

FY 2015  
DRAFT CONGRESSIONAL SUBMISSION

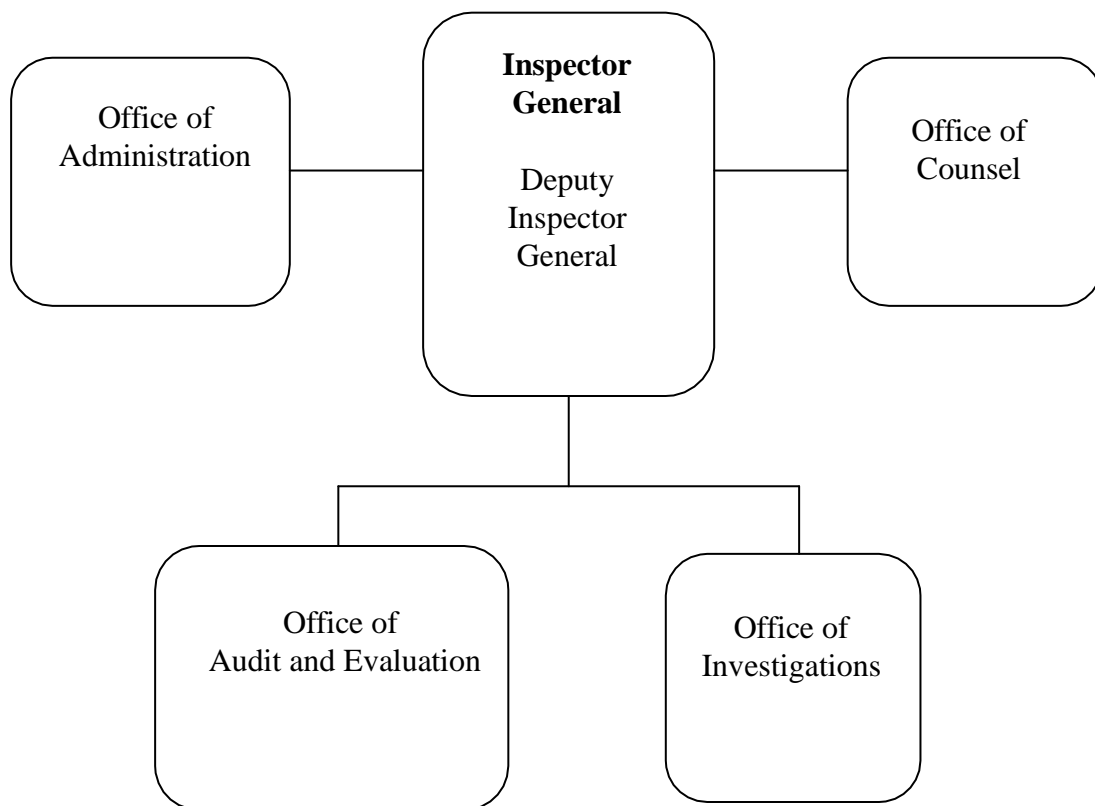
**Department of Commerce  
Office of Inspector General  
FY 2015 Congressional Submission**

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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 2015**

Executive Summary

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 2015, OIG will continue to focus its work on the Department's efforts to address the major challenges we have identified. OIG proposes to enhance oversight of the National Oceanic and Atmospheric Administration's (NOAA's) environmental satellites, a program that accounts for over 20 percent of the Department's budget in FY 2014, as well as enhance oversight of the progress of research and testing operations for the 2020 Census, an activity which may incur lifecycle costs of almost \$18 billion. Congress provided transfers in FY 2012, 2013, and 2014 to support the OIG's work in these areas.

OIG will continue to work with the Department to identify funding for oversight of the First Responder Network Authority (FirstNet), a new program with access to over \$7 billion in borrowing authority.

These proposed increases are especially important in light of OIG's historically constrained budget, given the breadth, complexity, and critical nature of the Department's programs. 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. The requested transfers, although substantial relative to OIG's budget, have been provided for the past several years by Congress for oversight of the Census and NOAA satellites. Further, each is a multibillion dollar program; the cost of the necessary oversight is modest compared to the risks facing the Department.

(Dollar amounts in thousands)

Appropriation	<u>FY 2014 Enacted</u>		<u>FY 2015 Estimate</u>		<u>Inc. (+) or Dec. (-)</u>	
	<u>Positions</u>	<u>Amount</u>	<u>Positions</u>	<u>Amount</u>	<u>Positions</u>	<u>Amount</u>
Office of Inspector General	144	30,000	147	30,596	3	+596
Total, Office of Inspector General	144	30,000	147	30,596	3	+596

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## FY 2013 Annual Performance Report / FY 2015 Annual Performance Plan

### Office of Inspector General

#### **Table of Contents**

#### **Part 1 Summary Information**

##### Section 1: Overview

##### Mission 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.

##### Description / Scope of Responsibilities

The Office of Inspector General (OIG) promotes compliance by the Department's employees and others managing federal resources with applicable laws and regulations, and actively working to prevent fraud, waste, and abuse in program operations. The OIG monitors and tracks the use of taxpayer dollars in federally-funded programs with its purpose being to keep Departmental officials and Congress informed about issues, problems, and deficiencies relating to the administration of programs and operations and the need for corrective action. OIG has a headquarters office located in Washington, D.C. and field offices located in Atlanta, Denver, and Seattle.

OIG has a base of 166 FTE in FY 2015.

##### Section 2: Corresponding DoC Strategic Objectives

Objective	Objective Number	Objective Name	Leader
Operational Excellence	5.1	Strengthen organizational capabilities to drive customer-focused, outcomes-driven mission performance.	Office of Secretary; all bureaus contribute.



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 for the senior executives.

OIG's Human Capital programs, initiatives, and projects represent the essential drivers for the advancement of organizational goals and objectives. These activities 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 incorporates 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 the Department's current strategic theme of operational 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; and
- 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.

### Section 3: Bureau Benefits and Accomplishments

OIG keeps Departmental decision makers and Congressional stakeholders informed of longstanding, as well as emerging, problems identified through its audits and investigations so timely corrective action can be taken. In addition to areas identified in its *Top Management Challenges* report, the OIG performs audits required by law (such as the Federal Information Security Management Act of 2002 (FISMA)); of interest to Congress or the Secretary; and/or based on significant issues uncovered during a previous review, or when a program or office is determined to be higher risk. OIG criminal, civil, and administrative investigations continue to disclose instances of misconduct by employees, contractors, and grantees that threaten the integrity of the Department's programs and operations.

In FY 2013 OIG reviewed the Department's unliquidated obligation balances to assess whether the Department and bureaus have adequate controls over the management and closeout of unliquidated obligations. NOAA and NTIA incurred 70 percent of the Department's unliquidated obligations. OIG identified monetary benefits to the Department – in the form of estimated obligations that could have been deobligated by the end of 1<sup>st</sup> quarter, FY 2012 in the amount of \$159 million.

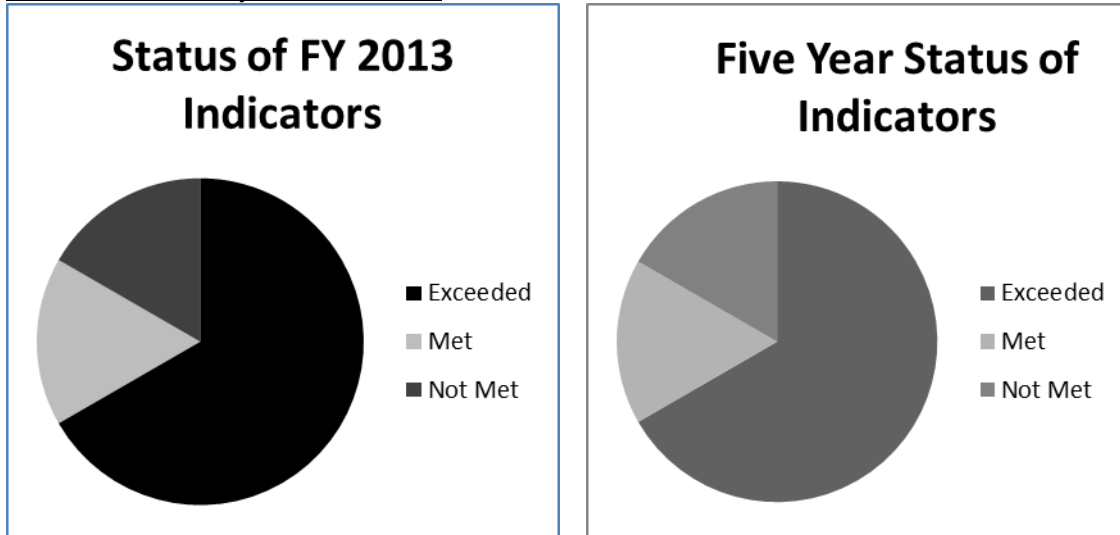
OIG reviewed NOAA's Geostationary Operational Environmental Satellite-R Series (GOES-R) program to assess the adequacy of contract management and administration and the effectiveness of management's direction, monitoring, and collaboration for development of select components of the GOES-R program. OIG identified over \$8.8 million in questioned costs and over \$105.9 million in funds to be put to better use.

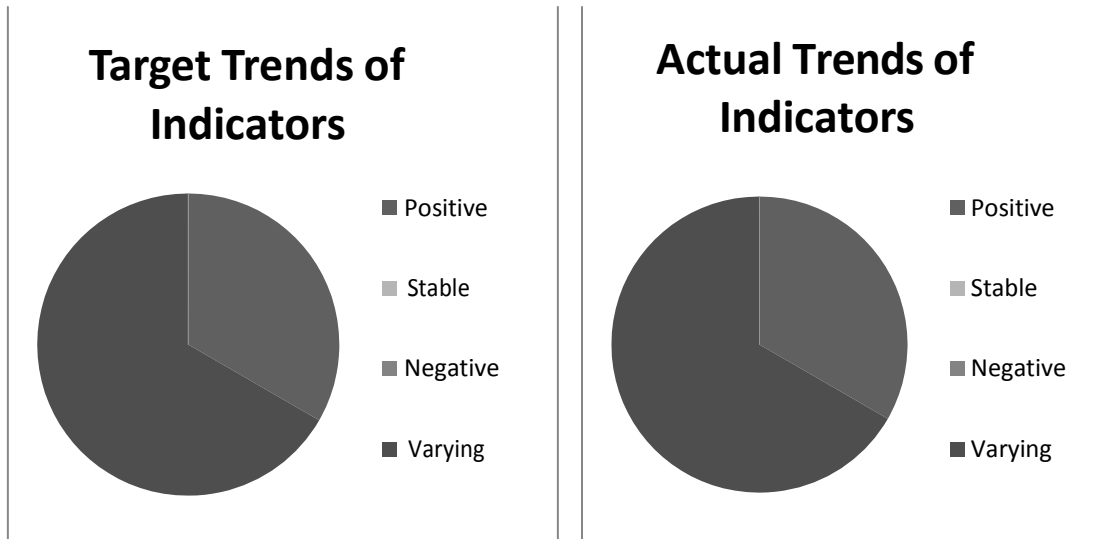
An OIG investigation in conjunction with the Department of Justice and Federal Bureau of Investigation resulted in two Japanese shipping companies being fined over \$18.9 million in FY 2013 and placed on probation for 24 months, while another was ordered to pay over \$10.4 million in restitution, for their roles in a conspiracy to fix certain fees in the provision of freight forwarding services for air cargo shipments from Japan to the United States, a critical aspect of trade.

In July 2009, OMB directed agencies to reduce the use of high-risk contracts, which include time-and-materials and labor-hours (T&M/LH) contracts. In a Department-wide audit, OIG reviewed 43 contracts composed of 62 various T&M/LH contract actions to determine whether NOAA, the Census Bureau, and NIST properly awarded and administered these contract actions. We determined that contracting and program officials did not properly award and administer T&M/LH contracts and task orders for work performed. The audit identified \$169.5 million in unsupported costs and \$1.3 million in funds to be put to better use. As these results occurred in FY 2014, they are not included in the FY 2013 results reported below, but will be reported as part of FY 2014 results.

## **Part 2 Performance Results and Plans**

### Section 1: Summary of Performance





## Section 2: FY 2013 Description of Performance by Objective

Objective 5.1: Strengthen organizational capabilities to drive customer-focused, outcomes-driven mission performance by building a learning culture that engages and empowers staff, providing people the tools they need to do their jobs, and managing for results.

### Summary of FY 2013 Indicator Performance

Indicator	Target	Actual	Status	Trend
Percent of OIG recommendations accepted by Departmental and bureau management (OIG)	95%	96%	Exceeded	Varying
Dollar value of financial benefits identified by OIG (OIG)	\$30 million	\$361.5 million	Exceeded	Varying
% of investigative cases completed within 365 days (OIG)	70%	53%	Not met	Positive

Indicator	Percent of OIG recommendations accepted by Departmental and bureau management (OIG)							
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.							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	90%	90%	90%	90%	90%	95%	95%	95%
Actual	100%	97%	100%	94%	96%	96%		
Status	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded		
Trend	Varying							
Explanation (if not met in FY 2013)	N/A							
Actions to be taken / Future Plans	N/A							
Adjustments to targets	Reporting implementation rate of recommendations issued 3 years prior.							
Information Gaps	N/A							
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		

Indicator	Dollar value of financial benefits identified by OIG (OIG)							
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.							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	\$30 M	\$30 M	\$30 M	\$30 M	\$30 M	\$30 M	\$70 M	\$70 M
Actual	\$113.9 M	\$126.9 M	\$47.8 M	\$33.5 M	\$175.8 M	\$361.5 M		
Status	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded		
Trend	Varying							
Explanation (if not met in FY 2013)	N/A							
Actions to be taken / Future Plans	N/A							
Adjustments to targets	The target has been adjusted for FY 2014 and FY 2015 to reflect OMB’s preference that targets be more aggressive rather than easily attainable.							
Information Gaps	N/A							
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	

Indicator	% of investigative cases completed within 365 days (OIG)							
Description	Mean and median number of days it took Office of Investigations to complete a case.							
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	N/A	N/A	N/A	N/A	70%	70%	70%	70%
Actual	N/A	N/A	N/A	N/A	58%	53%		
Status	N/A	N/A	N/A	N/A	Not met	Not met		
Trend	The trend for OIG is positive. As older cases are cleared off the books, this metric should improve significantly in FY 2014.							
Explanation (if not met in FY 2013)	OIG’s success in implementing and advertising its hotline resulted in a significant increase in substantial complaints. OIG also completed a substantial number of older cases in FY 2013, which also tended to negatively impact this target.							
Actions to be taken / Future Plans	OIG has increased its hiring of investigators to deal with the increase in complaints. This, together with many older cases cleared, should result in improvement of this target in FY 2014.							
Adjustments to targets	None.							
Information Gaps	N/A							
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	

**Part 3 - Resource Requirements Table**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Currently Available	FY 2015 Base	Increase / Decrease	FY 2015 Request
<b>Performance Objective: Objective 5.1:</b> Strengthen organizational capabilities to drive customer-focused, outcomes-driven mission performance by building a learning culture that engages and empowers staff, providing people the tools they need to do their jobs, and managing for results.										
Office of Inspector General										
<b>Total Funding</b>										
Direct	25,020	27,285	31,137	33,580	31,040	30,199	34,000	35,121	328	35,449
Reimbursable	0	838	5,108	4,165	3,661	1,775	3,000	3,000	0	3,000
Total	25,020	28,123	36,245	37,745	34,701	31,974	37,000	38,121	328	38,449
<b>Total FTE</b>										
Direct	113	112	155	172	169	137	163	166	6	172
Reimbursable	0	3	6	4	0	1	0	0	0	0
Total	113	115	161	176	169	138	163	166	6	172

**Part 4 Agency Priority Goals – N/A****Part 5 Other Information -****Section 1 Major Management Priorities and 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 are:

- Strengthen Commerce infrastructure to support the Nation's economic growth;
- Strengthen oversight of NOAA programs to mitigate satellite coverage gaps, enhance fisheries management, and improve fiscal controls;
- Continue enhancing cybersecurity and management of information technology investments;
- Exercise strong project management controls over Decennial 2020 planning to contain costs; and

- Continue to foster a culture of management accountability to ensure responsible spending.

OIG has identified three areas of high risk to the Department requiring significant or enhanced oversight that cannot be funded from within OIG's base resources. The ability of OIG to provide adequate oversight to these areas without sufficient resources presents a serious challenge to OIG. The high-risk areas are:

**Census Bureau.** We have identified significant concerns with the Census Bureau's decennial census project management controls and schedule slippages—which, if not overseen in a timely manner, could severely limit the Bureau's ability to use innovative design alternatives for the 2020 Census rather than a costly paper-based decennial. The Bureau must remain on track with its own research, testing, and deployment schedule for new cost-saving methods. If it cannot successfully develop new methods, the Bureau will risk wasting billions of dollars in missed savings, as well as the cost of the failed improvements.

**NOAA.** NOAA's two most prominent programs, the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), account for one-third of NOAA's FY 2014 budget request and nearly 20 percent of the Department's total budget. These satellites provide critical data and imagery for weather forecasting, including severe-storm tracking and alerting. Operating environmental satellites and weather forecasting are designated as primary mission-essential functions of the Department because they help lead and sustain the nation in the event of a catastrophe. Because of cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting coverage gaps for these critical assets.

**NTIA.** FirstNet's efforts to use \$7 billion in spectrum sale proceeds to establish the public safety broadband network (PSBN) is an area requiring substantial OIG oversight. FirstNet has already received significant Congressional and media attention. OIG will continue to work with the Department to identify funding for OIG oversight of FirstNet.

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.

Section 2 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).

OIG is not a leader of or a participant in any Cross-Agency Priority Goals.

Section 3 Program evaluations – OIG will monitor and evaluate its acquisition and contract oversight to ensure the adequacy of resources. For FY 2015 OIG requests a transfer increase of \$0.3 million, funding three FTE to provide increased oversight of NOAA environmental satellite programs. The potential OIG review in the following areas would support the Department's mission:



- JPSS capabilities, schedule, and cost baselines;
- leadership and governance structure over JPSS development;
- NOAA weather forecasting capabilities during coverage gaps; and
- program risks associated with GOES-R development.

OIG expects to issue four additional audit reports in this area in FY 2015.

OIG also requests a transfer increase of \$0.6 million, funding three FTE to provide expanded oversight of the planning and execution of the 2020 Decennial Census. The potential OIG reviews in the following areas would support the Department's mission:

- IT acquisition;
- IT development and testing;
- MAF/TIGER (Census address list and maps) quality; and
- Decennial census implementation strategies including internet response and administrative records use.

OIG expects to issue three additional audit reports in this area in FY 2015.

OIG also evaluates the effectiveness of its own programs and processes through A-123 internal control reviews.

Section 4	Hyperlinks – None.
Section 5	Data Validation and Verification –The FY 2013 Summary of Performance includes in the Secretary's Statement, an assessment of the reliability and completeness of the Department's performance data.
Section 6	Lower-Priority Program Activities – Lower-priority program activities for FY 2015 can be found in <i>The Cuts, Consolidations and Savings</i> volume of the President's budget, available at: <a href="http://www.whitehouse.gov/omb/budget/CCS">http://www.whitehouse.gov/omb/budget/CCS</a> .

Exhibit 5

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 2014 Currently Available 2015		169				163				34,000	34,000
2015 Adjustments to Base		0				3				1,121	1,121
2015 Base		169				166				35,121	35,121
less: 2015 Inflationary adjustments		0				0				(525)	(525)
plus: Increases to Transfers		8				6				853	853
2015 Estimate		177				172				35,449	35,449
		2013 Actual		2014 Enacted		2015 Base		2015 Estimate		Increase/ (Decrease) Over 2015 Base	
Comparison by program:		Personnel	Amount	Amount		Personnel	Amount	Personnel	Amount	Personnel	Amount
Inspector General	Pos./BA	144	30,651	169	34,000	169	35,121	177	35,449	8	328
	FTE/Obl.	137	30,199	163	41,478	166	35,121	172	35,449	6	328
TOTALS	Pos./BA	144	30,651	169	34,000	169	35,121	177	35,449	8	328
	FTE/Obl.	137	30,199	163	41,478	166	35,121	172	35,449	6	328
Adjustments to Obligations											
Recoveries		0		0		0		0		0	
Unobligated Balance, start of year		(7,151)		(7,478)		0		0		0	
Unobligated Balance transferred		0		0		0		0		0	
Unobligated Balance, end of year		7,478		0		0		0		0	
Unobligated Balance expiring		125		0		0		0		0	
Financing from transfers:											
Transfer from other accounts (-)		(11)	(3,850)	(19)	(4,000)	(19)	(4,000)	(25)	(4,853)	(6)	(853)
Transfer to other accounts (+)		0		0		0		0		0	
Appropriation		126	26,801	144	30,000	147	31,121	147	30,596	0	(525)

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

		2013 Actual		2014 Enacted		2015 Base		2015 Estimate		Increase (Decrease)	
Comparison by Program		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount /2	FTE	Amount
Inspector General	Pos/BA	1	1,775	0	3,000	0	3,000	0	3,000	0	0
	FTE/Obl.	1	1,775	0	3,000	0	3,000	0	3,000	0	0
Total	Pos/BA	1	1,775	0	3,000	0	3,000	0	3,000	0	0
	FTE/Obl.	1	1,775	0	3,000	0	3,000	0	3,000	0	0

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

	2013 Actual	2014 Enacted	2015 Base	2015 Estimate	Increase/ (Decrease) Over 2015 Base
Total Obligations	30,199	41,478	35,121	35,449	328
Offsetting Collections from:					
Federal Funds	0	0	0	0	0
Unobligated balance, start of year	(7,151)	(7,478)	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	7,478	0	0	0	0
Unobligated balance expiring	125	0	0	0	0
Budget Authority	30,651	34,000	35,121	35,449	328
Financing:					
Transfer from other accounts (-)	(3,850)	(4,000)	(4,000)	(4,853)	(853)
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	26,801	30,000	31,121	30,596	(525)

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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>Adjustments</u>		
Non-recurring Advancements & Reimbursements – Personal Identify Verification Cards(?)		(112)
<u>2015 Pay Raises</u>		274

Annualization of FY 2014 Pay Raise

A pay raise of 1.0% was effective January 1, 2014.

Total cost in FY 2015 of FY 2014 pay raise	198,667
Less amount funded in FY 2014	<u>(149,000)</u>
Amount requested in FY 2015 to provide for full-year cost of FY 2014 pay raise	49,667

FY 2015 Pay Raise and Related Costs

A general pay raise of 1.0% is assumed to be effective January 2015.

Total cost in FY 2015 of January 2015 pay raise.....	\$218,000
Payment to Working Capital Fund.....	<u>6,000</u>
Amount requested in FY 2015 for FY 2015 pay raises.....	\$224,000

Adjustment to base	273,667
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<u>Full year cost in FY 2014 of positions financed part-year in FY 2015</u>	3	370
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An increase of \$365,835 is required to fund the full-year cost in FY 2015 of Positions financed for part-year in FY 2014. The computation is:

Annual Salary of new positions in 2014	17	1,411,528
Salary adjusted for 2014 pay raise (.01 x 1,411,528)		14,115
Less 5% lapse	<u>(1)</u>	<u>(71,282)</u>
Full-year cost of personnel compensation	16	1,354,361
Less personnel compensation in 2014	<u>(13)</u>	<u>(1,069,232)</u>
Cost of personnel compensation in 2015	3	285,129
Adjustment for 2015 pay raise (.01 x .75 x 285,129)	<u>0</u>	<u>2,138</u>
Add'l amount required for personnel compensation	3	287,267
Benefits	<u>0</u>	<u>82,320</u>
Total adjustment to base	3	369,569



Civil Service Retirement System (CSRS)

(30)

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 3.9% in FY 2014 to 1.2% in FY 2015 for regular employees. It will remain at approximately 19% for law enforcement employees.

The contribution rates will remain at 7.0% for regular employees and 7.5% for law enforcement employees; OIG has one law enforcement personnel participating in CSRS.

## Regular employees:

FY 2015 (\$16,241,351 x .0120 x .0700)	13,643
FY 2014 (\$16,241,351 x .0390 x .0700)	- 44,339
Subtotal	(30,696)

## Law enforcement

FY 2015 (\$1,635,962 x .1950 x .0750)	23,926
FY 2014 (\$1,635,962 x .1910 x .0750)	-23,435
Subtotal	491

Total adjustment to base	(30,205)
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Federal Employees Retirement System

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The estimated percentage of payroll for regular employees covered by FERS is 96.1% in FY 2014 and 98.8% in FY 2015. The estimated percentage of payroll for law enforcement employees covered by FERS will decline from 80.9% to 80.5 % from FY 2014 to FY 2015. The estimated contribution rate for regular employees will increase from 11.9% to 13.2% for FY 2015. The estimated contribution rate for law enforcement employees will increase from 26.3 % to 28.8% in FY 2015.

## Regular employees:

FY 2015 (\$16,241,351 x .9880 x .1320)	2,118,132
FY 2014 (\$16,241,351 x .9610 x .1190)	- 1,857,345
Subtotal	260,787

## Law enforcement employees:

FY 2015 (\$1,635,962 x .8050 x .2880)	379,281
FY 2014 (\$1,635,962 x .8090 x .2630)	- 348,079
Subtotal	31,202

Total adjustment to base	292,069
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Federal Insurance Contributions Act (FICA) – Old Age Survivors and Disability Insurance (OASDI)

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The OASDI contribution rate will remain at 6.20% for employees in FY 2015. However, the annual salary subject to the OASDI tax will increase from \$14,156,445 to \$16,241,351 in FY 2015. The OASDI participation rate for regular employees will increase from 96.10% in FY 2014 to 98.80% in FY 2015, and will decrease from 80.90% to 80.50% for law enforcement employees.

Regular employees:

FY 2015 (\$16,241,351 x .9880 x .9250 x .0620)	920,548
FY 2014 (\$16,241,351 x .9610 x .9250 x .0620)	- 895,391

Subtotal	25,157
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Law enforcement employees:

FY 2015 (\$1,635,962 x .8050 x .9250 x .0620)	75,527
FY 2014 (\$1,635,962 x .8090 x .9250 x .0620)	- 75,902

Subtotal	(375)
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Other salaries

FY 2015 (\$485,219 x .9880 x .9250 x .0620)	27,493
FY 2014 (\$485,219 x .9610 x .9250 x .0620)	- 26,742

Subtotal	751
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Total adjustment to base	25,533
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Thrift Savings Plan

9

The estimated percentage of payroll for regular employees covered by FERS will be 96.10% in FY 2014 and 98.80% in FY 2015. The percentage for law enforcement employees will be 80.90% for FY 2014 and 80.50% for FY 2015. The contribution rate for regular and law enforcement employees will remain at 2.0% in FY 2014 and FY 2015.

Regular employees:

FY 2015 (\$16,241,351 x .9880 x .02)	321,028
FY 2014 (\$16,241,351 x .9610 x .02)	- 312,255

Subtotal	8,773
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Law enforcement employees:

FY 2015 (\$1,635,962 x .8050 x .02)	26,339
FY 2014 (\$1,635,962 x .8090 x .02)	- 26,470

Subtotal	(131)
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Total adjustments to base.	8,642
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Employee Compensation Fund

(15)

The Employee Compensation Fund bill for the year ending June 30, 2013, decreased by \$15,000 from the bill of \$23,000 for the year ending June 30, 2012. Therefore, \$8,000 in charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.

Adjustments to base	(15,000)
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#### Health Insurance

36

The average rate increase for 2015 is expected to be 3.9%. Against estimated health costs for 2014 of \$965,132, the additional amount required for 2015 is \$35,710.

Adjustment to base	35,710
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#### Travel – Per Diem

0

As of October 1, 2012, 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

The mileage reimbursement rate for privately-owned automobiles has remained at \$0.57 since January 1, 2012.

Adjustment to base	0
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#### Rental Payments to GSA

31

GSA rental rates are projected to increase 1.6% in FY 2015. This percentage, applied to the FY 2014 estimate of \$1,914,000 raises the total cost of rental payments to GSA to \$1,944,624 for FY 2015, an increase of \$30,624 over FY 2014.

Adjustment to Base	30,624
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#### General Pricing Level Adjustment

39

The federal non-defense, non-pay deflator for FY 2015 is 1.4%. This percentage was applied to the FY 2014 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 (\$938); other services (\$31,738); transportation of things (\$126); printing (\$154); communications and miscellaneous expenses, excluding postage & FTS (\$2,961); and equipment (\$3,206).

Adjustment to base	39,123	
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<u>Working Capital Fund</u>		210
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An increase of \$115,000 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	210,000	
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<u>Utilities</u>		(9)
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Based on estimates of charges for FY 2015 from GSA, WSSC, and Pepco, costs will decrease by \$15,000 for electricity and by \$6,000 for steam, and increase by \$12,000 for water.

Adjustment to base	(9,000)	
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Total Adjustment to Base	<u>3</u>	<u>1,121</u>
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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

		2013 Actual		2014 Enacted		2015 Base		2015 Estimate		Increase (Decrease)	
Subprogram:		Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount
Executive Direction & Counsel	Pos./BA	14	3,216	14	3,568	14	3,685	14	3,685	0	0
	FTE/Obl.	14	3,169	14	4,352	14	3,685	14	3,685	0	0
Audits & Evaluations	Pos./BA	107	22,465	132	24,919	132	25,741	139	25,968	7	227
	FTE/Obl.	100	22,133	126	30,401	129	25,741	134	25,968	5	227
Investigations	Pos./BA	23	4,970	23	5,513	23	5,695	24	5,796	1	101
	FTE/Obl.	23	4,897	23	6,725	23	5,695	24	5,796	1	101
Total	Pos./BA	144	30,651	169	34,000	169	35,121	177	35,449	8	328
	FTE/Obl.	137	30,199	163	41,478	166	35,121	172	35,449	6	328

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## FY 2015 BASE PROGRAM SUMMARY

<b>Bureau:</b>	<b>Office of Inspector General</b>	
<b>Program:</b>	<b>Office of Inspector General</b>	
<b>Base Resources (including ATBs):</b>	<b>\$35,121,000</b>	<b>FTE: 166</b>

## PROGRAM DESCRIPTION

### 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, evaluations, and investigations to uncover fraud, waste, and abuse in the Department's programs and activities.

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

**Executive Direction and Counsel** (\$3.7 million). The primary governing units of OIG are the immediate office of the Inspector General (IG) and the Office of Counsel (OC). 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.

**Audit and Evaluation** (\$25.7 million). The Office of Audit and Evaluation (OAE) conducts audits and evaluations of programs and operations, providing the Department valuable independent assessments of whether programs and operations are cost-efficient and effective. OAE performs work both planned and 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:

- the Department's and USPTO's FY 2014 financial statements;
- DOC incident detection and response capabilities;
- NOAA's IT Security Program;
- USPTO's use of time-materials and labor-hours contracts;
- NIST monitoring of contracts;
- conference spending controls;
- USPTO's Request for Continued Examination (RCE) backlog;
- BIS Export Control Reform preparedness;
- Office of the Secretary's working capital fund;
- NOAA's polar and geostationary satellite programs;
- NOAA's fishery catch share programs;
- 2020 decennial census preparations;
- NTIA's \$4.7 billion Broadband Technology Opportunities Program (BTOP);



- Monitoring activities related to \$7 billion First Responder Network Authority (FirstNet) especially as it relates to the public safety grants in the BTOP;
- USPTO's IT modernization; and
- Department's cloud computing efforts.

OAE also conducts annual evaluations of the Department's information security program and practices; prepares timely semiannual reports summarizing OIG activities; 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 issues an annual report on the Department's top management challenges. The most recent top management challenges identified by OIG cover the Department's infrastructure to support economic growth; oversight of NOAA programs; cybersecurity and management of IT investments; the Census Bureau's 2020 decennial survey; and fostering a culture of management accountability.

**Investigations** (\$5.7 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 address reported improprieties of a serious nature involving Department employees. OI also investigates alleged whistleblower reprisal, as well as underlying whistleblower disclosures (e.g., reporting a violation of law/regulation, abuse of authority, mismanagement).

OI's direct investigative work in FY 2013 has resulted in a number of criminal and administrative actions including trade-related antitrust violations, contract and grant frauds, and employee theft. For example, as a result of an OI investigation in conjunction with the Department of Justice and Federal Bureau of Investigation, in FY 2013, two Japanese shipping companies were fined over \$18.9 million and placed on probation for 24 months, while another was ordered to pay over \$10.4 million in restitution, 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 United States. In another investigation, OI found that the president of an organization that received a grant from EDA had a financial interest in another company associated with the grant, and despite several EDA employees' awareness of this conflict, the president continued to receive monetary benefits. As a result of OI's investigation, EDA agreed to issue a bill for collection to the grantee, counseled a senior EDA official regarding the poor management and oversight of the grant funds, and revised its policy and operations manual to address flaws identified by OI's investigation.

In another case, OI determined that a contractor of the U.S. Census Bureau mischarged and overbilled the government, and the company agreed to settle a civil false claims action for over \$645,000. In a case involving NTIA, we found that an engineering consultant transferred over \$322,000 in grant funds to his personal bank account and used it for personal purchases. OIG was able to trace, seize, and return over \$130,000 of the funds, and the engineering consultant was sentenced to time served with three years probation; was ordered to pay over \$240,000 in restitution and forfeit the sedan he purchased with proceeds of the theft; and was suspended from doing business with the government. At USPTO, OI found that a patent examiner had committed ethics violations and that examiners at particular GS levels were not provided enough ethics training and were not furnishing sufficient financial disclosures. As a result, USPTO agreed to implement annual ethics training for all grade levels. Additionally, over the course of FY 2013, OIG's hotline processed 1,288 complaints.

OIG's base resources support an oversight program that focuses on the top management challenges for the Department. The five top challenges the Department currently faces are:

- *Strengthen Commerce infrastructure to support the Nation's economic growth.* The Department faces significant challenges in providing the national infrastructure for economic growth, including the

USPTOs patent application backlogs and implementation of the America Invents Act, NTIA's efforts to increase spectrum usage efficiency and oversee First Responder Network Authority development, ITA's implementation of the National Export Initiative, BIS's plans for the increased licensing/enforcement workload from the Export Control Reform Initiative, and the joint efforts across bureaus to promote development of advanced manufacturing technologies.

- *Strengthen oversight of NOAA programs to mitigate satellite coverage gaps, enhance fisheries management, and improve fiscal controls.* NOAA plays a critical role in protecting life and property, as well as supporting national economic vitality. To effectively deliver these missions, NOAA has to overcome the challenges associated with the acquisition and operation of weather satellites and balancing competing interest concerning marine fisheries.
- *Strengthen security and investments in information technology.* The President's FY 2014 budget requires agencies to eliminate duplicative or low-value IT investments while expanding efforts to counter the full scope of cyber threats. While we support senior management's recent actions to strengthen the departmental Chief Information Officer's governance, it is too early to judge their effectiveness.
- *Exercise strong project management controls over the 2020 Decennial planning to contain costs.* Planning for the 2020 Decennial is complicated by a constrained budget. Significant problems with the Census Bureau's project management controls over the 2020 Decennial exist which, if not corrected in a timely manner, could severely limit Census' ability to explore innovative design alternatives to contain costs.
- *Continue to foster a culture of management accountability to ensure responsible spending.* As the Department prepares for an extended period of tighter budgets and decreased spending, it is more important than ever to foster a culture of accountability to ensure responsible spending in compliance with laws and regulations, to promote smart investment for long-term benefits.

Over the past several years, the Department has experienced many problems - such as inappropriate acquisition and contracting practices, improper accounting of millions of dollars in reimbursable agreement services, and unjustified use of forfeited assets - due to lapsed internal controls. Recent incidents involving unauthorized reprogramming of funds and cyberattacks on bureau systems are the latest in a series of wake-up calls. To its credit, Department top-level management has issued directives requiring immediate and across-the-board corrective actions when becoming aware of these deficiencies. The Offices of the Chief Financial Officer and Chief Information Officer also took actions to strengthen Department oversight and promulgate consistent practices among bureaus. Commerce leadership must continue showing the way forward to establish an accountability culture with increased transparency, readily available support, and independent validation. This is perhaps the Department's biggest challenge of all.

We remain committed to keeping Department decisionmakers informed of both long-standing and emerging problems identified through our audits and investigations, so timely corrective actions can be taken.

These management challenges will continue to require oversight, but there are numerous other programs and operations that OIG must examine in the coming year, many of which are statutory requirements, such as the financial statement audits, and audits of the Department's IT security, while others are often at the request of Congress. As with other similar agencies, our goal is to provide the most effective oversight possible with the resources provided. Accordingly, this budget requests current OIG base resources. Additionally, OIG is requesting increases in funding to fill two gaps in funding which, if approved, will significantly increase OIG's capacity to conduct effective oversight of the Department.

**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 166 FTE in FY 2015, and a base funding level of \$35,121,000, including a \$2 million transfer from USPTO, a \$1 million transfer from NOAA, and a \$1 million transfer from Census.

Program Budget Profile (Dollar amounts in thousands)							
Funding Requirements by Subprogram	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Office of Inspector General	30,651	34,000	35,449	39,716	40,471	41,240	42,023
Total Dollars	30,651	34,000	35,449	37,678	38,394	39,123	39,867
Total FTEs	137	163	172	175	175	175	175

The funding for OIG includes a \$1,950,000 transfer from USPTO in FY 2013 and a \$2 million transfer from USPTO in each year thereafter; a \$950,000 transfer from NOAA in FY 2013 and a \$1.302 million transfer each year thereafter; and a \$950,000 transfer from Census in FY 2013 and a \$1.551 million transfer each year thereafter.

## INCREASE REQUEST

### FY 2015 Office of Inspector General Increase Request

For FY 2015, OIG requests transfer increases of \$853,000 and 6 FTE, of which \$302,000 is a transfer from NOAA and \$551,000 is a transfer from the Bureau of the Census. Base transfers of \$2,000,000 from USPTO, \$1,000,000 from NOAA and \$1,000,000 from Census and are continued for FY 2015 and are assumed in the base. OIG's total request for FY 2015 is \$35,449,000 and 172 FTE.

### Significant Adjustments-to-Base (ATBs)

For adjustments to base, OIG requests an increase of 3 FTE and \$1,121,000 to fund the full salaries of employees added in FY 2014 for oversight of Departmental contracts and acquisitions, increased salary costs as a result of pay increases in FY 2014 and 2015, and increases in Departmental Working Capital Fund assessments. OIG will offset these increases through \$525,000 in crosscutting program reductions.

### 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 has identified three major funding gaps, areas of high risk to the Department requiring significant or enhanced oversight that cannot be funded from within OIG's base resources. OIG proposes to close two of these gaps, listed below, with this budget. They are:

**Census Bureau.** We have identified significant concerns with the Census Bureau's decennial census project management controls and schedule slippages—which, if not overseen in a timely manner, could severely limit the Bureau's ability to use innovative design alternatives to a costly paper-based 2020 Census. The Bureau must remain on track with its own research, testing, and deployment schedule for new cost-saving methods. If it cannot successfully develop new methods, the Bureau will risk wasting billions of dollars in missed savings, as well as the cost of the failed improvements.

**NOAA.** NOAA's two most prominent programs, the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), account for one-third of NOAA's FY 2014 budget and nearly 20 percent of the Department's total budget. These satellites provide critical data and imagery for weather forecasting, including severe-storm tracking and alerting. Operating environmental satellites and weather forecasting are designated as primary mission-essential functions of the Department because they help lead and sustain the nation in the event of a catastrophe. Because of cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting coverage gaps for these critical assets.

**NTIA.** FirstNet's efforts to use \$7 billion in spectrum sale proceeds to establish the public safety broadband network (PSBN) is an area requiring substantial OIG oversight. FirstNet has already received significant Congressional and media attention and is the subject of ongoing investigations and audit work. OIG will continue to work with the Department to identify funding for oversight of FirstNet.

### **Departmental Goal(s) Supported**

OIG supports the Department's Objective of Operational Excellence and the associated objective 5.1 of strengthening organizational capabilities to drive customer-focused, outcomes-driven mission performance by building a learning culture that engages and empowers staff, providing people the tools they need to do their jobs, and managing for results. Examples of OIGs work in support of this goal include:

- In FY 2013 OIG reviewed the Department's unliquidated obligation balances to assess whether the Department and bureaus have adequate controls over the management and closeout of unliquidated obligations. NOAA and NTIA incurred 70 percent of the Department's unliquidated obligations. OIG identified monetary benefits to the Department – in the form of estimated obligations that should have been deobligated by the end of 1<sup>st</sup> quarter, FY 2012 in the amount of \$159 million.
- OIG reviewed NOAA's Geostationary Operational Environmental Satellite-R Series (GOES-R) program to assess the adequacy of contract management and administration and the effectiveness of management's direction, monitoring, and collaboration for development of select components of the GOES-R program. OIG identified over \$8.8 million in questioned costs and over \$105.9 million in funds to be put to better use.
- An OIG investigation in conjunction with the Department of Justice and Federal Bureau of Investigation resulted in two Japanese shipping companies being fined over \$18.9 million in FY 2013 and placed on probation for 24 months, while another was ordered to pay over \$10.4 million

in restitution, 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 United States.

- In July 2009, OMB directed agencies to reduce the use of high-risk contracts, which include time-and-materials and labor-hours (T&M/LH) contracts. In a Department-wide audit, OIG reviewed 43 contracts composed of 62 various T&M/LH contract actions to determine whether NOAA, the Census Bureau, and NIST properly awarded and administered these contract actions. We determined that contracting and program officials did not properly award and administer T&M/LH contracts and task orders for work performed. The audit identified \$169.5 million in unsupported costs and \$1.3 million in funds to be put to better use. As these results occurred in FY 2014, they are not included in the FY 2013 results reported below, but will be reported as part of FY 2014 results.

## 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*.

<b>PROGRAM PERFORMANCE METRICS AND OUTPUTS</b>
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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.

<b>Performance Measures</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Target</b>	<b>FY 2015 Target</b>
Measure 1. Percent of OIG recommendations accepted by Departmental and bureau Management.	96%	96%	95%	95%
Measure 2. % of investigative cases completed within 365 days.	58%	53%	70%	70%
Measure 3. Dollar value of all financial benefits identified by OIG.	\$174.8M	\$361.5 M	\$70.0 M	\$70.0 M

### FY 15 TRANSFER CHANGE SUMMARY

Transfer Change:	<b><u>Oversight of NOAA Environmental Satellite Programs</u></b>	
Base Amount:	<b><u>\$1.0 Million</u></b>	FTE: <b>4</b>
Increase Amount:	<b><u>\$0.3 Million</u></b>	FTE: <b>+3</b>
Total Transfer:	<b><u>\$1.3 Million</u></b>	FTE: <b>7</b>
Budget Activity:	<b><u>Office of Inspector General</u></b>	
PPA:	<b><u>Office of Inspector General</u></b>	

### TRANSFER CHANGE DESCRIPTION

OIG requests an increase of \$0.302 million via transfer from NOAA, funding an additional three FTE, for a total transfer from NOAA of \$1.302 million, funding seven FTE to provide increased oversight of NOAA environmental satellite programs

#### **Business Problem**

Managing risks in the acquisition and development of the next generation of environmental satellites is a continuing challenge for the Department. The two most prominent programs, the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), together account for one-third of NOAA's FY 2013 budget request. They are also the largest investments in the Department, comprising over 20 percent of the Department's budget. The satellites will provide data and imagery for weather forecasting—including severe-storm tracking and alerting—and the study of climate change. Operating environmental satellites and weather forecasting are designated as primary mission-essential functions of the Department because they help lead and sustain the nation in the event of a catastrophe. In addition, environmental satellites and weather forecasting affect those weather and climate-sensitive industries that account for about one-third of the Nation's gross domestic product. Yet, because of cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting potential coverage gaps for these critical assets. Strong program management and close oversight of these programs are needed to manage risks that could lead to cost overruns, schedule delays, and coverage gaps for the critical capabilities these programs will provide.

Since 2010, OIG has focused resources on JPSS because this program has undergone significant cost, schedule and performance issues impacting NOAA's ability to accurately forecast severe weather (such as hurricane Sandy). In addition, JPSS had gone through a tumultuous transition from the now defunct National Polar-orbiting Operational Environmental Satellite System (NPOESS) program to a NOAA-led effort requiring OIG's immediate and continuing attention. Our audits provided NOAA with comprehensive sets of recommendations in 2011 and 2012 to immediately address impacts of the looming gap in critical environmental data needed to help save lives and protect property. Our work contributed to Congress appropriating \$111 million for NOAA in the Disaster Relief Appropriations Act of 2013 for a weather satellite data mitigation gap reserve fund.

In addition, our audit on GOES-R stressed the importance of an instrument that will provide life and property benefits—Geostationary Lightning Mapper (GLM). GLM is expected to provide early indication of growing, active, and potentially destructive thunderstorms over land as well as ocean areas, early warning of lightning ground strikes, and potentially improved tornado warning lead time of up to 21 minutes, a great improvement over the approximate 16-minute lead time that was provided during the May 20, 2013 devastating Oklahoma tornado. It is also expected to provide improved routing of commercial, military, and private aircraft over limited oceanic regions where observations of thunderstorm intensity are scarce.

### **Proposed Solution**

The OIG requires additional staff with technical expertise to expand oversight in NOAA's environmental satellite programs. The additional staff's primary focus will be on overseeing one of NOAA's two major satellite systems [Joint Polar Satellite System (JPSS) and Geostationary Operational Environmental Satellite-R Series (GOES-R)] with life cycle costs of nearly \$24 billion, and remaining satellite programs such as Jason-3, Polar Free Flyer (PFF), Deep Space Climate Observatory (DSCOVR), and Constellation Observing System for Meteorology, Ionosphere, and Climate-2 (COSMIC-2). The combined NESDIS satellite programs FY 2014 budget request is about \$1.7 billion.

OIG will increase its independent technical understanding of satellite components' (ground, instruments, spacecraft, and launch vehicle) development activities' in order to identify component-level risks and issues through communications and fieldwork visits with program officials and contractor experts before these risks and issues affect NESDIS programs' cost, schedule or technical performance. This staff would also be fully capable of performing technical oversight of other NOAA weather systems' acquisitions if circumstances warrant that attention.

### **Base Resource Assessment**

In FY 2012, 2013, and 2014 Congress provided transfers from NOAA to OIG of \$1.0 million in each year for activities associated with carrying out investigations and audits related to satellite procurement, acquisition and construction. OIG used these funds to begin audits of NOAA's GOES-R program. OIG could not pursue audits of this program prior to FY 2012 oversight because of competing OIG oversight priorities.

OIG found, among other things, that NOAA needs to develop a comprehensive plan to mitigate the risk of potential launch delays, and communicate to stakeholders and users any changes necessary to maintain the GOES-R October 2015 launch readiness date. Also, NOAA needs to ensure that improvements in NASA's criteria and scoring of award fees are made to incentivize contractors toward exemplary performance and sufficient cost control. OIG's April 25, 2013 audit report identified \$115 million in potential monetary benefits (\$9 million questioned costs and \$106 million funds put to better use). With increased resources, OIG would have identified award issues earlier allowing NOAA to implement corrective actions sooner likely saving the government money.

When these funds are exhausted, OIG would have to use base resources to provide for satellite-related audits and oversight. OIG's base resources are sufficient only for statutorily required audits, investigations, and congressionally requested oversight. Remaining funds, if any, are devoted to oversight of other top management challenges. Without the proposed increase, oversight of NOAA satellites would have to compete with other top management challenges. Also, any oversight of NOAA satellites would require a reduction in oversight to other areas of the Department. The proposed increase is modest when compared to the overall NOAA environmental satellite budget and the cost savings and program efficiencies that will result from increased oversight.



### Departmental Goals Supported

Increased oversight of NOAA's environmental satellite programs supports the Department's Environment strategic objective. Within that objective, the proposed increase supports the Departmental strategic objectives of advancing the understanding and prediction of changes in the environment through world-class science and observations; improving preparedness, response, and recovery from weather and water events by building a Weather-Ready Nation; strengthening the resiliency of communities and regions by delivering targeted services to build capacity; fostering healthy and sustainable marine resources, habitats, and ecosystems through improved management and partnerships; and enabling U.S. businesses to adapt and prosper by developing environmental and climate-informed solutions. The proposed increase also supports the Department's strategic objective of operational excellence by strengthening organizational capabilities to drive customer-focused, outcomes-driven mission performance by building a learning culture that engages and empowers staff, providing people the tools they need to do their jobs, and managing for results.

### SCHEDULE AND DELIVERABLES

This funding would provide for 4 audit products (e.g., Congressional and Departmental status and issue briefings, testimony, and reports) each year for FY15-20. Based on our work with these programs, we have identified four initial areas for oversight attention:

- communicating with stakeholders to define JPSS capabilities, schedule, and cost baselines;
- ensuring adequate leadership and governance structure over JPSS development;
- developing a plan to support NOAA weather forecasting capabilities during coverage gaps; and
- reducing program risks associated with GOES-R development.

### PERFORMANCE METRICS

Performance Goal Performance Measure: # of Audit Products	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target	FY 20 Target
With increase	4 audit products	4 audit products	4 audit products	4 audit products	4 audit products	4 audit products
Without increase	1 audit product	1 audit product	1 audit product	1 audit product	1 audit product	1 audit product

Performance Goal Performance Measure: \$ value of financial benefits identified by OIG	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target	FY 20 Target
With increase	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Without increase	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000

**Transfer Change Personnel Detail**

Program: Office of Inspector General

Subprogram: Office of Inspector General

<b>Title:</b>	<b>Location</b>	<b>Grade</b>	<b>Number of Positions</b>	<b>Annual Salary</b>	<b>Total Salaries</b>
Senior Satellite Technical Expert	Washington DC	15	1	123,758	123,758
Aerospace Engineer	Washington DC	15	1	123,758	123,758
General Engineer	Washington DC	14	1	105,211	105,211
Electronics Engineer	Washington DC	12	1	74,872	74,872
Total			<u>4</u>		<u>327,810</u>
less Lapse		33%	<u>1</u>		<u>108,177</u>
Total full-time permanent (FTE)			3		219,633
2014 Pay Raise of 1%					2,196
2015 Pay Raise of 1%					2,218
Total					<u>224,047</u>

**Personnel Data**

	<b>Number</b>
Full-Time Equivalent Employment	
Full-time permanent	3
Other than full-time permanent	<u>0</u>
Total	3
Authorized Positions:	
Full-time permanent	4
Other than full-time permanent	<u>0</u>
Total	4

**Transfer Change Detail by Object Class**

Activity: Office of Inspector General

Subactivity: Office of Inspector General

		<b>FY 2015</b>
	<b>Object Class</b>	<b>Change (\$000)</b>
11	Personnel compensation	
11.1	Full-time permanent	\$224
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	2
11.9	Total personnel compensation	<u>226</u>
12	Civilian personnel benefits	59
21	Travel and transportation of persons	10
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	2
25.3	Purchases of goods & services from Gov't accounts	0
26	Supplies and materials	0
31	Equipment	<u>5</u>
99	Total obligations	<u>302</u>

### FY 15 TRANSFER CHANGE SUMMARY

Transfer Change:	<b><u>Oversight of 2020 Census Activities</u></b>		
Base Amount:	<b>\$1.0 Million</b>	FTE	<b>4</b>
Increase Amount:	<b>\$0.6 Million</b>	FTE:	<b>+3</b>
Total Transfer:	<b>\$1.6 Million</b>	FTE:	<b>7</b>
Budget Activity:	<b><u>Office of Inspector General</u></b>		
PPA:	<b><u>Office of Inspector General</u></b>		

### TRANSFER CHANGE DESCRIPTION

OIG requests an increase of \$0.551 million via transfer from Bureau of the Census (Census), funding an additional three FTE, for a total transfer of \$1.551 million, funding seven FTEs to provide expanded oversight of the planning and execution of the 2020 Decennial Census.

#### **Business Problem**

The 2010 Decennial Census carried a high cost and a high level of risk that could have been reduced by greater OIG oversight during planning of the census. Census attempted to save funds by implementing a hand-held computer solution to counting people. However, Census encountered problems developing and implementing the hand-held devices and related automation, problems which ultimately forced Census to abandon use of the devices and forced it to make late-stage preparations for a pen-and-paper follow-up to count non-responders (non-response follow-up, or NRFU). Rather than deploying a workable device and realizing the savings associated with avoiding a paper-based NRFU, the failure to automate NRFU led to major cost escalations, disruptions of workflow, and high operational risks, as well as the wasted expenditures on the ultimately significantly scaled-back handheld computers. As a result of this failure, as well as cost estimation weaknesses, the lifecycle cost for the 2010 decennial census exceeded initial estimates by over \$1 billion.

For the 2020 Decennial Census, Census is committed to designing and conducting a census that costs less per housing unit than the 2010 Decennial, while maintaining high quality results. To do this, Census is conducting a research and testing agenda to identify methods to expand, automate, and tailor responses; reengineer field infrastructure; reengineer IT infrastructure; improve the quality of the Master Address File; and investigate the use of administrative records for non-response follow-up. If the new methods are successful, the decennial census will cost less per household than the previous census; if they are not, Census will revert to old methods, wasting billions of dollars in missed savings, as well as the cost of any failed improvements. In order to be successful, Census must remain on track with its research, testing, and deployment of new cost-saving methods. However, Census has delayed the design decision by a year, leaving little time to deal with any problems that might arise, and creating a situation where another expensive paper-based enumeration of non-respondents may be the only viable solution.

Our recent review of the status of the research and testing phase has identified schedule delays and uneven implementation of various planning activities. The 2020 Census design decision point (that will ultimately point to the cost of the next decennial) has been delayed three times across multiple schedules, shifting the original September 2014 decision point to September 2015. Moreover, research projects are delayed and the schedule is still undergoing major revisions almost two years, and more than halfway, into the research & testing phase. The Bureau's ability to manage its decennial research program in a challenging budget environment is further hampered because of the lack of an integrated research project schedule and corresponding budget.

For the 2010 decennial, in FY 2009 Congress directed Census to transfer \$3 million for decennial oversight. With these funds, OIG issued 27 reports and testified before Congress six times about the status of the 2010 planning and implementation efforts during the decennial life-cycle—although the majority of OIG's work occurred at the end of the decade. The first quarterly report to Congress reviewing the bureau's progress against its plan was issued in 2009. OIG oversight focused on field data automation collection activities, three large field site tests, and the decennial census operations.

Even with these additional funds, OIG was forced to divert almost its entire workforce, including attorneys and administration staff, to provide census oversight.

### **Proposed Solution.**

In order to provide adequate oversight of the Census Bureau without reducing the level of oversight to other areas of the Department, OIG requires additional resources earlier in the decennial census planning. Early OIG engagement with Census on its 2020 decennial planning will enable OIG to discover problems with the census and make recommendations sufficiently early that the problems may be dealt with while a reasonable chance of minimizing budget and schedule impact exists.

With earlier funding, OIG oversight of the 2020 Decennial Census will take a more strategic role, emphasizing Census's progress towards controlling costs while maintaining or improving accuracy much earlier in the decade. The additional resources requested would fund a team of auditors for this purpose. OIG would provide semi-annual reviews of the 2020 Census program priorities, budget, schedule, program risks, and operations. OIG oversight would focus on:

- IT acquisition;
- IT development and testing;
- MAF/TIGER (Census address list and maps) quality; and
- Decennial census implementation strategies including internet response and administrative records use.

### **Base Resources Assessment**

In FY 2012, 2013, and 2014, Congress provided transfers from the Census Bureau to OIG of \$1.0 million in each year for activities associated with carrying out investigations and audits related to the Bureau of the Census. When these funds are exhausted, OIG will have to use base resources to provide for decennial census-related audits and oversight. OIG's base resources are sufficient for statutorily required audits, investigations, and congressionally requested oversight. Remaining funds, if any are devoted to oversight of other top management challenges. Without the proposed increase, oversight of the decennial census would have to compete with other top management challenges. Also, any oversight of the 2020 Census would require a reduction in oversight to other areas of the Department. The proposed increase is modest when compared to the Census budget and likely cost savings, to ensure that the 2020 Census planning remains on course.

## Departmental Goals

Oversight of the decennial census supports the Department's Environment strategic objective by strengthening the resiliency of communities and regions by delivering targeted services to build capacity. It supports the Department's Data strategic objective by helping transform the Department's data capacity to enhance the value, accessibility, and usability of Commerce data for government, business, and the public; by helping improve data-based services, decision-making, and data sharing within the Department and with other parts of the federal government; and by helping foster the private sector's development of new data-based businesses, products, and services. The proposed increase also supports the Department's strategic objective of operational excellence by strengthening organizational capabilities to drive customer-focused, outcomes-driven mission performance by building a learning culture that engages and empowers staff, providing people the tools they need to do their jobs, and managing for results.

## SCHEDULE AND DELIVERABLES

This funding would provide for 3 audit products each year for FY15-20.

### Deliverables:

This funding would provide for 3 audit products (e.g., Congressional and Departmental status and issue briefings, testimony, and reports) each year for FY15-20. Based on our work with these programs, we have identified four initial areas for oversight attention:

- IT acquisition;
- IT development and testing;
- MAF/TIGER (Census address list and maps) quality; and
- Decennial census implementation strategies including internet response and administrative records use.

## PERFORMANCE METRICS

Performance Goal Performance Measure: # of Audit Products	FY 15 Target	FY 16 Target	FY 17 Target	FY 18 Target	FY 19 Target	FY 20 Target
With increase	3	3	3	3	3	3
Without increase	1	1	1	1	1	1

The Census Bureau has developed multiple design alternatives for the 2020 Decennial Census. Currently, the most expensive option would cost a projected \$17.8 billion and makes few changes to the 2010 decennial design. The least expensive option has a projected cost of \$12.6 billion, and relies most heavily on new approaches (e.g., targeted field operations and administrative record use). If the Bureau is successful with its testing for a new design, the best-case scenario would be a 2020 decennial that ends up costing roughly the same as the 2010. With this increase in resources, the OIG will be able to provide oversight and guidance that may assist the agency in saving as much as \$5 billion over the lifecycle of decennial census operations.

**Transfer Change Personnel Detail**

Program: Office of Inspector General

Subprogram: Office of Inspector General

<b>Title:</b>	<b>Location</b>	<b>Grade</b>	<b>Number of Positions</b>	<b>Annual Salary</b>	<b>Total Salaries</b>
Information Technology Specialist	Washington, DC	14	1	105,211	105,211
Criminal Investigator	Washington, DC	14	1		131,514
Auditor	Washington, DC	14	1		105,211
Auditor	Washington, DC	14	1		105,211
Total			<u>4</u>		<u>447,147</u>
less Lapse		25%	<u>1</u>		<u>(111,787)</u>
Total full-time permanent (FTE)			<u>3</u>		<u>335,360</u>
2014 Pay Raise of 1.0%					
2015 Pay Raise of 1.0%					
Total					

**Personnel Data****Full-Time Equivalent Employment:**

Full-time permanent

Other than full-time permanent

Total

**Authorized Positions:**

Full-time permanent

Other than full-time permanent

Total

**Number**

3

0

3

4

0

4

**Transfer Change Detail by Object Class**

Activity: Office of Inspector General

Subactivity: Office of Inspector General

		<b>FY 2015</b>
<b>Object Class</b>		<b>Change (\$000)</b>
11	Personnel compensation	
11.1	Full-time permanent	\$339
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	3
11.9	Total personnel compensation	342
12	Civilian personnel benefits	89
21	Travel and transportation of persons	45
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	6
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	28
25.3	Purchases of goods & services from Gov't accounts	15
26	Supplies and materials	1
31	Equipment	25
99	Total obligations	551



**Summary of Transfer Change Object Class Totals**

Program: Office of Inspector General

Subprogram: Office of Inspector General

		<b>FY 2015</b>
	<b>Object Class</b>	<b>Change (\$000)</b>
11	Personnel compensation	
11.1	Full-time permanent	539
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	6
11.9	Total personnel compensation	545
12	Civilian personnel benefits	142
21	Travel and transportation of persons	45
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	18
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	37
25.3	Purchases of goods & services from Gov't accounts	38
26	Supplies and materials	2
31	Equipment	26
99	Total obligations	853

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

		2013				Increase/ (Decrease) Over 2015 Base
<b>Object Class</b>		Actual	2014 Enacted	2015 Base	2015 Estimate	
11.0	Personnel compensation	\$14,934	20,660	19,143	19,360	217
11.1	Full-time permanent - non wage	0	0	0	0	0
11.3	Other than full-time permanent	98	105	105	105	0
11.5	Other personnel compensation	468	543	544	544	0
11.9	Total personnel compensation	15,500	21,308	19,792	20,009	217
12.1	Civilian personnel benefits	4,718	6,241	6,474	6,585	111
13.0	Benefits to former personnel	0	0	0	0	0
21.0	Travel and transportation of persons	233	381	382	382	0
22.0	Transportation of things	7	9	9	9	0
23.1	Rental payments to GSA	1,930	1,914	1,914	1,914	0
23.2	Rental payments to others	0	0	0	0	0
23.3	Commun., util., misc. charges	319	427	427	427	0
24.0	Printing and reproduction	13	11	11	11	0
25.1	Consultant services	0	0	0	0	0
25.2	Other services	4,014	5,986	3,267	3,267	0
25.3	Purchase of goods and services from gov't accounts	2,019	3,746	2,551	2,551	0
26.0	Supplies and materials	78	67	67	67	0
31.0	Equipment	1,368	1,388	227	227	0
42.0	Insurance Claims and Indemnities	0	0	0	0	0
99.0	<b>Total Direct Obligations</b>	30,199	41,478	35,121	35,449	328
	Less prior-year recoveries	0	0	0	0	0
	Less Transfers	(3,850)	(4,000)	(4,000)	(4,853)	(853)
	Less unobligated balance from prior years	(7,151)	(7,478)	0	0	0
	Plus unobligated balance, expiring	125	0	0	0	0
	Plus unobligated balance, end of year	7,478	0	0	0	0
	<b>Total Appropriation</b>	26,801	30,000	31,121	30,596	(525)
<b>Personnel Data</b>						
Full-Time Equivalent Employment:						
	Full-time permanent	137	163	166	172	6
	Other than full-time permanent	0	0	0	0	0
	Total	137	163	166	172	6
Authorized Positions:						
	Full-time permanent	144	169	169	177	8
	Other than full-time permanent	0	0	0	0	0
	Total	144	169	169	177	8

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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, \$30,596,000.

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)

	2013 Actual	2014 Enacted	2015 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)

	2013 <u>Actual</u>	2014 <u>Enacted</u>	2015 <u>Estimate</u>
Periodicals.....	\$ 5	\$5	\$5
Pamphlets.....	0	0	0
Audiovisuals .....	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 5	\$5	\$5

\*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**

	2013 Actual	2014 Enacted	2015 Estimate
Average EX Grade*	NA	NA	NA
Average EX Grade*	NA	NA	NA
Average GS/GM Grade	12	13	13
Average GS/GM Salary	\$96,723	\$116,470	\$102,818

\*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 2015:

OIG FY 2015 Request to Department of Commerce: \$39,923,000 and 175 FTEs, including base funding of \$468,000 as a pass-through to the Council of Inspectors General for Integrity and Efficiency, and program increases of \$1.302 million for oversight of NOAA environmental satellite programs, \$1.551 million for oversight of the 2020 Decennial Census, \$2.224 million to provide oversight of the First Responder Network Authority (FirstNet), and \$1.110 million for additional oversight of Departmental IT security.

President's Budget Request: \$35,449,000 and 170 FTEs, including transfers of \$1.302 million for oversight of NOAA environmental satellite programs and \$1.551 million for oversight of the 2020 Decennial Census.

Dollar amounts in thousands					
	FY 2013 Actual	FY 2014 Enacted	FY 2015 Base	FY 2015 Estimate	Increase/ (Decrease)
	BA <sup>1</sup>	BA <sup>2</sup>	BA <sup>3</sup>	BA <sup>4</sup>	BA <sup>5</sup>
OIG Funding	30,651	34,000	35,121	35,449	328

1 Includes \$1,950,000 transfer from USPTO, \$950,000 transfer from Census, \$950,000 transfer from NOAA.

2 Includes \$2M transfer from USPTO, \$1M transfer from Census, \$1M transfer from NOAA.

3 Includes \$2M transfer from USPTO.

4 Includes \$2M transfer from USPTO, \$1,302,000 total transfer from NOAA, \$1,551,000 total transfer from Census, crosscutting decrease of \$525,000.

5 Includes transfer increases of \$302,000 from NOAA and \$551,000 from Census, and crosscutting decrease of \$525,000.

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 2013 Actual	FY 2014 Enacted	FY 2015 Base	FY 2015 Estimate	Increase/ (Decrease)
Training	188	312	284	312	28
Amounts for support of CIGIE	19	468	468	423	(45)

OIG certifies that the training amount for FY 2015 listed above represents the total training requirement for OIG.

Comments on the FY 2015 Congressional Submission:

The Office of Inspector General (OIG) submits these comments pursuant to 5 U.S.C. App. 6(f)(3)(E).

In its Secretarial request for FY 2015, OIG requested \$39.9 million and 175 FTEs, including an increase of \$2.2 million for oversight of the First Responder Network Authority (FirstNet). The Secretary's allowance for OIG did not provide funding for FirstNet oversight, stating that the Department is working to identify a funding solution for oversight. OIG had previously requested \$1.9 million for FY 2014 for oversight of FirstNet, which the Department also did not support. The Department deferred a funding decision for FirstNet, and it is our understanding that an agreement in principle between the Department and FirstNet was reached where FirstNet would provide a transfer to OIG to fund FirstNet oversight. However, no agreement has been reached between OIG and FirstNet for FY 2014 or FY 2015 oversight of FirstNet and no funds have been transferred.

FirstNet was established as an independent authority within the National Telecommunications and Information Administration (NTIA) by the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-36). This \$7 billion program will issue contracts directly with private sector entities for the construction and operation of a nationwide public safety network, and will also issue grants for the construction of the public safety network to those states that choose to opt out of the nationwide public safety network as proposed by FirstNet. FirstNet has borrowing authority from the Treasury of up to \$2 billion for the establishment of the public safety network and up to \$135 million for the State and Local Implementation grant program. FirstNet also has authority to assess, collect, and spend network user fees, network capacity lease fees, and equipment and infrastructure lease fees in order to cover the costs of operating and maintaining the public network.

Because of its scope, complexity, and financial magnitude, FirstNet and the public safety network will require substantial oversight to ensure that the public receives the best value for its investment. It will require focused oversight to reduce the likelihood of waste, fraud, and mismanagement of funds. OIG's experience with the Public Safety Interoperable Communications (PSIC) grant program that provided over \$968 million in grants to states and territories to fund interoperable public safety communications, and the Broadband Technology Opportunities Program (BTOP) that provided over \$3.8 billion in grants for deploying broadband infrastructure, demonstrated the value of early engagement with these programs. OIG was able to build relationships with grant and contract officers, enabling them to act as additional eyes that could direct OIG's attention to early indications of irregularities. These planned efforts greatly expanded the effectiveness of the resources provided to the OIG.

OIG's experience with these programs also demonstrated that OIG could not adequately provide oversight for the new programs within its existing resources. For PSIC, which was also funded from spectrum auction receipts, OIG received \$3.1 million for oversight from NTIA; OIG received \$10 million in no-year funding for BTOP oversight from the American Recovery and Reinvestment Act funds. The FirstNet establishment program alone is almost twice the size of BTOP, broader in scope, substantially more complex, longer in term, and in the end will be an ongoing self-supporting program. It includes the design of a complex, national interoperable communications network integrating a large number of local and state communities; a mix of direct contracting and grants; operation, maintenance, and upgrading the network; and the establishment, setting, collection, and spending of fees to offset operational costs. Oversight requirements to ensure successful establishment and operation, and avoidance of waste, fraud, and mismanagement of funds, will be similarly greater in scope and complexity.

To provide adequate oversight for FirstNet, OIG will require multiple teams of auditors and several additional investigators. OIG does not have the resources to provide adequate oversight of FirstNet from existing resources without seriously reducing already limited resources for general Departmental oversight. The Department has repeatedly declined to provide additional resources, stating that the resources would be provided by transfer from FirstNet. OIG has the following concerns with the Department's approach:

- no authority appears to exist to transfer funds from FirstNet to OIG for oversight;
- the Department has not yet formally submitted for legislative language to establish such authority;
- the level of resources necessary for adequate oversight has not been agreed upon; and
- the requirement for resources will not be confined to a single fiscal year.

Despite being only in its early stages of implementation, FirstNet has already received significant Congressional scrutiny and media attention. As OIG has indicated several times during the FY 2014 and FY 2015 budget cycles, OIG does not have sufficient base resources to provide oversight of this large and complex program. To date, OIG has utilized substantial resources from its base, redirecting efforts from other mandated priorities, to address emerging issues with FirstNet, including a request from FirstNet to carry out an investigation of procurement and ethics matters, which is ongoing. OIG submits these concerns to help ensure that FirstNet receives adequate oversight early in its establishment.