



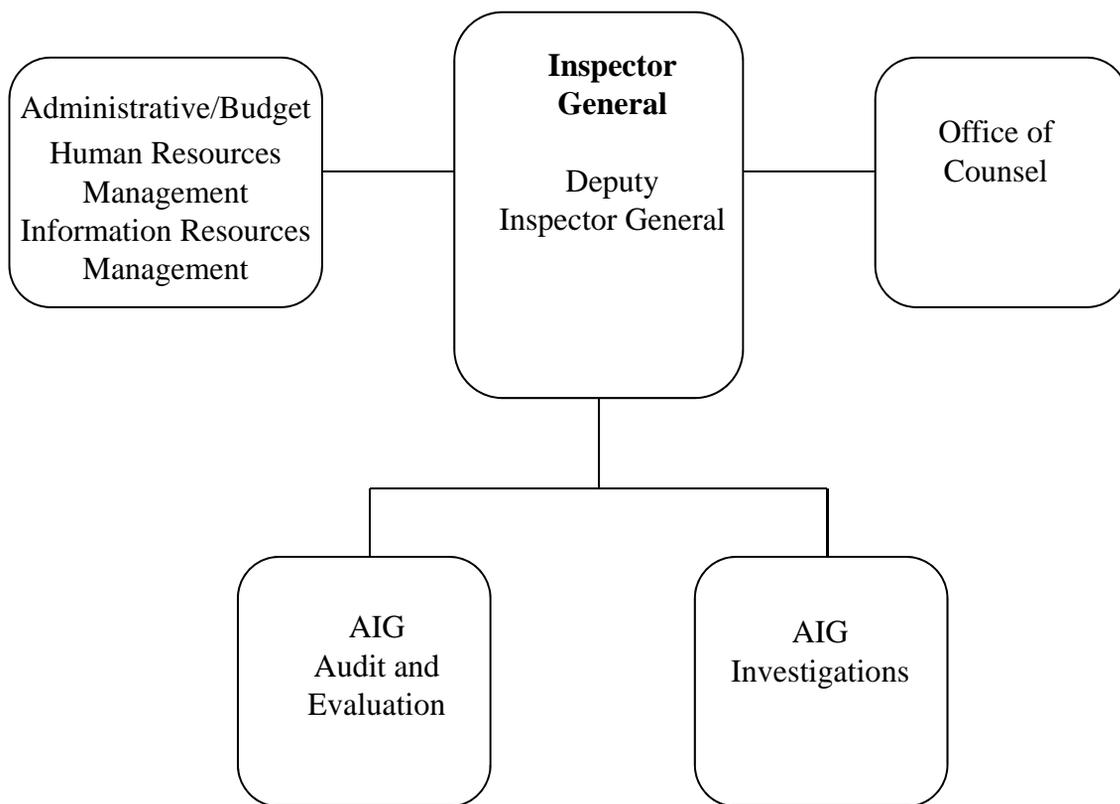
FY 2012
CONGRESSIONAL SUBMISSION

**Department of Commerce
Office of Inspector General
FY 2012 Congressional Submission**

Table of Contents

<u>Exhibit</u>		<u>Page No.</u>
2	Organizational Chart.....	OIG - 1
3	Executive Summary.....	OIG - 3
3A	Performance Goals and Measures.....	OIG - 5
5	Summary of Resource Requirements.....	OIG - 13
7	Summary of Financing.....	OIG - 15
9	Justification for Adjustments to Base.....	OIG - 17
10	Program and Performance: Direct Obligations.....	OIG – 21
12-15	Combined Exhibits: Exhibits 12 through 15.....	OIG – 23
16	Summary of Requirements by Object Class.....	OIG - 33
33	Appropriation Language and Code Citation.....	OIG - 35
34	Consulting and Related Services.....	OIG - 37
35	Periodicals, Pamphlets and Audiovisual Products.....	OIG - 39
36	Average Grade and Salaries.....	OIG – 41
40	Inspector General Reform Act of 2008 Reporting Requirements.....	OIG – 43

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



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**Department of Commerce
Office of Inspector General
Budget Estimates, Fiscal Year 2012**

Executive Summary

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

For FY 2012, OIG will continue to focus its work on the Department's efforts to address the major challenges we have identified. OIG will expand oversight of Departmental contracting and procurement, and will continue oversight of the Department's implementation of the American Recovery and Reinvestment Act of 2009. Other critical areas of focus will be the U.S. Patent and Trademark Office's backlog of patent applications and management reforms underway, and the Department's efforts to promote international trade and domestic commerce, protect marine resources, and ensure information technology security. The Office will monitor planning for the FY 2020 decennial census to identify cost savings and efficiencies.

The Department and its operating units support and actively participate in the Government-wide e-Government initiatives and lines of business (LoBs). The initiatives and LoBs help avoid redundancy and duplication of government-wide activities such as rulemaking, human resource servicing, financial management, grants management, etc. The e-government initiatives and LoBs play a key role in DoC's enterprise architecture, particularly for Department-wide administrative systems. These initiatives and LoBs promote efficiency in acquisition and other administrative activities. DoC e-government participation provides better services to the citizen, promotes transparency, and actively supports our stakeholders in the business community.

OIG requests \$10,000 for education and training of the OIG's acquisition workforce.

(Dollar amounts in thousands)

<u>Appropriation</u>		<u>Annualized FY 2011</u>		<u>2012 Estimate</u>		<u>Inc. (+) or Dec. (-)</u>	
		<u>CR Level</u>		<u>Positions</u>	<u>Amount</u>	<u>Positions</u>	<u>Amount</u>
		<u>Positions</u>	<u>Amount</u>				
Office of Inspector General	Pos./Appr.	176	27,000	174	33,520	(2)	6,520
Total, Office of Inspector General	Pos./Appr.	176	27,000	174	33,520	(2)	6,520

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**Department of Commerce
Office of Inspector General
FY 2012 Performance Goals and Measures**

Mission

The mission of the Office of Inspector General is to promote economy, efficiency, and effectiveness in the programs and operations of the Department of Commerce, and detect and prevent waste, fraud, abuse, and mismanagement in those programs and operations. OIG proposes innovative ideas and constructive solutions that lead to positive internal and external changes for the Department. OIG provides timely, useful, and reliable information and advice to Commerce officials, the Administration, Congress, and the public to improve the Department's management, operations, and delivery of services.

Corresponding DOC Strategic Goal, Objective / Outcome

Management Theme: Organizational Excellence

As the Department of Commerce works to accomplish its mission, the Office of Inspector General (OIG) speaks with a unique, independent voice to the Secretary and other Commerce leaders, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness and prevent and detect waste, fraud, and abuse in Department programs and operations. The work is primarily accomplished through audits, inspections, evaluations, investigations, and a variety of other activities geared toward averting problems. OIG strives to: perform high-quality, timely work; focusing its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities to maximize the value to the taxpayers. OIG achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing.

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

OIG performs its activities in accordance with the General Accountability Office's (GAO's) Government Auditing Standards and the President's Council on Integrity and Efficiency's (PCIE) Quality Standards for Inspections and Program Evaluations. OIG audit and investigations programs are subject to external peer reviews conducted under guidelines issued by PCIE. They are designed to evaluate compliance with applicable standards. In accordance with the Inspector General Reform Act of 2009 (P.L. 110-409), PCIE was replaced by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Mitigating Strategies: OIG's ability to reach its targets is affected by a variety of external factors. For example, one of the key factors is OIG's ability to hire well-qualified staff.

Impact of Recovery Act

In FY 2009, OIG received \$10 million in Recovery Act funds to provide oversight of the Department's Broadband Technology Opportunities Program, and an additional \$6 million to provide oversight for other Departmental programs receiving Recovery Act funding. OIG has published ten final audit reports and other works on the Department's Recovery Act programs, with four interim reports. In addition, OIG proactively conducted training and outreach sessions, successfully training over 5,100 individuals in contract and grant fraud awareness in order to help prevent or detect losses due to fraud.

Priorities / Management Challenges

The Department of Commerce contains many scientific and highly technical programs, including NOAA's science and satellite programs, NTIA's Broadband Technology Opportunities Program, information technology security, and the programs of the National Institute of Standards and Technology. OIG's challenge is to identify and hire personnel with the necessary expertise in these fields to enable OIG to provide oversight to these scientific and technical programs.

Targets and Performance Summary / FY 2012 Target Description / Measure Descriptions / Validation and Verification

Performance Objective 22 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1a: Percentage of OIG recommendations accepted by Departmental and bureau management.	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Targets based on original Amount	96%	99%	97%	100%	95%	95%
Increase in performance as a result of Recovery Act Funds	N/A	N/A	N/A	N/A	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	TBD	TBD
Description: Many of the improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG’s effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG’s recommendations is the extent to which they are accepted by Commerce management.						
Comments on Changes to Targets: None.						
Impact of Recovery Act: Impacts of the Recovery Act are still under review.						
Relevant Program Change(s):	Title: Acquisition and Contracts Oversight					Exhibit 12-15 Page #: OIG - 25
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None	Continue collecting data

Performance Objective 22 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1b: Percentage of OIG recommendations accepted by Departmental that have been implemented.	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Targets based on original Amount	N/A	N/A	N/A	N/A	N/A	TBD
Increase in performance as a result of Recovery Act Funds	N/A	N/A	N/A	N/A	N/A	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	N/A	TBD
Description: Many of the improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG’s effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG’s recommendations is the extent to which they are accepted and implemented by Commerce management.						
Comments on Changes to Targets: None.						
Impact of Recovery Act: Impacts of the Recovery Act are still under review.						
Relevant Program Change(s):	Title: Acquisition and Contracts Oversight					Exhibit 12-15 Page #: OIG - 25
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None	Continue collecting data

Performance Objective 22 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1c: Dollar value of financial benefits identified by OIG.	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Targets based on original Amount	\$51,700,000	\$113,877,000	\$126,935,000	\$47,757,673	\$39,000,000	\$39,000,000
Increase in performance as a result of Recovery Act Funds	N/A	N/A	N/A	N/A	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	TBD	TBD
Description: A key measure of the value of OIG’s work is its dollar return on investment. Financial benefits include: (1) questioned costs agreed to by management, (2) funds put to better use, and (3) administrative, civil, and criminal recoveries.						
Comments on Changes to Targets: None.						
Impact of Recovery Act: Impacts of Recovery Act are under review.						
Relevant Program Change(s):	Title: Acquisition and Contracts Oversight					Exhibit 12-15 Page #: OIG - 25
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None	Continue collecting data

Performance Objective 22 – Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse.						
Measure 1d: Percentage of criminal and civil matters accepted for prosecution.	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target
Targets based on original Amount	91%	73%	78%	50%	75%	75%
Increase in performance as a result of Recovery Act Funds	N/A	N/A	N/A	N/A	TBD	TBD
Total Adjusted Targets reflecting original and Recovery Act funds	N/A	N/A	N/A	N/A	TBD	TBD
Description: OIG investigative work that helps prevent waste, fraud and abuse results in either civil or criminal legal issues that are referred for prosecution. Thus, the percentage of investigative work that results in civil or criminal referrals for prosecution is a measure of the quality of OIG investigative work.						
Comments on Changes to Targets: None						
Impact of Recovery Act: Impacts of Recovery Act are under review.						
Relevant Program Change(s):	Title: Acquisition and Contracts Oversight					Exhibit 12-15 Page #: OIG - 25
Validation and Verification						
Data Source	Frequency	Data Storage	Internal Control Procedures		Data Limitations	Actions to be Taken
OIG audit and inspection process	As conducted	OIG files	OIG review		None.	Continue collecting data.

Recovery Act – new metrics, consistent with section 2.h of OMB Memorandum M-09-10

Recovery Act goals are under development.

FY 2011 Program Changes

	Accompanying GPRA		Base		Increase/Decrease		Page # of Exhibit 12-15
	APP Page #	Performance Measure #	FTE	Amount	FTE	Amount	
Program Change: Acquisition and Contract Oversight		1a, 1b, 1c	0	0	15	\$1,849,000	OIG – 25

Resource Requirements Summary

(Dollar amounts in thousands)

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	Annualized FY 2011 CR Level	FY 2012 Base	Increase/ Decrease	FY 2012 Request
Original Funding	22,592	25,020	28,062	31,139	33,000	34,516	5,004	39,520
Direct	22,592	25,020	27,224	31,139	27,000	28,516	5,004	33,520
Reimbursable	0	0	838	0	6,000	6,000	0	6,000
Recovery Act Funding	N/A	N/A	61	0	15,136	0	0	0
Direct	N/A	N/A	61	0	15,136	0	0	0
Reimbursable	N/A	N/A	0	0	0	0	0	0
Total Funding	22,592	25,020	28,123	36,247	48,136	34,516	5,004	39,520
Direct	22,592	25,020	27,285	31,139	42,136	28,516	5,004	33,520
Reimbursable	0	0	838	5,108	6,000	6,000	0	6,000
FTE	124	113	117	155	172	154	15	169
OIG FTE	124	113	114	141	150	154	15	169
Recovery Act FTE	N/A	N/A	3	14	22	0	0	0

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

	Positions	FTE	Budget Authority	Direct Obligations
Annualized FY 2011 CR Level	176	172	27,000	42,136
less: Recovery Act	(22)	(22)	0	(15,136)
2012 Adjustments to base	0	4	1,516	1,516
2012 Base	154	154	28,516	28,516
Administrative Savings - All Savings Reinvested [non-add]			[221]	[221]
plus: 2012 Program changes	20	15	5,004	5,004
2012 Estimate	174	169	33,520	33,520

		2010 Actual		Annualized FY 2011 CR Level		2012 Base		2012 Estimate		Increase/ (Decrease) Over 2012 Base	
Comparison by activity:		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Inspector General	Pos./BA	175	27,000	176	27,000	154	28,516	174	33,520	20	5,004
	FTE/Obl.	155	31,139	172	42,136	154	28,516	169	33,520	15	5,004
TOTALS	Pos./BA	175	27,000	176	27,000	154	28,516	174	33,520	20	5,004
	FTE/Obl.	155	31,139	172	42,136	154	28,516	169	33,520	15	5,004
Adjustments to Obligations											
	Recoveries		0		0		0		0		0
	Unobligated Balance, start of year		(19,324)		(15,136)		0		0		0
	Unobligated Balance transferred		0		0		0		0		0
	Unobligated Balance, end of year		15,136		0		0		0		0
	Unobligated Balance expiring		49		0		0		0		0
Financing from transfers:											
	Transfer from other accounts (-)		0		0		0		0		0
	Transfer to other accounts (+)		0		0		0		0		0
Appropriation			27,000		27,000		28,516		33,520		5,004

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

	2010 Actual	Annualized FY 2011 CR Level	2012 Base	2012 Estimate	Increase/ (Decrease) Over 2012 Base
Total Obligations	36,247	48,136	34,516	39,520	5,004
<hr/>					
Offsetting Collections from:					
Federal Funds	(5,108)	(6,000)	(6,000)	(6,000)	0
Unobligated balance, start of year	(19,324)	(15,136)	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	15,136	0	0	0	0
Unobligated balance expiring	49	0	0	0	0
<hr/>					
Budget Authority	27,000	27,000	28,516	33,520	5,004
Financing:					
Transfer from other accounts (-)	0	0	0	0	0
Transfer to other accounts (+)	0	0	0	0	0
<hr/>					
Appropriation	27,000	27,000	28,516	33,520	5,004

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

<u>AMOUNT</u>	<u>FTE</u>
Restoration of Base	881
<u>Civil Service Retirement System (CSRS)</u>	(89)

The number of employees covered by CSRS continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will decrease from 19.80% in FY 2011 to 11.00% in FY 2012 for regular employees. It will remain at 0% for law enforcement employees.

The contribution rates for regular employees and law enforcement employees will remain at 7.00% for regular employees. OIG has no law enforcement personnel participating in CSRS.

Regular employees:

FY 2012 (\$14,500,396 x .1100 x .0700)	111,653
FY 2011 (\$14,500,396 x .1980 x .0700)	<u>200,975</u>
Subtotal	(89,322)

Total adjustment to base

<u>Federal Employees Retirement System</u>	149
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The estimated percentage of payroll for regular employees covered by FERS is 80.2% in FY 2011 and 89.00% in FY 2012. The estimated percentage of payroll for law enforcement employees covered by FERS will remain at 100% in FY 2011 and FY 2012. The estimated contribution rate for regular employees is 11.70% FY 2011 and FY 2012. The estimated contribution rate for law enforcement employees is 25.70% in FY 2011 and FY 2012.

Regular employees:

FY 2012 (\$14,500,396 x .8900 x .1170)	1,509,926
FY 2011 (\$14,500,396 x .8020 x .1170)	<u>1,360,630</u>
Subtotal	149,296

Law enforcement employees:

FY 2012 (\$2,157,197 x 1.00 x .2570)	554,400
FY 2011 (\$2,157,197 x 1.00 x .2570)	<u>554,400</u>
Subtotal	0

Total adjustment to base	149,296
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Federal Insurance Contributions Act (FICA) – OASDI

57

The OASDI contribution rate will remain at 6.20%. However, the annual salary subject to the OASDI tax will increase from \$8,654,592 to \$13,291,828 in FY 2012. The total salaries subject to the OASDI tax will decrease from 93.20% in FY 2011 to 91.00% in FY 2012. The OASDI participation rate for regular employees will increase from 80.20% in FY 2011 to 89.00% in FY 2012, and will remain at 100% for law enforcement employees.

Regular employees:

FY 2012 (\$14,500,396 x .8900 x .9100 x .062)	728,120
FY 2011 (\$14,500,396 x .8020 x .9320 x .062)	<u>671,988</u>
Subtotal	56,132

OASDI - Law Enforcement:

FY 2012 (\$2,157,197 x .1.00 x .9100 x .062)	121,709
FY 2011 (\$2,157.197 x .1.00 x .9320 x .062)	<u>124,651</u>
Subtotal	(2,942)

Other salaries

FY 2012 (\$1,076,631 x .8900 x .9100 x .062)	54,062
FY 2011 (\$1,076,631 x .8020 x .9320 x .062)	<u>49,894</u>
Subtotal	4,168

Total adjustment to base	57,358
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Thrift Savings Plan

26

The estimated percentage of payroll for regular employees covered by FERS will be 80.20% in FY 2011 and 89.00% in FY 2012. The percentage for law enforcement employees will remain at 100% in FY 2011 and FY 2012. The contribution rate for regular and law enforcement employees will remain at 2.0% in FY 2011 and FY 2012.

Regular employees:

FY 2012 (\$14,500,396 x .8900 x .0200)	258,107
FY 2011 (\$14,500,396 x .8020 x .0200)	<u>232,586</u>
Subtotal	25,521

Law enforcement employees:

FY 2012 (\$2,157,197 x 1.00 x .0200)	43,144
FY 2011 (\$2,157,197 x 1.00 x .0200)	<u>43,144</u>
Subtotal	0

Adjustment to base.	25,521
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Employee Compensation Fund

The Employee Compensation Fund bill, for the year ending June 30, 2010, increased by \$13,000 from the bill for the year ending June 30, 2009. The charges will be reimbursed for the Department of Labor pursuant to 5 U.S.C. 8147.

Adjustments to base

13,000

Health Insurance

93

Effective January 2010, OIG's contribution to Federal employees' health insurance premiums increased by 7.0%. Applied against the 2011 estimate of \$1,324,391 the additional amount required for FY 2012 is \$92,707.

Adjustment to base

9,270

Travel – Per Diem

11

Effective October 1, 2010, the General Services Administration raised per diem rates throughout the continental U.S. an average of 6.4%. These rate increases will increase the per diem reimbursement rate by a similar amount. This percentage, applied against the FY 2011 estimate of \$166,675, results in an increase of \$10,667.

Adjustment to base

10,667

Travel – Mileage

(3)

During FY 2010, the General Services Administration decreased the mileage reimbursement rate for the use of privately owned automobiles a total of 9.00%. This percentage, applied against the FY 2011 estimated mileage reimbursement cost of \$37,840, lowers the total cost for FY 2012 to \$34,434, a decrease of \$3,406 from FY 2011.

Adjustment to base

(3,406)

Rental Payments to GSA

29

GSA rental rates are projected to increase 1.7% in FY 2012. This percentage, applied to the FY 2011 estimate of \$1,724,290 raises the total cost of rental payments to GSA to \$1,753,603 for FY 2012, an increase of \$29,313 over FY 2011.

Adjustment to Base

29,313

General Pricing Level Adjustment

30

The federal non-defense, non-pay deflator for FY 2012 is 1.2%. This percentage was applied to the FY 2011 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 (\$1,330); other services (\$27,472); rental payments to others (\$78), transportation of things (\$118) and equipment (\$1,189).

Adjustment to base 30,187

Working Capital Fund

245

An increase of \$245,000 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 245,000

Communications, utilities, and miscellaneous charges

74

In FY 2010, charges for utilities were transferred from the Working Capital Fund to the Advancements and Reimbursements fund, as the vendors charge costs to the HCHB and the costs are then apportioned among the occupants. Based on estimates of charges for FY 2012 from GSA and Pepco, costs will increase by \$72,000 for electricity, \$1000 for water, and \$721 for communications and miscellaneous charges (excluding postage & FTS).

Adjustment to base 73,721

Total Other Cost Change

635

Total Adjustment to Base

1,516

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

Activity: Inspector General

	2010 Actual		Annualized FY 2011 CR Level		2012 Base		2012 Estimate		Increase (Decrease) Over 2012 Base		
	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	
Executive Direction & Counsel	20	2,433	20	1,863	20	1,976	20	1,976	0	0	
	FTE/Obl.	14	2,756	20	1,863	20	1,976	20	1,976	0	0
Audits and Evaluation:	Pos/BA	115	17,432	116	18,012	99	19,005	119	20,854	20	1,849
	FTE/Obl.	103	19,749	112	33,148	99	19,005	114	20,854	15	1,849
Investigations	Pos/BA	40	7,135	40	7,125	35	7,535	35	7,535	0	0
	FTE/Obl.	38	7,634	40	7,125	35	7,535	35	7,535	0	0
Pass-through for CIGIE, FAC	Pos/BA	0	0	0	0	0	0	0	3,155	0	3,155
	FTE/Obl.	0	0	0	0	0	0	0	3,155	0	3,155
Total	Pos/BA	175	27,000	176	27,000	154	28,516	174	33,520	20	5,004
	FTE/Obl.	155	30,139	172	42,136	154	28,516	169	33,520	15	5,004

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APPROPRIATION ACCOUNT: Office of Inspector General**BUDGET ACTIVITY: Office of Inspector General**

For FY 2012, the Office of Inspector General requests an increase of \$6,520,000 and 14 FTE over the FY 2010 enacted level for a total of \$33,520,000 and 169 FTE. This increase includes \$1,516,000 in inflationary increases.

BASE JUSTIFICATION FOR FY 2012:

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

OIG's current base resources support an oversight program that focuses on the top management challenges for the Department. The OIG's staff remains at 169 FTE to sustain that independent oversight. For FY 2011 and FY 2012, the base resources support oversight of management challenges, including IT Security, the Recovery Act, NOAA's Satellite Program and the Patent and Trademark Office. These management challenges will continue to require oversight, but there are numerous other programs and operations that OIG must examine in the coming year, often at the request of Congress. Like all oversight agencies, our goal is to provide the most effective oversight possible with the resources provided. To support our oversight of top management challenges and additional congressionally-mandated oversight, this budget requests the current base resources.

Significant Adjustments-to-Base (ATBs):

The Office of Inspector General requests a net increase of 0 FTEs and \$1.5 million to fund adjustments to current programs for OIG activities. The increase would provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

ADMINISTRATIVE COST SAVINGS:

The Administration is pursuing an aggressive government-wide effort, called the Administrative Efficiency Initiative, to curb non-essential administrative spending. In order to be good stewards of taxpayer money, the Federal Government should continue to see ways to improve the efficiency of programs without reducing their effectiveness. As such, the President directed each agency to analyze its administrative costs and identify savings where possible. After reviewing its administrative costs, OIG has identified \$221,000 in administrative savings. OIG expects to achieve these savings through strategic sourcing and by not filling an existing vacancy in its administrative areas. In addition, \$123,000 in savings has been identified for the OIG through the Department's Working Capital Fund. The \$221,000 in administrative savings identified above will be reinvested in the Office of Audit and Evaluation and the Office of Investigations to better support the Inspector General's mission.

SUBACTIVITY: OFFICE OF INSPECTOR GENERAL

OIG's objective: To strengthen financial and non-financial management controls, to maximize efficiency, ensure compliance with statute and legislation, and to prevent fraud, waste, and abuse of government resources.

OIG's budget (a total of \$33.5 million and 169 FTEs) is organized into three programs under the OIG account, and two funding transfers to other Federal agencies.

- **The Executive Direction & Counsel** sub-activity (\$2.4 million and 20 FTEs) includes OIG's primary governing units. The immediate office of the IG provides overall leadership and policy direction for the agency and the Office of Counsel provides legal guidance in support of the agency's mission.
- **The Audits and Evaluations** sub-activity (\$20.9 million and 114 FTEs) conducts audits and evaluations of Department programs and operations. Audits help determine whether programs and operations are cost-efficient and effective. OIG's Recovery Act work has included proactive oversight, as called for by the Act. OIG's proactive efforts were directed toward ensuring that processes and procedures put in place by the Department for the award of Recovery Act grants and contracts will effectively prevent fraud, waste, and abuse.
- **The Office of Investigations** sub-activity (\$7.5 million and 35 FTEs) investigates fraud, waste, and abuse in the Department. Investigations help prevent and detect fraud perpetrated by Department employees, contractors, and grantees. In the past year, OI initiated 136 new investigations, including an in-depth review of NOAA fisheries law enforcement operations and an investigation of a \$500,000 embezzlement case at USPTO that resulted in two prosecutions, imprisonment of the defendants, and full restitution ordered. OI also operates the IG Hotline, performs follow-up actions on complaints and tips received, and investigates whistleblower retaliation allegations.
- **Funding pass-throughs to the Council of Inspectors General for Integrity and Efficiency** (\$0.5 million) and the **Federal Audit Clearinghouse** (\$2.7 million). The Inspector General Reform Act of 2008 (P.L. 110-409) established CIGIE to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and increase the professionalism and effectiveness of personnel by developing policies, standards and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. In the case of the FAC, a direct appropriation to the Census Bureau, where the FAC resides, in support of the FAC could result in restrictions on use of the data; therefore, the FAC is funded by a transfer from the OIG, which in addition to being a user of the data, also has an oversight interest in the efficient and effective performance of the FAC as an asset across the government.

Infrastructure and Administrative Support. OIG provides a full range of administrative support to all OIG units, including human resource services such as hiring, separation, classification, pay and benefits, security checks, and retirement; information technology services including network, email, and telecommunications services; budget, acquisition and financial services; continuity of operations planning, training, and execution; training services; and asset management, space planning, construction, furniture and equipment acquisition and disposal, travel services, and transit subsidies,

LOCATIONS. OIG headquarters is located in Washington, D.C. Its Office of Audits and Evaluations (OAE) has personnel at sites in the D.C. metropolitan area, plus offices in Atlanta, Denver, and Seattle. OIG's Office of Investigations (OI) has offices in Atlanta, Denver, Seattle, Silver Spring (MD), and Washington, D.C.

SUMMARY OF FY 2012 DELIVERABLES:

OIG's major deliverables include:

- A report on the major management challenges facing the Department—*published in January,*
- Semiannual reports summarizing work the OIG completed or initiated in the previous six months—*published in March and September,*
- Reports on audits and evaluations—*published throughout the year,*
- The financial audit report of the Department and its bureaus, including USPTO—*provided in November, and*
- The Federal Information Security Management Act report, evaluating departmental information security programs and controls—*published in October.*

PROGRAM CHANGES FOR FY 2012:

Acquisition and Contracts Oversight (Base Funding: 154 FTE and \$28.5 million; Program Change: +15 FTE and +1.8 million): OIG requests an increase of 15 FTE and \$1.8 million for a total request of \$30.4 million and 169 FTE to provide oversight for Departmental acquisitions and contracts.

In FY 2010 the Department spent \$4.7 billion to acquire a wide range of goods and services to support mission-critical programs such as the 2010 decennial census, satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. Because of statutory mandates and competing priorities, OIG requires dedicated personnel to provide consistent oversight of these expenditures, which it cannot dedicate within its existing staffing level.

OIG will create three teams of auditors to examine and oversee contracts and other acquisitions across the Department. With the exception of three personnel with specific expertise, these teams will not be specifically devoted to one or another bureau, but will be capable of examining acquisitions in any area. Auditing of NOAA satellites requires specific expertise to evaluate these complex and highly technical acquisitions, and the auditing of the decennial census requires statistical expertise in evaluating census-related acquisitions. These teams will be capable of performing up to twelve audits a year of acquisitions and contracts around the Department.

The audit teams will examine acquisitions across the Department, beginning with NOAA satellites and the decennial census. OIG selected NOAA satellites for the initial round of audits because NOAA is in the midst of modernizing its environmental monitoring capabilities, spending nearly \$20 billion on two critical satellite systems: the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and the next-generation Geostationary Operational Environmental Satellite (GOES-R). OIG's 2006 and 2007 reviews of the NPOESS and GOES-R programs revealed the challenges of managing satellite procurement projects without strong management oversight. Areas to be addressed initially include:

- Technical progress, risks, and issues with NPOESS and GOES-R instruments;
- Performance of NPOESS and GOES-R acquisitions as compared to their cost, schedule, and technical baselines;
- NPOESS and GOES-R program management;
- Contract management, including administration of award fee;
- Department and NOAA oversight of NPOESS and GOES-R acquisitions; and
- Management of NPOESS and GOES-R requirements.

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

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

Significant acquisitions and contracts OIG has identified as high-risk include NTIA's contract to implement the Broadband Technologies Opportunities Program (BTOP), acquisitions by recipients of BTOP grants, and NOAA's acquisition of a supercomputer to replace leased supercomputer services.

The Department expects to spend approximately \$2.4 billion on IT projects in FY 2012. Significant IT contracts and acquisitions the Department has itself identified as high-risk include: ¹

BIS – Export Control Automated Support System, \$65 million;
 NOAA – Advanced Weather Interactive Processing System, \$976 million;
 NOAA – Environmental Satellite Processing System, \$510 million;
 NOAA – NEXRAD – Product Improvement, \$149 million;
 NOAA – National Weather Service Telecommunications Gateway, \$350 million; and
 USPTO – Patents End-to-End about, \$312 million.

Performance Goals and Measurement Data

Performance Goal:	FY	FY	FY	FY	FY	FY
	2011	2012	2013	2014	2015	2016
	Target	Target	Target	Target	Target	Target
With Increase	3	9	12	12	12	12

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

Without Increase	3	3	3	3	3	3
Description: Number of acquisition audits performed						

Interagency Support for the Council of the Inspectors General on Integrity and Efficiency: (Base Funding: 0 FTE and \$0; Program Change: +0.5 million and +0 FTE): OIG requests an increase of \$0.5 million and 0 FTE to provide required support for the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The Inspector General Reform Act of 2008 (P.L. 110-409) established CIGIE to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and increase the professionalism and effectiveness of personnel by developing policies, standards and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. DOC OIG is a member of CIGIE, and the Act authorizes interagency funding of CIGIE and requires that any department, agency, or entity of the executive branch which has a member on the Council shall fund or participate in the funding of its activities. This will provide a portion of the funds necessary for CIGIE to accomplish its mission.

Federal Audit Clearinghouse (Base Funding: 0 FTE and \$0; Program Change: +\$2.7 million and +0 FTE): OIG requests \$2.7 million in support of the Federal Audit Clearinghouse (FAC), to be transferred to the Census Bureau, which operates the FAC. Each year, the Federal Government provides hundreds of billions of dollars in grants to State, local and tribal governments, colleges, universities and other non-profit organizations (non-Federal entities). Of these entities, those expending more than \$500,000 per year in financial assistance must have a financial audit performed to ensure that the funds are spent properly. For audit information on these entities, the FAC is the sole source for Federal program managers, Chief Financial Officers, and Federal Inspectors General. The public further benefits because this audit information is also available for public scrutiny. The Single Audit Act Amendments of 1996 (P.L. 104-156) requires all audit and data collection forms to be submitted solely to the FAC. A direct appropriation to the Census Bureau to support the FAC could result in restrictions on use of the data; therefore, the FAC is funded by a transfer from the OIG, which in addition to being a user of the data, also has an oversight interest in the efficient and effective performance of the FAC as an asset across the government.

PROGRAM CHANGE PERSONNEL DETAIL

Activity: Inspector General
 Program Change: Acquisition and Contracts Oversight

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Salary</u>	<u>Salaries</u>
Auditor	GS-11	6	62,467	374,802
Auditor	GS-12	6	74,872	449,232
Statistician	GS-13	4	89,033	356,132
Supervisory Auditor	GS-14	3	105,211	315,633
Senior Supervisory Auditor	GS-15	1	123,758	123,758
Total		20		1,619,557
Less Lapse	25%	-5		(404,889)
Total full-time permanent (FTE)		15		1,214,668
Total		15		1,214,668

Personnel Data

Full-time Equivalent Employment:

Full-time permanent	15
Other than full-time permanent	0
Total	15

Authorized Positions:

Full-time permanent	20
Other than full-time permanent	0
Total	20

Activity: Inspector General
 Program Change: Acquisition and Contracts Oversight

Object Class		FY 2012 Increase
11.0	Personnel compensation	
11.1	Full-time permanent	1,215
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	61
11.9	Total personnel compensation	1,276
12.1	Civilian personnel benefits	352
21.0	Travel and transportation of persons	60
22.0	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental payments to others	0
23.3	Communications, utilities, and miscellaneous charges	6
24.0	Printing and reproduction	0
25.1	Consultant services	0
25.2	Other services	50
25.3	Purchase of goods and services from gov't accounts	10
26.0	Supplies and materials	6
31.0	Equipment	89
99.0	Total obligations	1,849

PROGRAM CHANGE DETAIL BY OBJECT CLASS

(Direct obligation amounts in thousands)

Activity:	Inspector General	
Program Change:	Interagency Support for the Council of the Inspectors General on Integrity and Efficiency	FY 2012
	Object Class	Increase
<hr/>		
11.0	Personnel compensation	
11.1	Full-time permanent	0
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.9	Total personnel compensation	<hr/> 0
12.1	Civilian personnel benefits	0
21.0	Travel and transportation of persons	0
22.0	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
24.0	Printing and reproduction	0
25.1	Consultant services	0
25.2	Other services	0
25.3	Purchase of goods and services from gov't accounts	455
26.0	Supplies and materials	0
31.0	Equipment	<hr/> 0
99.0	Total obligations	455

PROGRAM CHANGE DETAIL BY OBJECT CLASS

(Direct obligation amounts in thousands)

Activity: Inspector General
 Program Change: Federal Audit Clearinghouse

Object Class	FY 2012 Increase
11.0 Personnel compensation	
11.1 Full-time permanent	0
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	0
11.9 Total personnel compensation	0
12.1 Civilian personnel benefits	0
21.0 Travel and transportation of persons	0
22.0 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
24.0 Printing and reproduction	0
25.1 Consultant services	0
25.2 Other services	0
25.3 Purchase of goods and services from gov't accounts	2,700
26.0 Supplies and materials	0
31.0 Equipment	0
99.0 Total obligations	2,700

Activity: Inspector General
 Summary of Program Changes:

Object Class	FY 2012 Increase
11.0 Personnel compensation	
11.1 Full-time permanent	1,215
11.3 Other than full-time permanent	0
11.5 Other personnel compensation	61
11.9 Total personnel compensation	1,276
12.1 Civilian personnel benefits	352
21.0 Travel and transportation of persons	60
22.0 Transportation of things	0
23.1 Rental payments to GSA	0
23.2 Rental payments to others	0
23.3 Communications, utilities, and miscellaneous charges	6
24.0 Printing and reproduction	0
25.1 Consultant services	0
25.2 Other services	50
25.3 Purchase of goods and services from gov't accounts	3,165
26.0 Supplies and materials	6
31.0 Equipment	89
99.0 Total obligations	5,004

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

Object Class	FY 2010 Actual	Annualized		FY 2012 Estimate	Increase/ Decrease Over 2012 Base	
		FY 2011 CR Level	FY 2012 Base			
11.0 Personnel compensation	\$16,518	\$21,946	\$14,916	\$16,131	1,215	
11.1 Full-time permanent- non wage	0	0	0	0	0	
11.3 Other than full-time permanent	0	0	0	0	0	
11.5 Other personnel compensation	1,256	1,428	971	1,032	61	
11.9 Total personnel compensation	17,774	23,374	15,887	17,163	1,276	
12.1 Civilian personnel benefits	4,497	6,355	4,320	4,672	352	
21.0 Travel and transportation of persons	501	1,317	827	887	60	
22.0 Transportation of things	29	39	26	26	0	
23.1 Rental payments to GSA	1,531	1,624	1,754	1,754	0	
23.2 Rental payments to others	4	5	4	4	0	
23.3 Commun., util., misc. charges	329	522	303	309	6	
24.0 Printing and reproduction	103	139	94	94	0	
25.1 Consultant services	35	47	32	32	0	
25.2 Other services	1,057	5,091	871	921	50	
25.3 Purchase of goods and services from gov't accounts	4,999	2,538	3,663	6,828	3,165	
26.0 Supplies and materials	157	416	282	288	6	
31.0 Equipment	125	669	455	544	89	
42.0 Attorney's Fees	0	0	0	0	0	
99.0 Total Direct Obligations	31,139	42,136	28,516	33,520	5,004	
Less prior-year recoveries	0	0	0	0	0	
Less transfers	0	0	0	0	0	
Less unobligated Balance from prior years	(19,324)	(15,136)	0	0	0	
Plus unobligated balance, expiring	49	0	0	0	0	
Plus unobligated balance, end of year	15,136	0	0	0	0	
Total Budget Authority	27,000	27,000	28,516	33,520	5,004	
Personnel Data						
Full-Time Equivalent Employment:						
Full-time permanent	155	172	154	169	15	3000
Other than full-time permanent	0	0	0	0	0	
Total	155	172	154	169	15	
Authorized Positions:						
Full-time permanent	155	176	154	174	20	
Other than full-time permanent	0	4	0	5	0	
Total	155	180	154	179	20	

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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, \$33,520,000.

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

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

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses

CONSULTING AND RELATED SERVICES
(Obligations in thousands)

	2010	Annualized 2011	2012
	<u>Actual</u>	<u>CR Level</u>	<u>Estimate</u>
Consultant Services.....	\$35	\$47	\$32
Management and professional services	0	0	0
Special studies and analyses.....	0	0	0
Mgmt & support services for research & development	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$35	\$47	\$32

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)

	2010	Annualized 2011	2012
	<u>Actual</u>	<u>CR Level</u>	<u>Estimate</u>
Periodicals*	\$103	\$139	\$94
Pamphlets	0	0	0
Audiovisuals.....	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$103	\$139	\$94

*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

	2010	Annualized 2011	2012
	<u>Actual</u>	<u>CR Level</u>	<u>Estimate</u>
Average EX Grade.....	NA	NA	NA
Average SES Grade*.....	NA	NA	NA
Average GS/GM Grade	12	14	13
Average GS/GM Salary	\$98,362	\$125,406	\$91,202

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

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**Department of Commerce
Office of Inspector General
INSPECTOR GENERAL REFORM ACT OF 2008 REPORTING REQUIREMENTS
(Dollar amounts in thousands)**

In accordance with the requirements of Section 6(f)(1) of the Inspector General Act of 1978 (as amended), the OIG submits the following information related to its requested budget for FY 2012:

(Dollar amounts in thousands)

	FY 2010 Actual BA	Annualized FY 2011 CR Level	FY 2012 Request to Department of Commerce, less transfers	FY 2012 President's Budget Request, less transfers	FY 2012 President's Budget Request, including transfers
Aggregate Funding	\$27,000	\$27,000	\$33,409	\$30,820	\$33,520

- The Department of Commerce Office of Inspector General (OIG) requests aggregate funding of \$33,520,000 million for FY 2012.
- OIG requests \$507,000 for all training needs. The requested amount satisfies all training requirements for the OIG for FY 2012.
- OIG requests \$455,000 as a transfer to support the Council of the Inspectors General on Integrity and Efficiency.
- OIG requests \$2,700,000 as a transfer to support the Federal Audit Clearinghouse.