

FY 2018  
CONGRESSIONAL JUSTIFICATION

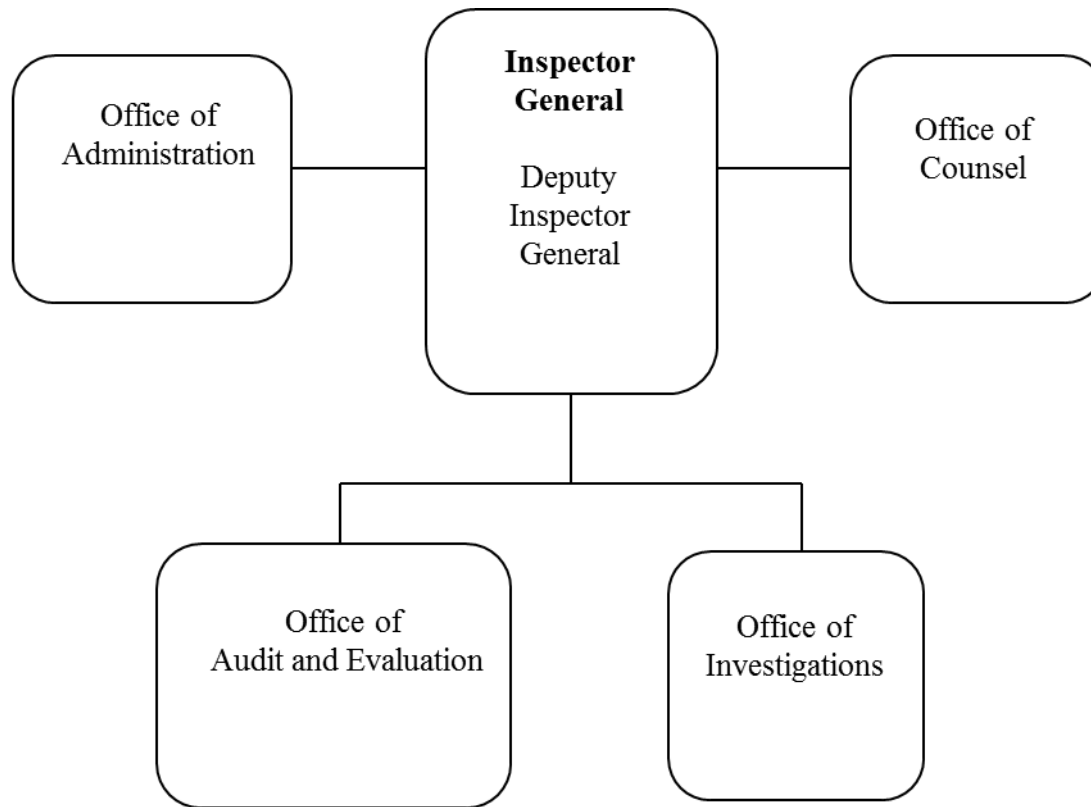
**Department of Commerce  
Office of Inspector General  
FY 2018 Congressional Justification Submission**

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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 2018**

Executive Summary

The Office of Inspector General (OIG) provides a unique, independent voice to the Secretary of Commerce, the Department's senior leaders, and to Congress. OIG combats fraud, waste, abuse, and mismanagement, and improves the efficiency, effectiveness, and economy of Department operations. The OIG 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 authorizes the specific functions and programs that make up these broad activities.

To provide this oversight, for FY 2017 OIG has 177 FTE and \$36.9 million in funding, including a \$2 million transfer from USPTO, a \$1.3 million transfer from NOAA, and a \$1.6 million transfer from the Census Bureau.

For FY 2018, OIG requests a total of \$37.9 million, \$32 million in direct appropriations, a \$2 million USPTO transfer, a \$1.3 million NOAA transfer, and an increase of \$1.0 million in the Census Bureau for a total Census transfer of \$2.6 million. OIG also requests an increase of \$0.4 million to pay for uncontrollable cost increases associated with inflation, and a corresponding \$0.4 million decrease in program funding to offset the increase. This proposed \$0.4 million decrease in program funding will result in the loss of approximately two auditors and one criminal investigator. OIG will perform one less audit per year, as well as reduce the number of investigations pursued; the investigations not pursued would be turned back to the appropriate bureau for self-inquiry.

With these resources, OIG will provide oversight of the Department's management challenges, the most important of which are:

**FirstNet.** This new organization, with a budget of \$6.5 billion, must coordinate with state, local, regional, and tribal organizations to establish, build, and operate a nationwide public safety broadband network. In addition to the risks inherent in starting up a new agency with a substantial budget and a complex mission, FirstNet has already come under scrutiny for ethics issues of governing board members and for weak procurement controls. Also, we have identified recommendations to improve its internal controls associated with outreach to federal, state, and local governments and the use of interagency agreements with other agencies supporting their efforts.

**Environmental Satellites.** NOAA has had difficulty managing the cost, schedule, performance, and risks associated with acquisition and development of environmental satellite systems. The instruments, ground systems, spacecraft, and launch vehicles are extremely complex and costly. The instruments are the first in a series with next-generation technology advancements, providing massive amounts of data to newly developed ground systems. These satellites provide data critical to ensuring accurate short- and long-term weather forecasting, identifying severe weather, and assisting in disaster mitigation; any failure of these multi-billion dollar satellite programs jeopardizes the safety of lives and protection of property.

**2020 Census.** FY 2018 is pivotal for Census’ 2020 decennial planning, which includes the final major test of a new IT system, new strategies to contact households, and improved field operations. Census faces significant challenges in all three areas. The new IT system’s estimated vendor costs have doubled from \$85 million in May 2016 to a current estimate of \$165 million, and Census must have this new system tested and operational by April 1, 2018, when the 2018 end-to-end test begins. Estimates for the number of addresses needing field verification has increased from 25 to 30 percent, also driving up estimated costs. And if decennial field operations are forced to rely on a system that has not been fully developed and tested, it could ultimately result in a fallback to more expensive manual methods, repeating a similar problem that occurred in 2010 that caused the most expensive decennial in history.

**IT Security.** The Department of Commerce continues to have serious challenges securing its critical systems, including its national security systems. Persistent security weaknesses with basic security controls and measures significantly increase the likelihood of system and information compromise. Examples of security weaknesses include: unimplemented required security controls, ineffective security control testing, presence of high-risk vulnerabilities, ineffective vulnerability scanning, deficient patch management, and security weaknesses not tracked or remediated expeditiously.

The capability of OIG to provide oversight corresponds directly to its level of funding. OIG receives directed transfers for some of the Department’s most significant challenges; i.e. NOAA Environmental Satellites, the 2020 Census, and USPTO. The oversight OIG provides for the Department’s other major challenges, FirstNet and IT Security, must compete with the oversight OIG provides to Commerce’s entire diverse portfolio of programs, as well as with oversight of contracting, procurement, trade promotion, export control, and the Department’s financial statements.

A full-year 2017 appropriation was not enacted at the time the FY 2018 Budget was prepared; therefore, the Budget assumes the Department is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

(Dollar amounts in thousands)

Appropriation	FY 2017 Annualized		FY 2018 Estimate		Inc. (+) or Dec. (-)	
	Positions	Amount	Positions	Amount	Positions	Amount
Office of Inspector General	177	32,000	178	32,000	1	-
Total, Office of Inspector General	177	32,000	178	32,000	1	-

**Department of Commerce  
Office of Inspector General  
Salaries and Expenses  
FY 2018 PROGRAM INCREASES / DECREASES / TERMINATIONS  
(Dollar amounts in thousands)**

**Increases**

Page No.	Appropriation	Budget Program	Activity/Subactivity	FTE	Budget Authority
35-40	Office of Inspector General	Office of Inspector General	Office of Inspector General	3	1,029
Subtotal, Increases				3	1,029

**Decreases**

Page No.	Appropriation	Budget Program	Activity/Subactivity	FTE	Budget Authority
41-44	Office of Inspector General	Office of Inspector General	Office of Inspector General	(3)	(430)
Subtotal, Decreases				(3)	(430)

**Terminations**

Page No.	Appropriation	Budget Program	Activity/Subactivity	FTE	Budget Authority
N/A	N/A	N/A	N/A	N/A	N/A
Subtotal, Terminations				-	-

Total, Increases, Decreases and Terminations				-	599
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**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 2017 Currently Available	177	177	36,853	39,169
2018 Adjustments to Base				
plus: Net change in obligations from carryover balances				684
plus: Uncontrollable cost changes	0	0	430	430
2018 Base	177	177	37,283	40,283
less: 2018 Program changes	(3)	(3)	(430)	(430)
plus: 2018 Transfer changes	4	3	1,029	1,029
2018 Estimate	178	177	37,882	40,882

	2016 Actual	2017 Annualized CR	2018 Base	2018 Estimate	Increase/ (Decrease) Over 2018 Base						
Comparison by program:	Personnel	Amount	Personnel	Amount	Personnel	Amount					
Inspector General	Pos./BA	177	36,853	177	36,853	177	37,283	178	37,882	0	599
	FTE/Obl.	167	37,255	177	39,169	177	40,283	177	40,882	0	599
TOTALS	Pos./BA	177	36,853	177	36,853	177	37,283	178	37,882	0	599
	FTE/Obl.	167	37,255	177	39,169	177	40,283	177	40,882	0	599

Adjustments to Obligations					
Recoveries		0	0	0	0
Unobligated Balance, start of year		(6,053)	(5,316)	(3,000)	(3,000)
Unobligated Balance transferred		0	0	0	0
Unobligated Balance, end of year		5,316	3,000	0	0
Unobligated Balance expiring		335	0	0	0
Financing from transfers:					
Transfer from other accounts (-)		(4,853)	(4,853)	(4,853)	(5,882)
Transfer to other accounts (+)		0	0	0	0
Appropriation		32,000	32,000	32,430	32,000
					(430)

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

		2016 Actual		2017 Annualized CR		2018 Base		2018 Estimate		Increase (Decrease)	
Comparison by Program		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Inspector General	Pos/BA	6	3,357	2	3,500	2	3,500	2	3,500	0	0
	FTE/Obl.	5	3,357	2	3,500	2	3,500	2	3,500	0	0
Total	Pos/BA	6	3,357	2	3,500	2	3,500	2	3,500	0	0
	FTE/Obl.	5	3,357	2	3,500	2	3,500	2	3,500	0	0

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

	2016 Actual	2017 Annualized CR	2018 Base	2018 Estimate	Increase/ (Decrease) Over 2018 Base
Total Obligations	37,255	39,169	40,283	40,882	599
Offsetting Collections from:					
Federal Funds	0	0	0	0	0
Unobligated balance, start of year	(6,053)	(5,316)	(3,000)	(3,000)	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	5,316	3,000	0	0	0
Unobligated balance expiring	335	0	0	0	0
Budget Authority	36,853	36,853	37,283	37,882	599
Financing:					
Transfer from other accounts (-)	(4,853)	(4,853)	(4,853)	(5,882)	(1,029)
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	32,000	32,000	32,430	32,000	(430)

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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>2018 Pay Raises</u>		603
Annualization of FY 2017 Pay Raise		
A pay raise of 2.1% will be effective January 1, 2017		
Total cost in FY 2018 of FY 2017 pay raise		576,000
Less amount funded in FY 2017		(432,000)
Amount requested in FY 2018 to provide for full-year cost of FY 2017 pay raise		144,000
FY 2018 Pay Raise and Related Costs		
A general pay raise of 1.9% is assumed to be effective January 2018.		
Total cost in FY 2018 of January 2018 pay raise		459,000
Amount requested in FY 2018 for FY 2018 pay raises		459,000
Adjustment to base		603,000
 <u>Civil Service Retirement System (CSRS)</u>		 (17)



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 regular employees covered by CSRS will decline from 3.1% in FY 2017 to 1.7% in FY 2018.

The contribution rates will remain at 7% for regular employees. OIG has no law enforcement personnel participating in CSRS.

Regular employees:

FY 2018 (\$18,123,016 x 0.017 x 0.07)	21,566
FY 2017 (\$17,937,365 x 0.031 x 0.07)	(38,924)
Subtotal	<u>(17,358)</u>
Total adjustment to base	(17,358)

Federal Employees Retirement System

64

The estimated percentage of payroll for regular employees covered by FERS is 96.9% in FY 2017 and 98.3% in FY 2018. The estimated percentage of payroll for law enforcement employees covered by FERS will remain unchanged at 100% . The estimated contribution rate for regular employees will remain unchanged at 13.7% for FY 2018. The estimated contribution rate for law enforcement employees will remained unchanged at 30.1% in FY 2018.

Regular employees:

FY 2018 (\$18,123,016 x 0.983 x 0.137)	2,440,645
FY 2017 (\$17,937,365 x 0.969 x 0.137)	(2,381,239)
Subtotal	<u>59,406</u>

Law enforcement employees:

FY 2018 (\$1,503,700 x 1 x 0.301)	452,614
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FY 2017 ( $\$1,488,296 \times 1 \times 0.301$ )	<u>(447,977)</u>
Subtotal	4,637
Total adjustment to base	64,043

Federal Insurance Contributions Act (FICA) – Old Age Survivors and Disability Insurance (OASDI)

38

The OASDI contribution rate will remain at 6.2% for employees in FY 2018. The annual salary subject to the OASDI tax is \$18,123,016 in FY 2018. The OASDI participation rate for regular employees will increase from 96.9% in FY 2017 to 100% in FY 2018, and will remain unchanged at 100% for law enforcement employees.

Regular employees:

FY 2018 ( $\$18,123,016 \times 1 \times 0.94 \times 0.062$ )	1,056,209
FY 2017 ( $\$17,937,365 \times 0.969 \times 0.946 \times 0.062$ )	<u>(1,019,448)</u>
Subtotal	36,761

Law enforcement employees:

FY 2018 ( $\$1,503,700 \times 1 \times 0.94 \times 0.062$ )	87,636
FY 2017 ( $\$1,488,296 \times 1 \times 0.946 \times 0.062$ )	<u>(87,292)</u>
Subtotal	344

Other salaries

FY 2018 ( $\$252,695 \times 1 \times 0.94 \times 0.062$ )	14,727
FY 2017 ( $\$250,107 \times 0.969 \times 0.946 \times 0.062$ )	<u>(14,215)</u>
Subtotal	512

Total adjustment to base	37,617
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Thrift Savings Plan

9

The estimated percentage of payroll for regular employees covered by FERS will be 96.9% in FY 2017 and 98.3% in FY 2018. The percentage for law enforcement employees will be 100% for FY 2017 and 100% for FY 2018. The contribution rate for regular and law enforcement employees is 2% in FY 2017 and FY 2018.

Regular employees:

FY 2018 (\$18,123,016 x 0.983 x 0.02)	356,298
FY 2017 (\$17,937,365 x 0.969 x 0.02)	<u>(347,626)</u>
Subtotal	8,672

Law enforcement employees:

FY 2018 (\$1,503,700 x 1 x 0.02)	30,074
FY 2017 (\$1,488,296 x 1 x 0.02)	<u>(29,766)</u>
Subtotal	308

Total adjustments to base.	8,980
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Employee Compensation Fund

2

The Employee Compensation Fund bill for the year ending June 30, 2016, increased by \$2,245 from the bill of \$0 for the year ending June 30, 2015. Therefore, \$2,245 in charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.

Adjustments to base	2,245
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Health Insurance

50

The average rate increase for 2018 is expected to be 3.5%. Against estimated health costs for 2017 of \$1,434,067, the additional amount required for 2018 is \$50,192.

Adjustment to base 50,192

Travel – Per Diem 7

The average rate per diem rate for CONUS travel is expected to increase from \$140 to \$142 for FY 2018, a 1% increase. On a base of \$344,505, the additional amount required is \$6,899.

Adjustment to base 6,899

Travel – Mileage 0

The mileage reimbursement rate for privately-owned automobiles decreased from \$0.54 to \$0.535 effective January 1, 2016, a -0.009% decrease. On a base of \$6,071, the amount required will decrease by -\$55.

Adjustment to base (55)

Rental Payments to GSA 43

GSA rental rates are projected to increase 2% in FY 2018. This percentage, applied to the FY 2017 estimate of \$2,145,000, raises the total cost of rental payments to GSA to \$2,187,900 for FY 2018, an increase of \$42,900 over FY 2017.

Adjustments to base 42,900

General Pricing Level Adjustment

146

The federal non-defense, non-pay deflator for FY 2018 is 2%. This percentage was applied to the FY 2017 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	2,000
Other services (Federal)	93,020
Other services (Non-Federal)	22,080
Transportation of things	180
Printing	280
Communications and misc. expenses, excluding postage & FTS	6,340
Equipment	<u>21,940</u>
Adjustments to base	145,840

Working Capital Fund

(515)

A decrease of \$-515,000 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	(515,000)
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Total adjustments to base

0      430

**Department of Commerce  
Office of Inspector General  
Salaries and Expenses  
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS**  
(Dollar amounts in thousands)

Program: Inspector General

		2016		2017		2018		2018		Increase/ (Decrease)	
		Actual		Annualized CR		Base		Estimate		Over 2018 Base	
Subprogram:		Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount
Executive Direction & Counsel	Pos./BA	11	2,204	11	2,204	11	2,230	11	2,230	0	0
	FTE/Obl.	10	2,229	11	2,343	11	2,410	11	2,410	0	0
Audits & Evaluations	Pos/BA	122	25,474	122	25,474	122	25,771	124	26,816	2	1,045
	FTE/Obl.	115	25,751	122	27,075	122	27,845	122	28,890	0	1,045
Investigations	Pos/BA	44	9,175	44	9,175	44	9,282	43	8,836	(1)	(446)
	FTE/Obl.	42	9,275	44	9,751	44	10,028	44	9,582	0	(446)
Total	Pos/BA	177	36,853	177	36,853	177	37,283	178	37,882	1	599
	FTE/Obl.	167	37,255	177	39,169	177	40,283	177	40,882	0	599

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## FY 2018 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>\$37,283,000</b>	<b>FTE: 177</b>

## PROGRAM DESCRIPTION

The Department of Commerce Office of Inspector General (OIG) was established in FY 1979 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 remains committed to keeping Departmental decision-makers informed of both long-standing and emerging problems through OIG's audits and investigations, so timely corrective actions can be taken.

### **Current OIG Resources**

OIG has a personnel base of 177 FTE in FY 2018, and a base funding level of \$37,283,000, including a \$2 million transfer from USPTO, a \$1.302 million transfer from NOAA, and a \$1.551 million transfer from Census, which are continued for FY 2018. OIG's headquarters office is located in Washington, D.C., with field offices located in Atlanta, Denver, Seattle, and Anchorage.

### **OIG's Offices and Accomplishments**

The work of OIG's three main internal sub-units, Executive Direction and Counsel, Audit and Evaluation, and Investigations, continues to provide an excellent return on investment. Over the past five years (FY 2012 – 2016), OIG made numerous recommendations for improvements and identified \$846.9 billion in financial benefits, while receiving \$167.9 million in appropriations and transfers, a return on investment of \$5.04 per dollar invested in OIG.

**Executive Direction and Counsel** (\$2.3 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 OC provides legal guidance in support of the agency's mission.



**Audit and Evaluation** (\$26.1 million). The Office of Audit and Evaluation (OAE) conducts audits and evaluations of programs and operations, providing the Department valuable independent assessments of cost-efficiency and effectiveness. OAE performs work planned and in response to Congressional or Departmental requests, which covers such activities as financial controls, operational efficiencies, information systems, program performance, and major acquisitions.

In FY 2016 and early FY 2017 OAE's oversight found a number of problems in the Department's operations, including:

- **2020 DECENNIAL CENSUS**
  - **Our ongoing 2020 Census oversight monitors activities of the Census Bureau as it prepares for the decennial census.** We continue to find problems with the Bureau's cost estimates—as well as issues with test design and methodology, along with the ability to assess nonresponse followup operational control system. The Bureau could not document that 2020 Census projects that require access to administrative records were reviewed and approved appropriately. We also found the Bureau did not delete administrative record data files in accordance with their expiration dates.
- **FIRST RESPONDER NETWORK AUTHORITY (FIRSTNET) and NTIA**
  - **Our oversight work on FirstNet and its related activities has continued to provide valuable information and balance on updates to its plans for a nationwide public safety broadband network.** Our audit of NTIA's management of its State and Local Implementation Grant Program, supporting FirstNet, identified opportunities to address control weaknesses and improve overall management. Specifically, our findings focused on (a) incomplete control processes for detecting fraud, waste, and abuse; (b) inadequate IT controls; and (c) issues concerning the availability of assessments of grant recipients' status on program priorities.
- **IT SECURITY**
  - **Our audits are strengthening the Department's IT security posture.** We found that USPTO's IT security posture was undermined due to inadequate security practices, including impaired security of cloud services. Included in our findings was that the agency deficiently implemented fundamental security controls, which increased the cybersecurity risk of USPTO systems.
  - We found that National Environmental Satellite, Data, and Information Service (NESDIS) systems were vulnerable because the office had not addressed weaknesses in the information security practices applied to the compromised system

components. Regarding NOAA's containment and recovery efforts, specifically with disrupted dissemination of weather satellite data, we found that inadequate firewall management practices prolonged the disruption.

- **NOAA SATELLITES**

- **Our oversight of weather satellites highlights important risks of schedule delays and data gaps.** We found problems with NOAA's Geostationary Operational Environmental Satellite–R Series (GOES-R) integration and test activities related to cost estimation and award fee determination, increased costs and risk stemming from a delay in definitizing a system re-plan, a lack of transparency in project management reviews, and inconsistent calculating of and reporting on coverage gap probability. Potential monetary benefits related to our findings were more than \$20 million in questioned costs and nearly \$4 million in funds to be put to better use.

- **FINANCIAL AND ADMINISTRATIVE OPERATIONS**

- **Our review of the Department's readiness for DATA Act reporting identified several implementation challenges.** We found that the Department was significantly behind schedule implementing the Digital Accountability and Transparency Act of 2014 (DATA Act), thus increasing the risk of not meeting the April 30, 2017, reporting deadline. We found that the Department had not started or only partially completed some of the steps that should have been completed by September 2015.
- **We found problems with the quality of Department responses to Congressional requests.** In our analysis of Departmental conference spending reports, we found USPTO was not reporting information as required under appropriations legislation.
- **We found problems with Departmental contract oversight.** We evaluated whether NOAA's National Weather Service (NWS) has adequate controls in place to ensure compliance with applicable laws and regulations for personnel support acquired through service contracts. We found that NWS's control is deficient in the administration and oversight of service contracts, and needs to strengthen controls over retention of key documents and reporting of information to Congress.

OAE's current ongoing work includes audits or reviews of the following:

- **Office of the Secretary/Department-wide**—FY 2017 Federal Information Security Management Act (FISMA) compliance; annual Departmental compliance with improper payments requirements; FY 2017 Cybersecurity Information Sharing Act (CISA); the Department's FY 2017 consolidated financial statements; the Office of the Secretary's Working Capital Fund;

Departmental implementation of *Uniform Guidance for Receiving and Processing Single Audits*; selected Departmental bureaus' unliquidated obligations; and audit summary of the Department of Commerce's unliquidated obligations.

- **Census Bureau**—the Bureau's cybersecurity risk management framework implementation; 2016 Address Canvassing Test; the Bureau's noncompetitive contracts; Census blanket purchase agreements, 2020 Census local office leasing; and 2020 Census background check preparedness.
- **EDA**—EDA unliquidated obligations
- **FirstNet**—FirstNet management of Band 14 Incumbent Spectrum Relocation Grant Program
- **ITA**—ITA's cloud-based systems security posture
- **MBDA**—business development programs
- **NOAA**—real property management; Joint Polar Satellite System program performance and Polar Follow-On baseline establishment; National Marine Fisheries Service stock assessment; ship fleet maintenance and repairs; and use of blanket purchase agreements.
- **NTIA**—grant to Los Angeles Regional Interoperable Communications System Authority (LA-RICS) Project.
- **NIST**—security and foreign national access.
- **USPTO**—performance indicators for prioritized countries; Patent Trial and Appeal Board pendencies; Trademark Next Generation program management; FY 2017 financial statements, monetary awards for patent examiners; and follow-up on recommendations from OIG-13-032, *USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain*.

OAE also conducts annual audits of the Department's financial statements and information security program and practices; prepares 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.

**Investigations** (\$9.4 million). The Office of Investigations (OI) investigates alleged or suspected fraud, waste, abuse, and misconduct by Commerce employees, contractors, recipients of financial assistance, and others involved in the Department's programs and operations. Such wrongdoing may result in criminal and/or civil prosecution, as well as administrative sanctions for violations of Department regulations and employee standards of conduct. Below is a select list of OI's significant investigative work:

- *Contract and grant fraud:* OI investigates fraudulent activity related to grant awards made by Commerce operating units as well as contracts entered into by the Department and its operating units.
- *Employee misconduct:* OI investigates or assists the Department in handling employee misconduct involving Commerce funds and programs. These cases cover a wide range of improper behavior—from misusing one's official position to stealing government property—that may warrant administrative sanction or criminal prosecution.
- *Support for other law enforcement offices:* OI often partners with other law enforcement agencies to investigate cases involving Commerce employees as victims or perpetrators of crimes not directly related to the business of the Department.

OI's investigative work in FY 2016 through early FY 2017 resulted in several significant achievements, including criminal and administrative actions, public reports and other efforts that led to improvements to the Department's programs and operations. OIG's investigations resulted in 13 indictments, criminal informations, and criminal complaints; 11 guilty pleas and convictions; 10 suspensions/debarments of contractors and grantees; over \$19.9 million in restitution, fines, settlements, and other recoveries; and over 50 personnel actions, i.e. removals, suspensions, reprimands, or other actions. In addition, OI identified over \$18 million in waste, abuse, and other losses to the federal government in our investigative work. A select number of OIG's recent investigative highlights are noted below.

- *Member of Congress and Associates Convicted and Sentenced:* A joint investigation resulted in the indictment and subsequent conviction of a member of Congress and four of his associates for participating in a racketeering conspiracy. The U.S. Attorney's Office (USAO) for the Eastern District of Pennsylvania (EDPA) indicted Congressman Chaka Fattah Sr. and four others on 29 counts including bribery, money laundering, bank fraud, and false statements to a financial institution. The indictment alleged that, in connection with his failed 2007 campaign to serve as mayor of Philadelphia, Fattah and certain associates perpetuated several schemes to extinguish campaign debts by issuing sham contracts and grants. One scenario included \$130,000 owed to a political consultant to whom Fattah and his associates allegedly arranged for the award of federal grant funds. According to the allegations in the indictment, Fattah directed the consultant to apply for a \$15 million grant (which ultimately the consultant did not receive) on behalf of a then non-existent nonprofit entity. In exchange for Fattah's efforts to arrange the award of National Oceanic and Atmospheric Administration (NOAA) funds to the nonprofit, the

consultant allegedly agreed to forgive the debt owed by the campaign. Another of the five schemes OIG discovered and investigated related to grant fraud involving the Educational Advancement Alliance, a recipient of a NOAA grant. The indictment alleged that the Educational Advancement Alliance obtained \$50,000 in federal grant funds to support a conference on higher education, but the conference never took place. Instead, the grant funds were used to pay \$20,000 to a political consultant and \$10,000 to an attorney. Other funds were converted for personal use. In addition to DOC OIG, this matter was also investigated by the Federal Bureau of Investigation (FBI), Internal Revenue Service (IRS), and OIGs from the Department of Justice and National Aeronautics and Space Administration (NASA). In June 2016, Fattah was convicted of racketeering and all other counts charged in the case and was subsequently sentenced to 10 years in prison and ordered to pay \$614,500 restitution.

- *Joint Investigation Leads to a \$5.8 Million Civil Settlement:* The DOC OIG participated in a joint investigation with the U.S. Attorney's Office (USAO) for the Central District of California (CDCA), into alleged false claims submitted by a DOC contractor. The allegations included the company knowingly and falsely claimed to be a Section 8(a) certified small business entity. The investigation confirmed the company was awarded at least 33 contracts/awards by several DOC components, some awarded as 8(a) certified small business actions. In total, the USAO/CDCA found 133 such instances across the federal government. The company subsequently entered into a settlement agreement in federal court and agreed to pay \$5.8 million to settle the case.
- *Joint Investigation Leads to \$3.25 Million Settlement:* The DOC OIG participated in a joint investigation with the DOJ into allegations of false statements made by a company and its affiliates to avoid antidumping fees for imported goods. In February 2016, the company agreed to a global settlement and agreed to pay \$3.25 million to settle the case. The lawsuit alleged that the defendants engaged in a scheme to evade customs duties on certain imports from the People's Republic of China.
- *Company Pleads Guilty in Antitrust Case and Agrees to Pay \$7.2 Million:* In June 2016, a federal grand jury in Ohio returned an indictment charging a Japanese automotive parts company, its U.S. subsidiary, and four executives for their participation in an international conspiracy to eliminate competition in the sale of automotive parts sold in the U.S. and elsewhere. The indictment charges that the conspirators agreed on, and exchanged information about, bids, price quotations, and price adjustments for the sale of automotive parts, and agreed to customer allocations, as well as bids, prices, and price adjustments. In November 2016, the company pleaded guilty and agreed to pay a \$7.2 million fine for its role in the criminal conspiracy.
- *Joint Investigation Leads to \$1.8 Million Settlement:* The DOC OIG Denver Field Office participated in another joint investigation with the USAO, District of Columbia, and the DOJ Antitrust Division into alleged false claims by a government contractor. The allegations included that the company illegally obtained contracts that were intended for small, disadvantaged businesses. The investigation substantiated that the company was awarded millions of dollars in illegally obtained contracts

and awards. The company obtained at least 27 government contracts totaling more than \$70 million. In February 2016, the company pleaded guilty to one count charge of conspiracy and agreed to pay \$1.8 million in criminal penalties and forfeiture.

- *Former DOC Employee Indicted and Businessman Convicted in Bribery Case:* A former DOC employee was arrested in August 2016 on charges of conspiracy to pay and receive bribes by a public official. A joint DOC OIG and FBI investigation found that while serving as project manager the individual solicited and received bribes from a local businessman in return for steering a lucrative subcontract and contract to perform work to companies owned (in whole or in part) by the bribe payer. The indictment also charged that the bribe payer's company arranged for various subcontractors to perform free renovation work at the individual residence. Trial in that case is tentatively scheduled to begin in April 2017. A separate defendant in this case plead guilty to conspiracy to commit bribery and bribery of a public official in December 2016 and he is scheduled to be sentenced in May 2017.
- *Development District Executives Plead Guilty and Sentenced for Theft of Federal Funds:* The OIG found that the director and deputy director of a development district created multiple companies to funnel government money received from the Economic Development Administration (EDA) Revolving Loan Fund for their personal gain. In 2016, the director pleaded guilty to two counts of theft from a federally funded entity and was sentenced to 18 months incarceration, followed by two years of supervised probation, and ordered to pay \$233,000 in restitution. In August 2015, the deputy director pleaded guilty to bank fraud and was sentenced in January 2017 to time served and paid a \$2,000 fine.
- *Investigation into U.S. Patent and Trademark Office Time and Attendance:* In August 2016, the OIG completed a review of data for virtually all (94%) USPTO patent examiners' claimed work hours to determine the overall level of unsupported work hours. For a 9-month period, the OIG identified approximately 138,000 unsupported hours, equating to nearly \$8.8 million in potential waste. Approximately 28% of the total unsupported time consisted of overtime hours. For an overlapping 15-month period, the OIG identified over 288,000 unsupported hours, equating to over \$18.3 million in potential waste. Due to the conservative methodology used by the OIG, the total unsupported hours over the 9- and 15- month periods could be twice as high as reported in this investigation. The OIG also found that USPTO's policies limit the agency's ability to prevent and detect time and attendance abuse. The OIG's recommendations, which USPTO accepted, included reevaluating its examiner production goals for each art unit and revising them to reflect efficiencies in work processes from automation and other enhancements, and requiring all examiners to provide supervisors with their work schedules, regardless of performance and ratings.
- *DOC Contractor Charged with Major Fraud:* The DOC OIG investigation found that between March 2013 and December 2014, the president and chief executive officer of the company made false statements to the General Services Administration (GSA) which enabled them to gain contracts via the GSA schedule. In September 2013, the DOC awarded the company a total of seven contracts to perform tasks in support of the Afghanistan Investment and Reconstruction Task Force. The company

obtained \$3.1 million in contracts based upon their false statements. In addition to the fraud in receiving the contract, the company fraudulently billed the government nearly \$1.2 million.

- *Investigation into Travel and Other Improprieties in the Office of a Politically Appointed Official:* In September 2016, the OIG issued a public report on its investigation into travel and other improprieties taking place in the office of a high-ranking political appointee within the Department. The investigation found that the political appointee received unjustified reimbursements on multiple occasions for luxury hotel stays in violation of the Federal Travel Regulation and Department policy, and that a member of his staff received questionable reimbursements for premium car service expenses associated with the political appointee's official travel. The investigation also found that a member of the political appointee's staff provided inaccurate or knowingly false information to Department officials in response to questions about the political appointee's travel arrangements. We also found that the political appointee inappropriately used a subordinate to handle a variety of personal tasks for him on a regular basis, and that the political appointee caused his agency to spend thousands of dollars on potentially unauthorized or otherwise questionable expenses associated with renovations he wanted to his office suite. The OIG made recommendations based on its findings meant to correct the abuses identified in its investigation and to deter similar abuses from occurring in the future. The Department fully concurred with the OIG's recommendations and has taken steps to implement them.

### **Challenges Facing the Department of Commerce**

OIG focuses its oversight efforts on the top management challenges for the Department. To assist the Department, OIG has identified these challenges and aligned them with the Department's FY 2014-2018 Strategic Plan.

#### 1. TRADE AND INVESTMENT:

- Departmental and bureau grants oversight. The Department and its bureaus with grant programs must consolidate the various Departmental grants management systems into one system. An additional challenge is identifying, hiring, and maintaining a qualified financial assistance workforce.

#### 2. INNOVATION:

- USPTO patent examinations. Despite the increase in both the number of patent examiners and spending on patent examination, USPTO still faces challenges in meeting its targets for patent processing time. In addition, USPTO continues to face challenges in enhancing patent quality and developing more effective quality metrics.

- USPTO information technology (IT) systems. For FY 2017, USPTO requested \$595.6 million from Congress for its IT portfolio. As stated in its 2014–2018 Strategic Plan, USPTO’s vision for the next 4 years includes plans to continue transforming its operations with next-generation technology and services. However, USPTO still needs to deploy a significant number of applications within the portfolios and, in the interim, must rely on more than 67 existing legacy systems to conduct day-to-day business.
- FirstNet network implementation. As FirstNet makes progress in acquisition activities, consultation, and internal control, challenges remain. Also, NTIA issued \$116.56 million in grant awards under the Middle Class Tax Relief and Job Creation Act of 2012’s State and Local Implementation Grant Program to promote—among each of the 56 states and territories, as well as tribes and federal public safety entities—outreach, data collection, and planning for the NPSBN. In addition, various government and accounting reports have identified the need for FirstNet to strengthen its controls.
- Demand for radio frequency spectrum. Freeing up spectrum for highspeed broadband services remains a key challenge facing the Department. NTIA continues to investigate opportunities to make additional spectrum available.

### 3. ENVIRONMENT:

- NOAA satellite acquisitions. The Department must manage risks associated with the acquisition and development of environmental satellite systems. Satellite integration and test problems caused NOAA to delay the Geostationary Operational Environmental Satellite-R Series (GOES-R) estimated launch date from October 2015 to November 2016. Also, the Joint Polar Satellite System (JPSS) program’s launch of JPSS-1 was delayed from the first to the fourth quarter of FY 2017 because of problems with a key instrument and its common ground system. NOAA must ensure these problems have been corrected as it completes environmental and final tests of the satellite before launch in September 2017. NOAA observational data processing. The ground system development problems that both GOES-R and JPSS-1 are addressing may necessitate the deferral of planned operational capabilities until after their launches. Management attention to post-launch test activities is needed to ensure users’ needs are met—and inform a new Administration and Congress of data availability and its effect on forecasts.
- NOAA National Marine Fisheries Service data. NOAA Fisheries must balance two competing interests: promoting commercial and recreational fishing while preserving populations of fish and other marine life. Developing conservation and management measures requires collecting, analyzing, and reporting demographic information about fish populations via stock assessments. NOAA continues to face challenges to ensuring timely and accurate stock assessments and providing what is often controversial consultation to its stakeholders.

### 4. DATA:

- 2020 Census quality and cost. On October 1, 2015—after conducting FYs 2013, 2014, and 2015 site tests—the Bureau released its 2020 Census Operational Plan, with a set of design decisions that drive how the 2020 Census will be



conducted. The Bureau plans to conduct additional testing in order to refine the design. With all 2017 site tests cancelled, the bureau is overly reliant on the 2018 test to obtain critical operational information. In addition, audits continue to report deficiencies in the Bureau's cost accounting practices, which will make it difficult for the bureau to demonstrate that cost savings were realized. Without complete cost information, it will be difficult for the Bureau to compute accurate estimates and actual costs for comparison with budget requests.

- Census enterprise data system. The Census Enterprise Data Collection and Processing System (CEDCaP) Program aims to integrate and standardize the Bureau's systems in order to share data collection and processing across all censuses and surveys. Specifically, CEDCaP proposes to consolidate costs by retiring unique, survey-specific systems and redundant capabilities—a factor in the proposed redesign with a goal of realizing an estimated \$5 billion in costs avoidance for the 2020 decennial census. A challenge the Program faces is how to effectively integrate, test, and implement the architecture and systems to a level sufficient enough to support the 2018 end-to-end decennial test, and the 2020 Census itself, all within a short timeframe.
- Departmental compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act). The DATA Act requires federal agencies to make available detailed information on their spending and use of federal funds and reporting it by specific categories, such as how much funding an agency receives from Congress and how much agencies spend on specific projects and awards. Due to the Department's legacy information systems and need to use existing funding resources, providing reliable and consistent agency program information and meeting the goals of the DATA Act will be a significant challenge.
- Replacement for Commerce Business Systems (CBS). The lack of a centralized and integrated financial management system continues to create reporting and oversight challenges for the Department—including the ability to effectively report financial data and monitor financial activity across its operating units. The Department and most of its operating units' continued reliance on CBS—with its limited functionality, high support costs, lack of system integration, and lack of centralized reporting capabilities—is an immediate high risk for the Department's compliance with current and future reporting requirements such as the DATA Act.

#### 5. OPERATIONAL EXCELLENCE:

- Department-wide IT security issues. We continue to find deficiencies in the implementation of basic security measures, such as regularly identifying vulnerabilities, expeditiously remediating security flaws, and effectively managing access controls. Department systems continued to face the significant risk of cyber attacks. Also, continuing the implementation of the enterprise security operations center and enterprise cybersecurity monitoring and operations is critical to providing timely cyber situational awareness across the Department. Accordingly, the Department needs to make the required management commitment and prioritize resources to fully implement these cybersecurity initiatives.

- The Department's contracts and acquisitions. A government-wide initiative notes that excessive reliance on sole-source and cost-reimbursement contracts creates risk of waste, inefficiency, and misuse. Our work across the Department continues to identify that—without sound procurement practices and an effective acquisition structure in place—the risk of wasted government dollars increases. During FY 2015, the Department made significant gains in managing and strengthening the acquisition workforce but still faces related challenges.
- IT controls for financial data. The independent auditor of the Department's annual financial statements reported general IT controls as a Department-wide significant deficiency in FYs 2012–2015. Specifically, the Department's financial systems continue to have deficiencies in the areas of access controls, configuration management, and segregation of duties within their financial management system. In addition, a significant deficiency related to IT access and configuration management control weaknesses was identified in the USPTO's annual financial statement audit in FY 2015. The Department and USPTO have ongoing efforts in place to implement corrective actions for the deficiencies identified.
- Department-wide culture of accountability. One major challenge is detecting and preventing time and attendance abuse, which OIG has investigated at several Departmental operating units. Another challenge involves the integrity of procurement processes: over the past 3 fiscal years, OIG conducted multiple investigations into allegations of abuse in contracting matters. In addition, in FY 2016, OIG investigated alleged abuses related to official Department travel. These inquiries raised concerns about the Department's compliance with governing laws and rules, particularly the Federal Travel Regulation and the Department's travel-related policies.

## FUNDING GAPS AND CHANGE REQUESTS

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 gaps are:

**FirstNet.** FirstNet's efforts to use \$7 billion in spectrum sale proceeds to establish the public safety broadband network (PSBN) are an area requiring substantial OIG oversight, especially as its operations and spending increase. FirstNet has already received significant Congressional and media attention and is the subject of ongoing investigations and audit work. OIG requested but did not receive funding for oversight of FirstNet in FY 2017.

**Cybersecurity.** OIG has identified improving cybersecurity as one of the Department's top management challenges. Over the years, OIG's annual assessments under the Federal Information Security Management Act of 2002 (FISMA) have repeatedly identified significant flaws in basic security measures protecting the Department's IT systems and information. If not addressed in a timely matter, these persistent security deficiencies will continue to make the Department vulnerable to cyber-attacks, potentially resulting in a devastating impact on the Department's missions as demonstrated by the recent NOAA cyber incident. OIG requested but did not receive funding for oversight of cybersecurity in FY 2017.

**2020 Decennial Census.** FY 2018 is a pivotal year for Census' 2020 decennial planning, which includes the final major test of a new IT system, new strategies to contact households, and improved field operations. Census faces significant challenges in all three areas. The new IT system's estimated vendor costs have doubled from \$85 million in May 2016 to a current estimate of \$165 million, and Census must have this new system tested and operational by April 1, 2018, when the 2018 end-to-end test begins. Estimates for the number of addresses needing field verification has increased from 25 to 30 percent, also driving up estimated costs. And if decennial field operations are forced to rely on a system that has not been fully developed and tested, it could ultimately result in a fallback to more expensive manual methods, repeating a similar problem that occurred in 2010 that caused the most expensive decennial in history. OIG requests a transfer increase of \$1.029 million for a total of \$2.580 million to fund the necessary oversight of the 2020 decennial census.

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

For adjustments to base, OIG requests an increase of \$430,000. This increase will fund pay increases in FY 2017 and FY 2018 as well as inflationary costs.

**FY 2018 Program Change Request**

For FY 2018, OIG has a personnel base of 177 FTE and a base funding level of \$37,283,000. In addition, OIG requests an appropriation decrease of \$430,000 and 3 FTEs to offset the cost of inflationary increases.

**FY 2018 Transfer Change Request**

For FY 2018, OIG has a personnel base of 177 FTE and a base funding level of \$37,283,000. In addition, OIG requests a transfer increase of \$1,029,000 and 3 FTEs.

**FY 2018 Total New Budget Authority Request:**

OIG's FY 17 Annualized CR amount is \$36,853,000 and 177 FTEs. After adding in the adjustments to base, the program change request, and the transfer change request, OIG requests total new budget authority of \$37,882,000 and 177 FTEs.

Funding Requirements	Program Budget Profile (Dollar amounts in thousands)						
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Office of Inspector General	36,853	36,853	37,882	39,078	39,860	40,657	41,470
Total Dollars	36,853	36,853	37,882	39,078	39,860	40,657	41,470
Total FTEs	167	177	177	178	178	178	178

### SCHEDULE AND DELIVERABLES

#### Deliverables & Schedule:

OIG's major deliverables include:

- A report on the top management challenges facing the Department – *published in October*;
- A semiannual report summarizing work OIG completed or initiated in the previous six months – *published in March and September*;
- Reports on audits and evaluations – *performed according to OIG's 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*;
- Recommendation tracking- ensuring that OIG's recommendations are appropriately implemented by management – *ongoing*;
- Issuance of several public investigative reports – *published throughout the year following OIG's determination about the importance of disclosure of certain matters under investigation*;
- Evaluating and determining how to address approximately 1,200 hotline complaints in a given year—*production is ongoing throughout the year*;
- Conducting casework on over 100 criminal, civil, and administrative investigations and typically initiating and closing about 70 investigations per year—*production is ongoing throughout the year*;

- Annual risk assessment and audit plan – *October*; and
- Department training where OIG provides guidance to program management and grant recipients on implementing effective control – *as necessary*.

**PROGRAM PERFORMANCE METRICS AND OUTPUTS**

OIG’s Performance goal is to:

– 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 2016 Actual</b>	<b>FY 2017 Target</b>	<b>FY 2018 Target</b>
Measure 1. Percent of OIG recommendations accepted by Departmental and bureau Management. /1	100%	95%	95%
Measure 2. Percent of investigative cases completed within 365 days. /2	62.3%	70%	70%
Measure 3. Dollar value of all financial benefits identified by OIG. /3	\$41.5 M	\$70.0 M	\$70.0 M

/1 “Accepted” = OIG has approved the Department or bureau action plan, and the audit, evaluation, or inspection is “resolved.” “Accepted” does not imply that OIG’s report recommendations have been implemented.

/2 During FY 2016, OIG continued its effort to close old cases and address investigations in a timelier manner. However, during FY 2016, OIG finished several complicated and high-profile investigations. In addition to the resources required to work these cases, several investigators were diverted from working other cases to address the higher-priority matters. To improve operations, OIG has hired additional investigative staff, and will continue to work to meet this metric in FY 17.

/3 Dollar value includes both OAE and OI potential financial benefits.

### FY 2018 TRANSFER CHANGE SUMMARY

Transfer Change: **Increased Oversight of 2020 Decennial Census Activities**

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Amount: **+\$1.0 Million**

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FTE: **+3**

Budget Activity: **Office of Inspector General**

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PPA: **Office of Inspector General**

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### TRANSFER CHANGE DESCRIPTION

OIG requests an increased transfer of \$1.029 million and 3 FTE for increased oversight of the 2020 Census activities in the Department of Commerce, for a total transfer from the Census Bureau of \$2,580,000.

#### **Business Problem**

The Census Bureau's goal, and its challenge, is to implement a Census that maintains quality and costs less per household than the 2010 Census (\$94/household, adjusted for inflation). The lifecycle cost of the 2010 decennial—originally estimated at more than \$11 billion—exceeded \$12 billion.

The Census Bureau is targeting major design changes in four key areas: new methodologies to conduct address canvassing; options to increase household self-response; the use of administrative records to reduce the nonresponse follow up workload; and reengineering field operations through the use of technology to replace intensive paper processes (such as enumeration, payroll, and training), realigning staff, and reducing the number of field offices. The Bureau delivered the preliminary operational plan in December 2015.

With changes in these four areas, the Bureau anticipates saving over \$5 billion (compared to repeating the 2010 design in the 2020 Census) by implementing the following:

- Reducing the field work associated with verifying the nation's address list by using aerial imagery to confirm change.
- Implementing a safe, secure Internet response option to reduce the need for more expensive paper data capture.

- Reusing data the public has already provided to government and commercial sources to conduct a more efficient enumeration.
- Using enterprise-wide systems and technology to efficiently assign work, collect data, and monitor progress.

Leveraging enterprise-shared services will impact the 2020 design and cost. The Census enterprise data collection and processing (CEDCaP) initiative will support significant portions of the 2020 Census.

In October 2016, the Census Bureau announced it was stopping the 2017 field testing operation due to funding uncertainty and to ensure readiness for the 2018 End-to-End test. Consequently, the bureau will not be able to leverage lessons learned from a 2017 test, leaving the only full-scale testing to occur in 2018. The 2018 End-to-End Census Test is planned to test and validate 2020 Census operations, procedures, systems, and infrastructure together. It will have an April 1 Census Day conducted in three areas: Pierce County, Washington; Providence County, Rhode Island; and, Bluefield-Beckley-Oak Hill, West Virginia. The results from this test are critical to determining if the Bureau is on track to implement a cost-effective, re-engineered 2020 Census.

Other key activities occurring in FY 2018 include: opening regional and area census offices; the Local Update of Census Address (LUCA) operation; in-office address canvassing operation; refining the communication/partnership strategy; finalizing the field data collection instrument and various operations associated with: ensuring an accurate address list, enumerating areas that do not receive mail, enumerating group living situations, enumerating transitory locations, and following-up on the people that did not respond to the mailings. All of the above require the Bureau to develop and document the processes, procedures, and controls that will allow it to successfully hire, train, and deploy temporary staff.

### **Proposed Solution**

As the Bureau shifts from final testing towards 2020 Census implementation, OIG will need to field two to three more teams with more staff (current audit teams typically have two to three members), expanding the breadth of operational coverage as well as the scope.

The IG's focus of the two or three teams will be on 2018 operational readiness test and the OIG's assessment of areas not covered by the end-to-end test. In 2018 and 2019, OIG will be actively monitoring and reporting on the cost, schedule, and progress of decennial planning and operations.

**Base Resources Assessment**

Congress provided a \$1.551 million transfer in FY 2015 from the Census Bureau to OIG for activities associated with carrying out investigations and audits related to the Census Bureau.

To oversee 2010 Census operations, OIG was forced to divert almost its entire workforce, including attorneys and administration staff, to census oversight activities. OIG issued 27 reports and testified before Congress six times about the status of the 2010 Census planning and implementation efforts during the decennial life-cycle. In order to provide adequate oversight of the Census Bureau for the 2020 Census, without reducing the level of oversight to other areas of the Department, OIG will require significantly more resources as the decennial census ramps up later in the decade.



**SCHEDULE AND DELIVERABLES**

**Schedule & Milestones:**

This funding would provide for three to four audits/evaluations each year for FY 18 – 23, as well as other oversight products.

**Deliverables:**

The requested resources would fund two teams of auditors for this purpose.

**PERFORMANCE METRICS**

Performance Goal Performance Measure: # of Audits	FY 18 Target	FY 19 Target	FY 20 Target	FY 21 Target	FY 22 Target	FY 23 Target
With increase	6	7	7	7	7	7
Without increase	4	4	4	4	4	4

Performance Goal Performance Measure: \$ recovered or put to better use.	FY 18 Target	FY 19 Target	FY20 Target	FY 21 Target	FY 22 Target	FY 23 Target
With increase	\$8M	\$11M	\$11M	\$11M	\$11M	\$11M
Without increase	\$5M	\$5M	\$5M	\$5M	\$5M	\$5M

**TRANSFER CHANGE PERSONNEL DETAIL**

**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>
Supervisory Auditor/Program Analyst	Washington DC	14	1	111,021	111,021
Information Technology Specialist	Washington DC	13	1	94,796	94,796
Auditor/Program Analyst	Washington DC	13	1	94,796	94,796
Auditor/Program Analyst	Washington DC	12	1	79,720	79,720
<b>Total</b>			<u>4</u>		<u>380,333</u>
less Lapse		25%	<u>1</u>		<u>(95,083)</u>
Total full-time permanent (FTE)			3		285,250
2018 Pay Raise of 0.019					5,420
<b>Total</b>			0		<u>290,669</u>

**Personnel Data**

Full-Time Equivalent Employment:

Full-time permanent

Other than full-time permanent

**Number**

3

0

3

Authorized Positions:

Full-time permanent

Other than full-time permanent

Total

4

0

4

**Transfer Change Detail by Object Class**

Activity: Office of Inspector General

Subactivity Office of Inspector General

		<b>FY 2018</b>
<b>Object Class</b>		<b>Change (\$000)</b>
11	Personnel compensation	
11.1	Full-time permanent	\$291
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	3
11.9	Total personnel compensation	294
12	Civilian personnel benefits	76
21	Travel and transportation of persons	74
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	23
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	438
25.3	Purchases of goods & services from Gov't accounts	103
26	Supplies and materials	1
31	Equipment	20
99	Total obligations	1,029

**FY 2018 PROGRAM CHANGE SUMMARY**

Transfer

Change: **Reduction in General Oversight to Offset Inflationary Increases**

Amount: **-\$0.4 Million** FTE: **-3**

Budget

Activity: **Office of Inspector General**

PPA: **Office of Inspector General**

**PROGRAM CHANGE DESCRIPTION**

OIG requests a decrease of \$0.430 million and 3 FTE to offset inflationary increases to rent and other costs as well as for pay increases. To achieve the decreases, OIG would not fill anticipated vacancies for two auditors and a criminal investigator. A decrease in the number of auditors by two would result in one less audit report produced in FY 18 and each year thereafter. A reduction of by one in the number of criminal investigators would result in approximately 15 cases not investigated by OIG in FY 18 and each year thereafter. Instead, the complaints would be sent to the relevant bureaus for administrative inquiries. At OIG’s current five-year average return on investment, this reduction will result in a reduction of \$2.3 million of financial benefits from OIG audits and investigations.

**PROGRAM CHANGE PERSONNEL DETAIL**

Summary of Transfer and Program Change Object Class Totals

Program: Office of Inspector General

<b>Title:</b>	<b>Location</b>	<b>Grade</b>	<b>Number of Position</b>	<b>Annual Salary</b>	<b>Total Salaries</b>
Auditor/Program Analyst	Washington DC	14	(1)	111,021	(111,021)
Auditor/Program Analyst	Washington DC	11	(1)	66,510	(66,510)
Criminal Investigator	Washington DC	13	(1)	118,495	(118,495)
Total			<u>(3)</u>		<u>(296,026)</u>
less Lapse			<u>0</u>		<u>0</u>
Total full-time permanent (FTE)			(3)		(296,026)
Current year Pay Raise of 1.9%					<u>(5,624)</u>
Total					<u>(301,650)</u>

**Personnel Data**

	<b>Number</b>
Full-Time Equivalent Employment	
Full-time permanent	(3)
Other than full-time permanent	<u>0</u>
Total	<u>(3)</u>

Authorized Positions:

Full-time permanent	(3)
Other than full-time permanent	<u>0</u>
Total	<u>(3)</u>

**Program Change Personnel Detail**

Activity: Office of Inspector General

Subactivity Office of Inspector General

		<b>FY 2018</b>
<b>Object Class</b>		<b>Change (\$000)</b>
11	Personnel compensation	
11.1	Full-time permanent	(\$302)
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	(3)
11.9	Total personnel compensation	(305)
12	Civilian personnel benefits	(79)
21	Travel and transportation of persons	(15)
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	(7)
25.3	Purchases of goods & services from Gov't accounts	(12)
26	Supplies and materials	(2)
31	Equipment	(10)
99	Total obligations	(430)

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

<b>Object Class</b>	2016 Actual	2017 Annualized CR	2018 Base	2018 Estimate	Increase/ (Decrease) Over 2018 Base
11.0 Personnel compensation	\$19,575	19,596	20,168	20,157	(11)
11.1 Full-time permanent- non wage	0	0	0	0	0
11.3 Other than full-time permanent	154	0	5	5	0
11.5 Other personnel compensation	278	285	312	312	0
11.9 Total personnel compensation	20,007	19,881	20,485	20,474	(11)
12.1 Civilian personnel benefits	6,798	6,945	7,092	7,089	(3)
13.0 Benefits to former personnel	0	0	0	0	0
21.0 Travel and transportation of persons	413	708	715	774	59
22.0 Transportation of things	6	9	9	9	0
23.1 Rental payments to GSA	2,118	2,145	2,188	2,188	0
23.2 Rental payments to others	0	0	0	0	0
23.3 Commun., util., misc. charges	531	571	577	600	23
24.0 Printing and reproduction	11	14	14	14	0
25.1 Advisory and Assistance Services	0	0	0	0	0
25.2 Other services	3,245	3,622	4,399	4,830	431
25.3 Purchase of goods and services from gov't accounts	3,213	4,077	3,583	3,674	91
26.0 Supplies and materials	95	100	102	101	(1)
31.0 Equipment	818	1,097	1,119	1,129	10
42.0 Insurance Claims and Indemnities	0	0	0	0	0
99.0 <b>Total Direct Obligations</b>	37,255	39,169	40,283	40,882	599
Less prior-year recoveries	0	0	0	0	0
Less Transfers	(4,853)	(4,853)	(4,853)	(5,882)	(1,029)
Less unobligated balance from prior years	(6,053)	(5,316)	(3,000)	(3,000)	0
Plus unobligated balance, expiring	335	0	0	0	0
Plus unobligated balance, end of year	5,316	3,000	0	0	0
<b>Total Appropriation</b>	32,000	32,000	32,430	32,000	(430)
<b>Personnel Data</b>					
Full-Time Equivalent Employment:					
Full-time permanent	167	177	177	177	0
Other than full-time permanent	0	0	0	0	0
Total	167	177	177	177	0
Authorized Positions:					
Full-time permanent	177	177	177	178	1
Other than full-time permanent	0	0	0	0	0
Total	177	177	177	178	1

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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, \$32,000,000.

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**

**ADVISORY AND ASSISTANCE SERVICES**  
(Obligations in thousands)

	2016 Actual	2017 Annualized CR	2018 Estimate
Management and professional support services	\$0	\$0	\$0
Studies, analyses and evaluations	0	0	0
Engineering and technical services	0	0	0
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)

\$ in thousands

	2106 Actual	2017 Annualized CR	2018 Estimate
Periodicals	\$11	\$14	\$14
Pamphlets	0	0	0
Audiovisuals	0	0	0
<b>Total</b>	<b>\$11</b>	<b>\$14</b>	<b>\$14</b>

\*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**

	2016 Actual	2017 Annualized CR	2018 Estimate
Number of SES	9	9	9
Average SES Grade*	NA	NA	NA
Average GS/GM Grade	14	13	13
Average GS/GM Salary	\$104,952	\$102,068	\$97,548

\*The Senior Executive Service (SES) 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 2018:

OIG FY 2018 Request to Department of Commerce: \$44,830,000  
Department of Commerce FY 2018 Allowance to OIG: \$37,882,000

Dollar amounts in thousands					
	2016 Actual	2017 Annualized CR	2018 Base	2018 Estimate	Increase/ (Decrease)
	BA	BA	BA	BA	BA
Aggregate Funding	36,853	36,853	37,283	37,882	599
OIG Funding	36,853	36,853	37,283	37,882	599

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					
	2016 Actual	2017 Annualized CR	FY 2017 Base	FY 2017 Estimate	Increase/ (Decrease)
Training	360	399	396	396	0
Amounts for Support of CIGIE	74	74	76	76	0

OIG certifies that the training amount for FY 2018 listed above represents the total training requirement for OIG.

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FY 2018 Performance Planning and FY 2016 Reporting Backup  
*(Office of Inspector General)*

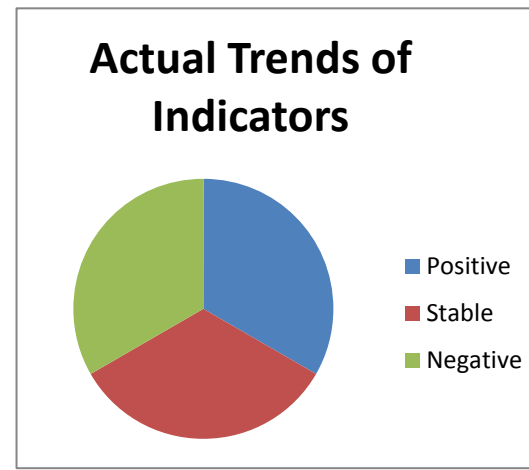
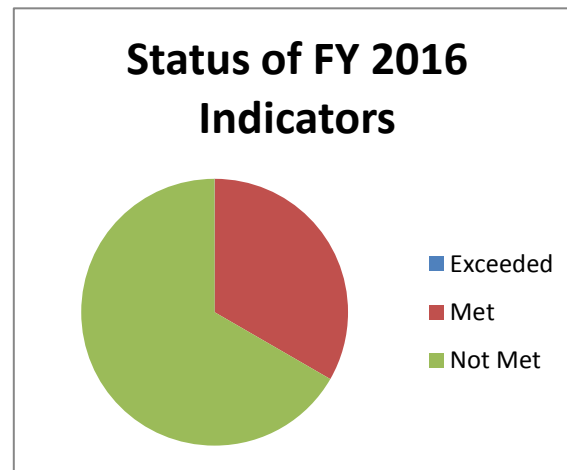
**Performance Indicator Information**

*Summary of Performance*

The Office of the Inspector General (OIG) has a total of three indicators. One indicator was met (33.33%), and two indicators were not met (66.66%). All three indicators or 100% of our indicators had trends with more than three years of historical data. Of those indicators with trends, one indicator had a positive trend (33.33%), one indicator had a stable trend (33.33%), and one indicator had a negative or varying trend (33.33%).

*Summary of Indicator Performance*

Indicator	Target	Actual	Status	Trend
Percent of OIG recommendations accepted by Departmental and bureau management (OIG)	95%	100%	Met	Stable
% of investigative cases completed within 365 days (OIG)	70%	56.4%	Not Met	Positive
Dollar value of financial benefits identified by OIG (millions)	\$70	\$41.5	Not Met	Negative



Detailed Indicator Plans and Performance

Recurring Indicators

Strategic Goal	Operational Excellence: Strengthen the Department’s capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service							
Objective 5.3	Manage for results							
Indicator	Percent of OIG recommendations accepted by Departmental and bureau management (OIG)							
Category	Supporting (Non-Strategic Plan)							
Type	Outcome							
Description	Many 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 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	90%	90%	95%	95%	95%	95%	95%	95%
Actual	94%	96%	96%	100%	94%	100%		
Status	Exceeded	Exceeded	Exceeded	Exceeded	Met	Exceeded		
Trend	13 years of data, trendline indicates performance is stable.							
Explanation (if not met in FY 2016)	Not Applicable since target was met.							
Actions to be taken / Future Plans	Continue collecting data							
Adjustments to targets	None							
Notes	None							
Information Gaps	None							

Strategic Goal	Operational Excellence: Strengthen the Department’s capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service							
Objective 5.3	Manage for results.							
Indicator	% of investigative cases completed within 365 days (OIG)							
Category	Supporting (Non-Strategic Plan)							
Type	Process							
Description	Mean and median number of days it took Office of Investigations to complete a case.							
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target		70%	70%	70%	70%	70%	70%	70%
Actual		58%	53%	48%	56.4%	62.3%		
Status		Not Met	Not Met	Not Met	Not Met	Not Met		
Trend	Five years of data; the trend is positive.							
Explanation (if not met in FY 2016)	During FY 2016, OIG continued its effort to close old cases and address investigations in a more timely manner. Other investigators were diverted from working lower priority cases to address several complicated, high-profile, and time consuming investigations during FY 2016. In addition, OIG suffered a debilitating breakdown of its digital case management system, which lasted for several months during FY 2016. Correcting this breakdown required OIG investigators to take time away from investigative case work to participate in the restoration effort. To improve operations, OIG has attempted to hire additional investigative staff, and will continue to work to meet this metric in FY 17.							
Actions to be taken / Future Plans	Resolve and close old cases; replace estimates with actuals.							
Adjustments to targets	None							
Notes	None							
Information Gaps	None							

Strategic Goal	Operational Excellence: Strengthen the Department’s capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service							
Objective 5.3	Manage for results							
Indicator	Dollar value of financial benefits identified by OIG (millions)							
Category	Supporting (Non-Strategic Plan)							
Type	Outcome							
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 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Target	\$30	\$30	\$30	\$70	\$70	\$70	\$70	\$70
Actual	\$33.5	\$175.8	\$361.5	\$181.7	\$86.4	\$41.5		
Status	Met	Exceeded	Exceeded	Exceeded	Exceeded	Not Met		
Trend	13 years of data, trendline indicates performance is declining.							
Explanation (if not met in FY 2016)	Due to the timing and completion of individual audits, evaluations, and investigations, the OIG’s annual monetary benefits target estimate may not be achieved within a particular 12-month period. Our reported monetary benefits over a 3-5 year period represent a more complete and comprehensive representation of OIG’s return on investment. OIG’s work will continue to focus on producing this return to the taxpayer.							
Actions to be taken / Future Plans	Continue collecting data							
Adjustments to targets	The target was adjusted for FY 2014 and later years to reflect OMB’s preference that targets be more aggressive rather than easily attainable.							
Notes	None							
Information Gaps	None							

Resource Requirements Table

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Annualized CR	FY 2018 Base	Increase / Decrease	FY 2018 Request
Goal 5: Operational Excellence Objective 5.3: Manage for results									
Office of Inspector General									
Total Funding									
Direct	33,580	33,580	31,040	30,199	36,853	36,853	37,283	599	37,882
Reimbursable	4,165	4,165	3,661	1,775	3,357	3,500	3,500	0	3,500
Total	37,745	37,745	34,701	31,974	40,210	40,353	40,783	599	41,382
Total FTE	155	172	169	137	167	177	177	0	177