



Office of Inspector General

Mission Statement

The Office of Inspector General (OIG) has the mission of providing a unique, independent voice to the Secretary and other senior Commerce managers, as well as to 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 programmatic and administrative activities of the Department, including individuals or organizations performing under contracts and grants, and other financial assistance agreements.

OIG's work is primarily conducted through audits (performance and financial), inspections, program and systems evaluations, and investigations. OIG presents the findings of its audits, inspections, and evaluations to Commerce operating officials and agency heads for their review and comment before OIG releases the information in a final report. Investigations are referred to the Department of Justice (DOJ) for prosecution if evidence of criminal wrongdoing is found or civil recoveries are possible. Investigative findings may also be referred to the appropriate agency official for administrative action.

OIG is headquartered in Washington, D.C. Its Office of Audits (OA) has personnel at several sites in the metropolitan Washington, D.C., area, plus regional offices in Atlanta, Denver, and Seattle. The Office of Investigations (OI) has field offices in Atlanta, Denver, Silver Spring, and Washington, D.C.

OIG accomplishes its mission through five principal activities:

Executive Direction

Includes the Immediate Office of the Inspector General (IG) and the Office of Counsel. The IG provides overall leadership and policy direction, including reviews of proposed and existing departmental legislation and regulations. The Office of Counsel provides legal assistance and review on the work of auditors, inspectors, and investigators.

Audits

OA performs audits of internal Department operations (performance audits and financial statements audits) and external activities funded by or through the Department (contracts as well as grants and other forms of financial assistance). OA also follows up on recommendations made in its reports by (1) evaluating agency responses and proposed actions, (2) resolving disputes between OIG auditors and management officials, and (3) identifying cases in which recommendations have been ignored or circumvented and suggesting alternative corrective actions.

OA's performance audits are of two types: (1) economy and efficiency audits and (2) program audits. Economy and efficiency audits examine whether the subject entity is acquiring, protecting, and using its resources economically and efficiently, determine the causes of any identified deficiencies, and assess whether the entity has complied with laws and regulations. Program audits determine a program's effectiveness as well as the extent to which it is achieving legislatively intended benefits and complying with applicable laws and regulations.

OA's financial statements audits assess the accuracy and reliability of financial information provided by Department entities. They determine whether (1) reported information presents fairly the entity's financial position and results of operations, (2) the entity has a sound internal control structure, and (3) the entity has complied with laws and regulations.

OA reviews external entities that have received contracts, grants, cooperative agreements, and loan guarantees from the Department. These audits check compliance with laws, regulations, and award terms; adequacy of accounting systems and internal controls; allowability of costs; and project outcomes.

OA also reviews audit reports of recipients of Commerce financial assistance that are prepared by state and local governments or by independent public accountants in accordance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

Inspections and Evaluations

These activities are handled by two OIG components: the Office of Inspections and Program Evaluations (OIPE) and the Office of Systems Evaluation (OSE). OIPE conducts inspections of departmental programs and operations, and performs evaluations of specific program, policy, or management issues. OSE performs evaluations that exclusively focus on information technology (IT).

OIPE maintains a diverse technical and analytical staff with the skills necessary to critically assess program performance, analyze policy and management issues and operations, and perform other important oversight functions. Staff members include economists, procurement experts, management and program analysts, auditors and evaluators, and persons with expertise in international business and business development.

OIPE's inspections (1) provide agency managers with timely information about operations, including current and foreseeable problems; and (2) detect and prevent fraud, waste, and mismanagement while encouraging effective and efficient operations. The office also prepares crosscutting reports on management and program issues that pertain to multiple sites or entities.

Because of their in-depth nature, OIPE's program evaluations usually require substantially more time to complete than inspections, and offer recommendations to address major program or management concerns. These reviews sometimes address government-wide or multi-agency issues, programs, or operations, and are thus conducted cooperatively with other OIGs.

OSE's focus on IT includes its oversight responsibility for the Department's many mission-critical systems. OSE's systems evaluations review IT acquisition, development, operations, and all related aspects—such as information security—for Commerce computer hardware, communications systems, environmental satellites, and other major systems. Work is carried out by a staff of computer scientists, engineers, mathematicians, evaluators, and contracting specialists who have extensive experience with the technical, management, and contractual issues relating to these systems. The objectives of OSE's evaluations are to ensure that IT investments are well managed and maintain an appropriate balance between achieving technical requirements and managing cost, schedule, and other risks.

Investigations

OI investigates alleged or suspected fraud, waste, abuse, or mismanagement by Department of 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.

To support its fraud investigations, OI conducts a variety of proactive activities, including outreach to educate Department employees about fraud and its indicators and to assure the various operating components within Commerce that OIG shares their commitment to excellence in program operation and administration. Investigating e-crime in the world of electronic information processing and the Internet requires specialized training and equipment. OI is thus preparing its criminal investigators to address any threats posed to the Department by those engaged in hacking, system intrusion, or manipulation of electronic data.

OI investigates matters referred to the Department's operating units for inquiry and administrative action when the unit's inquiry discloses potential criminal and/or civil violations. OI also conducts background checks on potential financial assistance recipients to determine whether there are any legal or other issues that would preclude them as candidates for grants, loans, and cooperative agreements.

Compliance and Administration

The Office of Compliance and Administration (OCAD) conducts OIG's quality assurance and internal control program and provides the full range of administrative support to all OIG units.

OCAD's administrative services include development, coordination, and implementation of all policies and activities involving OIG budget formulation and execution; human resources management, policy, and operations; acquisitions; management information and computer support; security; and publications, including the IG's *Semiannual Report to Congress*.

On the departmental level, OCAD provides technical assistance to the Department to ensure its compliance with the Federal Managers' Financial Integrity Act (FMFIA); evaluates Commerce's compliance with OMB Circular A-123; and monitors its identification of material weaknesses and subsequent actions to correct them.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

In FY 2003, OIG reduced its goals from three to one and reduced its measures from nine to four, to streamline performance reporting in the FY 2005 budget submission. The change in goals and measures does not match the FY 2004 Annual Performance Plan because OIG reviewed its goals and measures and made these changes so that OIG could focus on fewer but more meaningful and significant performance measures. The measures summarized below reflect that effort.

Performance Goal 1: Promote Improvements to Commerce Programs and Operations by Identifying and Completing Work that (1) Promotes Integrity, Efficiency, and Effectiveness; and (2) Prevents and Detects Fraud, Waste, and Abuse

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Modified	Modified	Modified	51%	58%	Met	
Percentage of OIG recommendations accepted by departmental and bureau management	96%	95%	95%	90%	97%	Met	
Dollar value of financial benefits identified by OIG	Modified	Modified	Modified	\$20,000,000	\$43,323,124	Met	
Percentage of criminal and civil matters accepted for prosecution	Modified	Modified	Modified	50%	50%	Met	

Resource Requirements Summary

(Dollars in Thousands. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Promote Improvements to Commerce Programs and Operations by Identifying and Completing Work that (1) Promotes Integrity, Efficiency, and Effectiveness; and (2) Prevents and Detects Fraud, Waste, and Abuse

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Direct	20.4	19.9	20.1	20.5
Reimbursable ²	0.0	0.0	0.8	1.7
Total Funding	20.4	19.9	20.9	22.2
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	156	139	136	140

¹ IT funding included in Total Funding.

² Reimbursable funding included in Total Funding.

The following chart is a crosswalk from current measures to previous measures.

New Measure	Status	Old Measure Explanation/Discussion
Measure 1a: Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Modified	OIG combined the following two measures to form this new expanded measure: Measure 1a: Percentage of management challenges and other areas in published work plan addressed through OIG work products and Measure 1b: Number of strategic contacts with key stakeholders and other targeted activities conducted to ensure that OIG's work continues to place appropriate emphasis on critical Department of Commerce programs and operations.
Measure 1b: Percentage of OIG recommendations accepted by departmental and bureau management	Modified	OIG modified the following measure: (1) Measure 1c: Percentage of OIG recommendations acted upon by management.
Measure 1c: Dollar value of financial benefits identified by OIG	Modified	OIG combined and modified the following two measures: Measure 2c: Percentage of recommended funds to be put to better use agreed to by Commerce management and Measure 2d: Percentage of questioned costs disallowed.
Measure 1d: Percentage of criminal and civil matters accepted for prosecution	Modified	OIG modified the following measure: Measure 2e: Number of investigative actions and issues resolved.

NOTE: The following measures were deleted to enable OIG to focus on the key few measures that best reflect organizational performance:

Old Measure 1a: Number of Annual Planning Surveys of the Department's Operating Units.

Old Measure 2a: Percentage of Work Products Issued Within Planned Time Periods.

Old Measure 3a: Level of Quantifiable Effort of OIG Professional Staff Who Participated in Briefings, Meetings, Conferences, and Other Forums to Exchange Information With Stakeholders.

Old Measure 3b: Percentage of Publicly Releasable Reports Posted to the Web site Within 30 Working Days After Issuance.

Old Measure 3c: Percentage of Feedback from Key Stakeholders that Indicates OIG Keeps Them Adequately Informed of Its Plans and Activities.

FY 2003 Performance Goals

Performance Goal 1: Promote Improvements to Commerce Programs and Operations by Identifying and Completing Work that (1) Promotes Integrity, Efficiency, and Effectiveness; and (2) Prevents and Detects Fraud, Waste, and Abuse

Corresponding Strategic Goal

Management Integration Goal: Achieve organizational and management excellence.

Rationale for Performance Goal

Commerce's diverse mission and critical programs and operations are administered in a dynamic environment—one that is greatly influenced by ever-changing conditions. As the Department works to accomplish its mission, OIG provides a unique, independent voice to the Secretary and other senior Commerce managers, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness; and prevent and detect waste, fraud, and abuse in Department programs and operations. This work is primarily accomplished through audits, inspections, evaluations, and investigations and a variety of activities geared toward averting problems. Moreover, OIG strives to ensure that it:

- Performs high-quality, timely work.
- Concentrates its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities.
- Achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing.

FY 2003 Performance

In FY 2003, OIG met or exceeded its targets on all performance measures for Performance Goal 1. Most significantly, OIG identified more than \$43 million in financial benefits through its audit and investigative work in support of Commerce programs and operations. By reviewing 58 percent of the critical Commerce issues identified in the OIG three-year work plan, OIG demonstrated its ability to target limited resources to those Commerce programs and operations most in need of OIG oversight. Commerce management agreed with 97 percent of OIG recommendations. This high level of agreement with OIG recommendations serves as evidence of their usefulness and practicality and a strong indicator that improvements will be realized. By conducting quality investigative work that resulted in a high level of acceptance for prosecution, OIG provided Commerce with a strong deterrence to waste, fraud, and abuse, and the incentive to develop effective management controls to prevent and detect future problems. Details of these benefits are discussed under each of the following four performance measures.

Measure 1a: Percentage of Commerce's Management Challenges, Stakeholder Concerns and Other Critical Issues Addressed by OIG Work Products

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	51%
Actual				58%
Met/Not Met				Met

Explanation of Measure

To conduct work that promotes improvements to Commerce programs and operations requires that major issue areas be identified based on knowledge of Commerce programs and operations and input from Commerce management and other stakeholders. Work must then be planned so that coverage can be scheduled based on available resources. This measure gauges the extent to which OIG's work provides coverage of the major issues facing Commerce.

FY 2003 Performance

The *OIG Work Plan* was developed for the three-year period of FY 2002–2004. Given the breadth of the issues identified, OIG's limited resources, and the fact that the plan covers three years, it is difficult to work in more than half the areas represented in the plan in a single year. Accomplishing work in 58 percent of the identified issue areas in FY 2003 was a significant feat.

As a result, Commerce benefited from OIG directing its limited resources to review critical programs and operations that offered the greatest potential return on OIG's resource investment. Major areas reviewed included information security policies, management, and oversight Department-wide; departmental consolidated financial statements and financial management controls; the National Marine Fisheries Service's management of its environmental stewardship responsibilities; the National Institute of Standards and Technology's laboratories' fees for research conducted for other federal agencies; the National Technical Information Service's mission and financial viability; the International Trade Administration's efforts to promote U.S. exports; the U.S. Patent and Trademark Office's transition to a performance-oriented organization; acquisition reform and management; review of Commerce bankcard program; and human capital management.

Measure 1b: Percentage of OIG Recommendations Accepted by Departmental and Bureau Management

	FY 2000	FY 2001	FY 2002	FY 2003
Target	90%	90%	90%	90%
Actual	96%	95%	95%	97%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

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 2003 Performance

Acceptance of OIG recommendations by departmental and bureau management is critical if OIG's work is to promote improvements to Commerce programs. The sustained high rate of acceptance by management provides a very good measure of OIG's ability to improve Commerce programs.

One of the ways OIG helps improve department programs and operations is through the recommendations OIG makes to departmental management. A high level of acceptance of OIG recommendations indicates that they found OIG recommendations useful and practical. Management agreement also increases the chance that OIG recommendations will be fully implemented and that improvements will be achieved.

Measure 1c: Dollar Value of Financial Benefits Identified by OIG				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	\$20,000,000
Actual				\$43,323,124
Met/Not Met				Met

Explanation of Measure

A key measure of the value of OIG's work is its dollar return on investment. Financial benefits include: (1) questioned costs; (2) funds put to better use; and (3) administrative, civil, and criminal recoveries.

FY 2003 Performance

The dollar value of financial benefits identified by OIG reflects its ability to target limited resources in ways that yield significant results. The financial benefits consist of \$28,975,047 in funds to be put to better use, \$14,197,642 in questioned costs, and \$150,435 in investigative recoveries. The \$43 million plus in financial benefits is more than double the established goal and is more than double the amount of OIG's FY 2003 appropriation of \$20.5 million.

The target was set at \$20 million based on the annual average dollar value of financial benefits resulting from OIG work. The large increase in the dollar value of financial benefits achieved this year resulted mainly from financial-related audits of financial assistance awards made by the Economic Development Administration and National Institute of Standards and Technology. Since agreement on questioned costs and funds to be put to better use require agreement from management and recipients, it is at this time uncertain that the OIG can maintain such a high rate of dollar value of financial benefits.

Measure 1d: Percentage of Criminal and Civil Matters Accepted for Prosecution

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	50%
Actual				50%
Met/Not Met				Met

Explanation of Measure

OIG investigates allegations of criminal, civil, and serious administrative misconduct within the Department of Commerce and its programs. OI investigations that appear to substantiate allegations of criminal and civil misconduct are presented to the DOJ for prosecutorial determination. Because DOJ only accepts cases which it feels have a high likelihood of successful prosecution, the percentage of referred cases that are accepted is a good measure of the quality of OIG's investigative work.

FY 2003 Performance

Although the FY 2003 target for criminal and civil matters accepted for prosecution was set at 50 percent, the level was reached the very first year OIG adopted this measure. OI strives to apply the talents of its agents to investigate allegations and determine their veracity, and to provide information to DOJ that will assist the agency in determining whether civil or criminal prosecution is in the best interest of the government. That OI is able to achieve a 50 percent acceptance rate for prosecution is a good measure of the quality of OI investigative work, because it reflects a high quality of investigative casework by OI employees. The ability to develop an investigation to the point that it results in acceptance provides the agency with a strong deterrent to waste, fraud, and abuse and provides the agency with the incentive to develop strong management controls to prevent and detect future problems.

OIG Data Validation and Verification

OIG to the greatest extent possible relies on data collected for and presented in its *Semiannual Report to Congress*. This ensures that the same rigorous combination of techniques used to validate and verify the data for presentation in the *Semiannual Report to Congress* are applied to the collection of performance measures.

The OIG Data Validation and Verification table can be found on the following page.

OIG Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Published <i>OIG Work Plan</i> .	Annual	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1b: Percentage of OIG recommendations accepted by departmental and bureau management	OIG audit and inspection process.	As conducted	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1c: Dollar value of financial benefit identified by OIG	OIG audit and inspection process.	As conducted	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1d: Percentage of criminal and civil matters accepted for prosecution	Investigative case data system.	Updated as investigations are completed.	Office of Investigations (OI) Database.	Investigative review process.	None	Continue collecting the measure.