,142	14	3,160	14	2,925	14	3,317	0	392
	FTE/Obl.	18	3,257	14	3,909	14	2,925	14	3,317	0	392
Audits & Evaluations	Pos/BA	116	21,948	106	22,069	106	20,432	118	24,192	12	3,760
	FTE/Obl.	115	22,750	101	27,311	104	20,432	113	24,192	9	3,760
Investigations	Pos/BA	29	4,856	23	4,882	23	4,520	28	4,981	5	461
	FTE/Obl.	29	5,033	23	6,042	23	4,520	27	4,981	4	461
Total	Pos/BA	148	29,946	133	30,111	133	27,877	150	32,490	17	4,613
	FTE/Obl.	146	31,040	131	37,262	131	27,877	144	32,490	13	4,613

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FY 2014 BASE PROGRAM SUMMARY

Bureau: Office of Inspector General

Program: Office of Inspector General

Base Resources

(including ATBs)

(\$000s): \$27,877,000

FTE: 131

PROGRAM DESCRIPTION

For FY 2014, the Office of Inspector General requests an increase of \$2,612,000 and 13 FTE, and a \$2 million transfer from USPTO, for a total of \$32,490,000

Program Budget Profile (Dollar amounts in thousands)

Funding Requirements by Subprogram	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Office of Inspector General	29,946	30,111	32,490	33,237	34,002	34,784	35,584
Total Dollars	29,946	30,111	32,490	33,237	34,002	34,784	35,584
Total FTEs	146	131	144	148	148	148	148

Program Resources Assessment

In FY 1979, the Department of Commerce Office of Inspector General (OIG) was established by law as an independent oversight agency under the general supervision of the Secretary of Commerce. OIG's mission is to protect the integrity of the Department's programs and operations through independent oversight. OIG achieves its mission by conducting audits and investigations to uncover fraud, waste, and abuse in the Department's programs and activities.

OIG's current base resources support an oversight program that focuses on the top management challenges for the Department. For FY 2013, the base resources support oversight of management challenges including effectively promoting exports, stimulating economic growth, and creating jobs; reducing costs and improving operations; strengthening Department-wide information security; managing acquisition and contract operations more effectively, and managing the development and acquisition of the National Oceanic and Atmospheric Administration's environmental satellite systems. In addition, OIG is prepared to support more robust suspension and debarment proceedings against Department contractors and grantees who engage in violations or fraud. These management challenges will continue to require oversight, but there are numerous other programs and operations that OIG must examine in the coming year, often at the request of Congress. Like any other oversight agency, our goal is to provide the most effective oversight possible with the resources provided. To support our oversight of top management challenges and additional congressionally-mandated oversight, this budget requests current OIG base resources. OIG is requesting increases in funding to fill three gaps in funding which, if approved, will significantly increase OIG's capacity to conduct effective oversight of the Department.

Significant Adjustments-to-Base (ATBs)

The Office of Inspector General requests a net increase of 0 FTE and \$766,000 to fund adjustments to current programs for OIG activities. The increase would fund the estimated 2014 Federal pay raise of 1.0%. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

The base resources support the following offices that help OIG to achieve its mission:

Executive Direction and Counsel (\$2.9 million). The primary governing units of OIG are the immediate office of the Inspector General and the Office of Counsel. The immediate office of the IG provides overall leadership and policy direction for the agency and the Office of Counsel provides legal guidance in support of the agency's mission.

Audits and Evaluations (\$20.4 million). The Office of Audit and Evaluation (OAE) conducts audits and evaluations of programs and operations and provides valuable independent assistance to the Department of Commerce on whether programs and operations are cost-efficient and effective. OAE performs both planned work and work in response to Congressional or Departmental requests—covering such activities as financial controls, operational efficiencies, information systems, program performance, and major acquisitions. OAE's current ongoing work involves Commerce's FY 2012 financial statements, Department-wide unliquidated obligations, 2020 Decennial Census preparedness, the Department's \$4.7 billion Broadband Technology Opportunities Program and \$1 billion Public Safety Interoperable Communications Grant Program, USPTO information technology modernization, and conference spending controls. OAE also conducts annual evaluations of the Department's information security program and practices; prepares timely semiannual reports summarizing the activities of the Office; and completes an annual audit plan prior to the start of the fiscal year, supported by an annual risk assessment of Department offices and programs, and an annual report on the Department's top management challenges. The most recent top management challenges identified by OIG cover constrained budgets, Commerce cybersecurity, NOAA's environmental satellites, Departmental management of acquisitions and contracts, patent backlogs, American Recovery and Reinvestment Act programs, cost and scheduling issues associated with Commerce's headquarters renovation, and the 2020 Decennial Census. OIG issued several reports in FY 2012 that resulted in monetary benefits, including a 2012 report on an audit of NOAA's cost-plus-award-fee and award-term contracts that identified over \$104 million in monetary benefits.

Investigations (\$4.5 million). The Office of Investigations (OI) investigates fraud, waste, and abuse in the Department's many programs and operations. OI investigations help prevent and detect fraud perpetrated by Department contractors and grantees, and also address reported improprieties of a serious nature involving Department employees. OI also investigates alleged whistleblower reprisal, as well as underlying whistleblower disclosures (e.g., reported violation of law/regulation, abuse of authority, mismanagement). OI's direct investigative work in FY 2011 resulted in 14 different individuals or entities being indicted for a variety of crimes including trade-related antitrust violations, contract and grant frauds, and employee theft. In FY 2011, OI obtained a \$4 million civil judgment in a long-running investigation against a NIST grantee already convicted, fined, and imprisoned on charges relating to misuse of grant funds. In another case, an OIG investigation led to the Department's debarment of a former Census Bureau contractor for three years, making the first debarment by the Department in 16 years. The contractor had been convicted in U.S. District Court for the District of Columbia for conspiracy to launder monetary instruments. In FY 2012, OI's work led to ten criminal convictions.

Also, in FY 2011 OI conducted 116 outreach activities, primarily with Department agencies, providing fraud education to over 2,200 employees and providing tools to help prevent and detect fraud in Department programs and operations. In FY 2012 to date, OIG also held two Department-wide forums and two separate training programs (including interviewing techniques) aimed at improving the effectiveness of administrative inquiries carried out by Department agencies in response to referred hotline complaints. In addition, OI created and disseminated across the Department its Guidelines for Conducting Administrative Inquiries. In FY 2011, OIG achieved formal certification by OSC for meeting whistleblower protection program standards.

Under the provisions of the Inspector General Reform Act (P.L. 110-409), OIG transfers a certain amount to the Council of Inspectors General for Integrity and Efficiency (CIGIE) in order to support CIGIE's operations. For FY 2014 that amount is proposed in the President's Budget as \$468,000.

Locations. OIG has a headquarters office located in Washington, D.C. and field offices located in Atlanta, Denver, and Seattle.

FTE and Funding. OIG has a base of 131 FTE in FY 2014, and a base funding level of \$27,877,000.

Statement of Need

OIG is required by statute to annually report the top management challenges facing the Department. In addition to providing continuing oversight of the top management challenges, OIG will be required in the coming year to conduct oversight of other programs and operations, largely in response to Congressional requests.

OIG's most recent report identified the following five top management challenges:

- (1) Stimulate Economic Growth in Key Industries, Increase Exports, and Enhance Stewardship of Marine
- (2) Increase Oversight of Resources Entrusted by the Public and Invest for Long-Term Benefits
- (3) Strengthen Security and Investments in Information Technology
- (4) Implement Framework for Acquisition Project Management and Improve Contracts Oversight
- (5) Reduce Risks of Cost Overruns, Schedule Delays, and Coverage Gaps for NOAA's Satellite Programs

Departmental Goal(s) Supported

OIG supports the Department's Theme of Organizational Excellence, the associated Departmental goal of creating a high performing organization with integrated, efficient, and effective service delivery, and Departmental Objective 22, which calls for strengthening financial and non-financial internal controls to maximize program efficiency, ensure compliance with statute and regulation, and prevent waste, fraud and abuse of government resources of achieving organizational and management excellence.

Gap Assessment

OIG has three major identified funding gaps, which it proposes to close in this budget. They are:

- (1) Contract and Acquisition Oversight;
- (2) Complaint Inquiry and Analysis; and
- (3) Oversight of the United States Patent and Trademark Office.

OIG also requests an increase in the funding support for the Council of Inspectors General for Integrity and Efficiency.

SCHEDULE AND DELIVERABLES

Deliverables & Schedule:

OIG's major deliverables include:

- A report on the major management challenges facing the Department – *published in November*;
- A semiannual report summarizing work the OIG completed or initiated in the previous six months – *published in March and September*;
- Reports on audits and evaluations – *performed according to our annual audit plan, which may be modified to address new priorities*;
- Responses to Congressional requests, including testimony – *as necessary*;
- The financial audit report of the Department and its bureaus – *provided in November*;
- Oversight of audit reports prepared by independent auditors and resolution of all findings reported in these audits – *ongoing*;
- Recommendation tracking- ensuring that our recommendations are appropriately implemented by management – *ongoing*;
- Annual risk assessment and audit plan – *October*; and
- Department training where OIG provides guidance to program management and grant recipients on implementing effective controls to guard against fraud, waste, and abuse – *as necessary*.

PROGRAM PERFORMANCE METRICS AND OUTPUTS
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Performance goal:

– Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.

Performance Measures	FY 2012 Actual	FY 2013 Estimate	FY 2014 Estimate
Measure 1. Percent of audit recommendations that were issued three years prior, which have been implemented by Departmental and bureau management.	58%	90%	90%
Measure 2. Percent of investigative cases for which investigation is complete within 12 months.	96%	70%	70%
Measure 3. Dollar value of all financial benefits identified by OIG.	\$175.8	\$39.0 M	\$39.0 M

FY 14 PROGRAM CHANGE SUMMARY

Program

Change: **Acquisition and Contracts Oversight**

Amount: +\$1.8 Million

FTE: +9

Budget

Activity **Office of Inspector General**

PPA: **Office of Inspector General**

OIG requests \$1.760 million and 9 FTE to expand oversight of the Department's acquisitions and contracts. In FY 2012, the Department expected to spend approximately \$5.3 billion to acquire a wide range of goods and services to support mission-critical programs such as satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management.

OIG will create two teams of auditors to examine and oversee procurement activities across the Department. These teams will not be specifically devoted to one or another bureau, but will be capable of examining acquisitions in any area. These teams will be capable of performing up to six audits a year of acquisitions and contracts. OIG has identified high-risk areas in acquisitions and contracts, such as the National Oceanic and Atmospheric Administration's (NOAA) satellite programs. OIG will also examine planning for 2020 Census, which will involve large ongoing contracts. OIG will also develop specific expertise in technical areas to support these audit teams; for example, auditing of NOAA satellites requires specific expertise to evaluate these complex and highly technical acquisitions, and the auditing of the decennial census requires statistical expertise in evaluating census-related acquisitions.

OIG selected NOAA's satellite programs to audit since NOAA is in the midst of modernizing its environment monitoring capabilities, spending nearly \$24 billion on the Joint Polar Satellite System (JPSS) and the next-generation Geostationary Operational Environmental Satellite-R Series (GOES-R) programs. OIG's FY 2011 and FY 2012 audit work of JPSS and GOES-R identified four areas for management attention: (1) Communicating with stakeholders to define JPSS capabilities, schedule, and cost baselines; (2) Ensuring adequate leadership and governance structure over JPSS development; (3) Developing a plan to support NOAA weather forecasting capabilities during coverage gaps; and (4) Reducing program risks associated with GOES-R development.

Areas to be addressed include:

- NOAA's management and mitigation actions of potential gaps in JPSS and GOES-R satellite coverage;
- Technical progress, risks, and issues with JPSS and GOES-R instruments and spacecraft;
- Performance of JPSS and GOES-R acquisitions as compared to their cost, schedule, and technical baselines;
- JPSS and GOES-R program management;
- Contract management, including administration of award fee;
- Department and NOAA oversight of JPSS and GOES-R acquisitions; and
- Management of JPSS and GOES-R requirements.

OIG also selected the 2020 Decennial Census for the initial round of acquisition audits because this program will likely make over \$10 billion in acquisitions over the next ten years. Census encountered numerous problems in planning and performing the 2010 Decennial Census, many of which could have been avoided by more careful acquisition planning and risk management. Oversight and monitoring by OIG early in the 2020 Decennial Census process will help alleviate problems, avoid costs, and lead Census to provide greater personal information protection in its performance of the next decennial census. Areas to be addressed initially include:

- contract administration and management;
- quality control methods;
- critical IT systems including field data collection automation, the data response integration system, MAF/TIGER, headquarters data processing, and the data access and dissemination system;
- safeguarding sensitive Title 13 information;
- field office infrastructure and logistics management;
- management of census operations and internal controls; and
- tabulation and dissemination of census products.

Other significant acquisitions and contracts OIG has identified as high-risk include NTIA's contract to implement the Broadband Technologies Opportunities Program (BTOP), acquisitions by recipients of BTOP grants, and NOAA's acquisition of a supercomputer to replace leased supercomputer services. Significant IT contracts and acquisitions the Department has itself identified as high-risk include NOAA's National Weather Service Telecommunications Gateway (\$403 million) and its Joint Polar Satellite System – Ground System (\$2 billion).¹

Base Resources Assessment

In order to provide adequate oversight of acquisitions and contracts, without reducing the level of oversight of other competing priorities and statutory mandates, OIG requires dedicated personnel to provide consistent oversight of these expenditures. In FY 2012, Congress provided a total of \$2 million in one-time funding for oversight of satellite acquisition and for oversight of the activities of the Census Bureau. This request would continue and expand on the work begun with that funding.

SCHEDULE AND DELIVERABLES

Schedule & Milestones:

This funding would provide for two audits during FY 2014, increasing to six annually in FY 2015 – FY 2018.

Deliverables:

The potential OIG reviews in the following areas would support the Department's mission:

- Ensuring bureaus optimize available resources, and determining the extent to which their international activities may be similar or overlapping, both within the Department and with other federal agencies.
- Improving intra-agency and interagency coordination of international activities, especially export promotion.

¹ Amounts shown are estimated life-cycle costs of each project.

- Ensuring bureaus' acquisitions are aligned with their resources, as well as ensuring their general program effectiveness.

Performance Measure: Number of audits issued:	FY 14 Target	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target
With increase	2	6	6	6	6	6
Without increase	0	0	0	0	0	0

Performance Measure#: 1c: Dollar Value of Financial Benefits Identified by OIG.	FY 14 Target	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target
With increase	\$3.9 M	\$5.0 M				
Without increase	\$0	\$0	\$0	\$0	\$0	\$0

PROGRAM CHANGE PERSONNEL DETAIL

Program: Office of Inspector General

Subprogram: Office of Inspector General

Title:	Location	Grade	Number of Positions	Annual Salary	Total Salaries
Program Manager	Washington DC	15	1	123,758	123,758
Program Analyst	Washington DC	14	1	105,211	105,211
Program Analyst	Washington DC	13	4	89,033	356,132
Statistician	Washington DC	13	1	89,033	89,033
Auditor	Washington DC	13	5	89,033	445,165
Total			<u>12</u>		<u>1,119,299</u>
less Lapse		25%	<u>3</u>		<u>(279,825)</u>
Total full-time permanent (FTE)			9		839,474
FY 2014 Pay Raise of 1.0%					8,395
Total					<u>847,869</u>

Personnel Data

Full-Time Equivalent Employment:

	Number
Full-time permanent	9
Other than full-time permanent	<u>0</u>
Total	9

Authorized Positions:

Full-time permanent	12
Other than full-time permanent	<u>0</u>
Total	12

PROGRAM CHANGE DETAIL BY OBJECT CLASS (DIRECT)

Activity: Office of Inspector General

Subactivity Office of Inspector General

Object Class	FY 2014 Change (\$000)
11 Personnel compensation	
11.1 Full-time permanent	\$848
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	8
11.9 Total personnel compensation	<u>856</u>
12 Civilian personnel benefits	223
21 Travel and transportation of persons	72
22 Transportation of things	0
23.1 Rental payments to GSA	0
23.2 Rental Payments to others	0
23.3 Communications, utilities and miscellaneous charges	36
24 Printing and reproduction	0
25.1 Advisory and assistance services	0
25.2 Other services	252
25.3 Purchases of goods & services from Gov't accounts	256
26 Supplies and materials	5
31 Equipment	60
99 Total obligations	<u>1,760</u>

FY 2014 PROGRAM CHANGE SUMMARY

Program
Change: **Complaint Inquiry and Analysis**

Amount: +\$0.5 Million FTE: 4

Budget
Activity: **Office of Inspector General**

PPA: **Office of Inspector General**

OIG requests an increase of \$461,000 and 4 FTE for increased investigative support for Complaint Inquiry and Analysis. OIG receives critical and time-sensitive information on emerging issues across the Department from hotline complaints, and attempts to thoroughly review each complaint received to ensure all allegations and issues are handled promptly and appropriately. However, the number of complaints made to OIG from Commerce employees (including whistleblowers) and the public—involving issues of fraud, waste, abuse and mismanagement in the Department’s programs and operations—has approximately doubled in the past year. At OIG’s current staffing level, many substantive complaints cannot be appropriately investigated or otherwise resolved in a timely or sufficient way.

The OIG hotline, the primary pathway for complaints, is a critical path through which Department leadership learn of emerging management issues. In FY 2011, OIG received approximately 630 complaints; in comparison, through FY 2012 OIG received 1286 complaints, and FY 13 is on pace for approximately 1500 complaints. Not only is the hotline critical to accomplishing OIG’s oversight mission, it also helps Commerce agencies minimize risks by learning of emerging issues promptly. OIG recently established hotline complaint handling as one of OIG’s top risk areas. Even though OIG investigations result from hotline complaints, OIG also refers the complaints received to agency leadership for appropriate action and then carries out a review of the agency’s response to ensure that issues have been sufficiently addressed. OIG needs to leverage agency’s resources and OIG’s resources in this way to address timely handling of the complaints effectively. OIG referrals made to Commerce agencies for inquiry and response increased by over 50% and OIG has instituted several process improvements to strengthen how complaints are resolved, but additional resources are required. Several recent examples of notable complaints serve to demonstrate the significant resource requirements associated with the Hotline complaint process:

- ***National Weather Service Reprogramming:*** Several complaints regarding the alleged unauthorized reprogramming of millions of dollars of National Weather Service funds were received by OIG, NOAA and other stakeholders. These complaints resulted in substantial efforts over a six month period by the Department, NOAA and OIG to investigate. OIG worked closely with the Departmental officials conducting the inquiry, providing oversight of their efforts and is now reviewing the results of the investigation at the request of Congress.
- ***Broadband Technology Opportunities Program (BTOP) Complaints:*** To date, OIG has received over 80 complaints about NTIA’s BTOP involving approximately 44 recipients. These complaints, involving issues from improper management to suspected grant fraud, have resulted in several OIG investigations and administrative referrals to NTIA for inquiry and corrective action.

- **Backlog of NOAA Complaints:** OIG is currently awaiting a response from NOAA on 53 complaints that were referred for inquiry and analysis, of which 44 are delinquent. An additional 13 were returned for further inquiry. OIG has attempted to engage NOAA on addressing this backlog for more than 6 months, with some limited progress only recently. As NOAA addresses its backlog, OIG will expend considerable resources to assess NOAA's responses to these complaints, to ensure that all issues are being handled appropriately and that they are not disregarded.
- **Senior Department Officials:** OIG also receives allegations of impropriety involving senior Departmental leaders, some of which become significant investigations. OIG must make the resolution of these sensitive matters a priority and respond promptly, adversely impacting existing investigations when manpower and resources are diverted.

Ensuring robust and effective oversight will help to minimize legal and reputational risks to the Department, especially in a constrained fiscal environment. In order to help prevent a legal or reputational "tail event," the Department must ensure that it has a highly-functioning, reliable unit that receives complaints about Commerce operations and handles them appropriately, and with haste. As the ability of complainants to communicate their issues publicly increases, the Department should provide a credible, functional process to receive and resolve allegations, in order to maintain public confidence and successfully execute the Department's mission.

OIG proposes to add five additional personnel to the Complaint Inquiry and Analysis unit to address the growing number of issues reported to OIG. These additional staff will review all meritorious complaints received by OIG, and oversee and assist administrative inquiries conducted by Commerce agencies as a result of OIG referrals. In addition, these staff will directly conduct administrative inquiries and investigations into non-criminal allegations. Currently, the Complaint Inquiry and Analysis unit has two dedicated FTE and one supervisor committed to these activities, but the unit must rely on continual assistance from highly-graded criminal investigators and senior managers and executives to complete its basic activities, which diverts these important resources from other-value-added duties. Allocating a sufficient number of dedicated staff trained to accomplish these activities, rather than relying on ad hoc assistance from investigators and senior managers is necessary to achieve greater efficiency.

Base Resources Assessment

Additional resources are required for this activity because OIG is attempting to maintain an adequate level of oversight with an increasing volume of complaints and fewer staff resources. Due to the increasing number of complaints related to Commerce programs and operations, OIG had to recalibrate its Balanced Scorecard Metric from making referrals in 10 business days to 14 business days. Despite this change, OIG is still only providing referrals to Commerce operating units within the 14-day timeframe 88% of the time; an expedited referral rate very close to 100 % should be the norm.

SCHEDULE AND DELIVERABLES

Schedule & Milestones

OIG plans to onboard four FTE in 2014 and make them operational immediately. Analysts' work will include such key functions as performing initial research on complaints received, interviewing complainants, and reviewing reports from Commerce agencies at the conclusion of administrative inquiries. Within one year, OIG will make these staff available to support, and then conduct administrative inquiries and investigations.

Deliverables

- Balanced Scorecard metrics:** OIG's first goal will be to exceed all targets for Balanced Scorecard metrics under the 14 day referral timeframe, and then to shorten the timeframe back to 10 days. In addition, OIG will establish a metric for reviewing reports from Commerce agencies at the conclusion of administrative inquiries, requiring OIG to complete sufficiency reviews within 14 days. Due to OIG's current resource issues, reports are attempted to be processed within 30 days, though often this goal is not met.
- Increased investigative efficiency and production:** While OIG attempts to manage the growing volume of hotline complaints, it has relied on the costly contributions of GS-14, GS-15, and even SES managers, along with criminal investigators to help process complaints. These contributions are valuable to OIG, though considerably greater efficiency could be achieved with dedicated analysts who complete the same tasks with fewer hours, and at a lower cost.
- Decreased Risk to Department:** With additional resources, OIG will provide better and more prompt analysis to heads of Commerce agencies, to notify them of problem areas as they begin to emerge. In addition, OIG will provide response letters to complainants, to inform them (as appropriate) as to the status of their complaints. Also, OIG will be able to provide better direction to agency officials conducting administrative inquiries at OIG's request, by offering more training and better guidance throughout the process.

PERFORMANCE METRICS

Performance Goal Performance Measure: <i>Percent timely referrals (10 Days)</i>	FY 14 Target	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target
With increase	80%	85%	85%	85%	85%	85%
Without increase	70 %	70 %	70 %	70 %	70 %	70 %

Performance Goal Performance Measure: <i>Percent timely responses to agency administrative inquiries (10 Days)</i>	FY 14 Target	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target
With increase	35%	50%	50%	50%	50%	50%
Without increase	N/A	N/A	N/A	N/A	N/A	N/A

PROGRAM CHANGE PERSONNEL DETAIL

Program: Office of Inspector General
 Subprogram: Office of Inspector General

Title:	Location	Grade	Number of Positions	Annual Salary	Total Salaries
Program Analyst	Alexandria, Va	12	1	74,872	74,872
Program Analyst	Washington DC	11	1	62,467	62,467
Program Analyst	Washington DC	9	3	51,630	154,890
Total			5		292,229
less Lapse		25%	1		(73,057)
Total full-time permanent (FTE)			4		219,172
FY 2014 Pay Raise of 1.0%					2,192
Total					221,363

Personnel Data

	Number
Full-Time Equivalent Employment:	
Full-time permanent	4
Other than full-time permanent	0
	4
Authorized Positions:	
Full-time permanent	5
Other than full-time permanent	0
Total	5

PROGRAM CHANGE DETAIL BY OBJECT CLASS (DIRECT)

Activity: Office of Inspector General

Subactivity: Office of Inspector General

Object Class	FY 2014 Change (\$000)
11.0 Personnel compensation	
11.1 Full-time permanent	143
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	1
11.9 Total personnel compensation	144
12.0 Civilian personnel benefits	37
21.0 Travel and transportation of persons	30
22.0 Transportation of things	0
23.1 Rental payments to GSA	20
23.2 Rental Payments to others	0
23.3 Communications, utilities and miscellaneous charges	15
24.0 Printing and reproduction	0
25.1 Advisory and assistance services	0
25.2 Other services	94
25.3 Purchases of goods & services from Gov't accounts	94
26.0 Supplies and materials	2
31.0 Equipment	25
99.0 Total obligations	461

FY 14 PROGRAM CHANGE SUMMARY

Program
Change: **Council of Inspectors General for Integrity and Efficiency**

Amount: +\$0.4 Million FTE: 0

Budget
Activity: **Office of Inspector General**

PPA: **Office of Inspector General**

OIG requests an increase of \$392,000 to support the Council of Inspectors General for Integrity and Efficiency (CIGIE) for a total funding level of \$468,000. In past years and currently, CIGIE is funded through fund transfers from various federal Inspectors General offices. In FY 2013, OIG expects to provide a total of \$76,000. Under this proposal, the largest 13 Inspectors General offices would fully fund CIGIE, with each providing \$468,000.

PROGRAM CHANGE DETAIL BY OBJECT CLASS (DIRECT)

Activity: Office of Inspector General
Subactivity: Office of Inspector General

Object Class	FY 2014 Change (\$000)	
11	Personnel compensation	
11.1	Full-time permanent	0
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.9	Total personnel compensation	0
12	Civilian personnel benefits	0
21	Travel and transportation of persons	0
22	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	0
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	0
25.3	Purchases of goods & services from Gov't accounts	392
26	Supplies and materials	0
31	Equipment	0
99	Total obligations	392

SUMMARY PROGRAM CHANGE DETAIL BY OBJECT CLASS (DIRECT)

Program: Office of Inspector General

Subprogra: Office of Inspector General

Object Class		FY 2014 Change (\$000)
11	Personnel compensation	
11.1	Full-time permanent	991
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	9
11.9	Total personnel compensation	1,000
12	Civilian personnel benefits	260
21	Travel and transportation of persons	102
22	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	51
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	346
25.3	Purchases of goods & services from Gov't accounts	762
26	Supplies and materials	7
31	Equipment	85
99	Total obligations	2,613

This total does not include the proposed transfer of \$2 million from USPTO.

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Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	FY 2012 Actual	FY 2013 CR (annualized)	FY 2014 Base	FY 2014 Estimate	Increase/ Decrease over FY 2014 Base
11.0 Personnel compensation	\$15,519	16,858	15,949	18,047	2,098
11.1 Full-time permanent- non wage	0	0	0	0	0
11.3 Other than full-time permanent	0	118	5	5	0
11.5 Other personnel compensation	740	565	523	543	20
11.9 Total personnel compensation	16,259	17,541	16,477	18,595	2,118
12.1 Civilian personnel benefits	4,826	5,242	4,285	4,844	559
13.0 Benefits to former personnel	300	0	0	0	0
21.0 Travel and transportation of persons	273	325	274	381	107
22.0 Transportation of things	5	9	9	9	0
23.1 Rental payments to GSA	1,728	1,884	1,914	1,914	0
23.2 Rental payments to others	0	0	0	0	0
23.3 Commun., util., misc. charges	375	217	349	427	78
24.0 Printing and reproduction	10	10	10	11	1
25.1 Consultant services	0	0	0	0	0
25.2 Other services	3,852	9,003	1,854	2,478	624
25.3 Purchase of goods and services from gov't accounts	3,136	2,664	2,749	3,748	999
26.0 Supplies and materials	78	117	48	67	19
31.0 Equipment	162	250	121	229	108
42.0 Insurance Claims and Indemnities	36	0	0	0	0
99.0 Total Direct Obligations	31,040	37,262	28,090	32,703	4,613
Less prior-year recoveries	0	0	0	0	0
Less Transfers	(3,000)	(3,000)	0	(2,000)	(2,000)
Less unobligated balance from prior years	(8,334)	(7,151)	0	0	0
Plus unobligated balance, expiring	89	0	0	0	0
Plus unobligated balance, end of year	7,151	0	0	0	0
Total Appropriation	26,946	27,111	28,090	30,703	2,613
Personnel Data					
Full-Time Equivalent Employment:					
Full-time permanent	146	131	131	144	13
Other than full-time permanent	0	0	0	0	0
Total	146	131	131	144	13
Authorized Positions:					
Full-time permanent	148	133	133	150	17
Other than full-time permanent	0	0	0	0	0
Total	148	133	133	150	17

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses

APPROPRIATION LANGUAGE AND CODE CITATION

Appropriation: Office of Inspector General

For necessary expenses of the Office Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, \$28,199,000.

5 U.S.C. App.1-11, as amended by P.L. 100-504 and P.L. 110-354.

Section 2 of the Inspector General Act of 1978 (5 U.S.C. App.3), as amended, provides that “In order to create independent and objective units – (1) to conduct and supervise audits and investigations relating to programs and operations of the establishments listed in section 11(2)...there is hereby established in each of such establishments an Office of Inspector General.” Section 11(2) of the Act reads, “the term ‘establishment’ means the Department of Commerce”

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses

CONSULTING AND RELATED SERVICES
(Obligations in thousands)

	2012 Actual	2013 CR (annualized)	2014 Estimate
Consultant Services.....	\$0	\$0	\$0
Management and professional services	0	0	0
Special studies and analyses.....	0	0	0
Mgmt & support services for research & development	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 \$0	 \$0	 \$0

Note:

1. The Inspector General Act of 1978 authorizes the Office of Inspector General to obtain such temporary technical assistance as needed to carry out the requirements of the Act.

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses

PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
(Obligations in thousands)

	2012 <u>Actual</u>	2013CR (annualized)	2014 <u>Estimate</u>
Periodicals*	\$10	\$10	\$10
Pamphlets	0	0	0
Audiovisuals	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 \$10	 \$10	 \$10

*Pursuant to the Inspector General Act of 1978 (P.L. 95-452), the Inspector General shall prepare semiannual reports summarizing the activities of the office during the 6-month periods ending March 31 and September 30. According to the Act, these reports shall include details of major problems, abuses, and deficiencies identified during the previous 6 months, together with recommendations for corrective action. The reports must cite any recommendations reported earlier that have not been acted upon, describe any OIG requests for information assistance that were unreasonably refused, and show the amount of funds recovered as a result of audit recommendations. The Department head may provide comments but may not change these semiannual reports.

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses

AVERAGE GRADE AND SALARIES

	2012 Actual	2013 CR (annualized)	2014 Estimate
Average EX Grade*	NA	NA	NA
Average EX Grade*	NA	NA	NA
Average GS/GM Grade	13	13	13
Average GS/GM Salary	\$92,357	\$125,715	\$113,890

*The Senior Executive Service (SES) new Performance Appraisal System went into effect September 30, 2004 and eliminated level/grades for SES positions. The current SES Pay System includes minimum and maximum dollar amounts for those agencies with OPM-certified performance appraisal systems and minimum and maximum dollar amounts for those without OPM-certified performance appraisal programs. Because of this change, it is not possible to calculate average SES grade.

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**Department of Commerce
Office of Inspector General
INSPECTOR GENERAL REFORM ACT OF 2008 REPORTING REQUIREMENTS**

In accordance with the requirements of Section 6(f)(3) of the Inspector General Act of 1978, as amended, OIG submits the following information related to its requested budget for FY 2014:

OIG FY 2014 Request to Department of Commerce: \$33,639,000, including base funding of \$76,000 as a pass-through to the Council of Inspector Generals for Integrity and Efficiency, and program increases of \$1.9 million for oversight of the First Responder Network Authority (FirstNet), as established by the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-36), and \$0.7 million for complaint inquiry and analysis.

President’s Budget Request: \$32,490,000, including increases of \$1.8 million for acquisition and contract oversight, \$0.5 million for complaint inquiry and analysis, \$0.4 million for the Council of Inspectors General for Integrity and Efficiency, and a \$2.0 million transfer from USPTO for oversight of that agency.

Dollar amounts in thousands					
	FY 2012 Actual	FY 2013 CR (annualized)	FY 2014 Base	FY 2014 Estimate	Increase/ (Decrease)
	BA /1	BA /1	BA	BA /2	BA /2
OIG Funding	29,946	30,111	27,877	32,490	4,613

/1 Includes transfers of \$1 million from USPTO, NOAA, CENSUS, for a total of \$3 million.

/2 Includes transfer of \$2 million from USPTO.

Amounts provided for training and for support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) are as follows:

Dollar amounts in thousands					
	FY 2012 Actual	FY 2013 CR (annualized)	FY 2014 Base	FY 2014 Estimate	Increase/ (Decrease)
Training	153	228	233	237	4
Amounts for support of CIGIE	27	468	76	468	392

OIG certifies that the training amount for FY 2014 listed above represents the total training requirement for OIG.