



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

December 28, 2012

The Honorable Darrell Issa
Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515-6143

The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
2471 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515-6143

Dear Chairman Issa and Ranking Member Cummings:

In response to your request of December 5, 2012, we are providing current information on our office's work plan and highest-priority unimplemented recommendations, including:

- The five highest-priority unimplemented short-term recommendations (see enclosure 1),
- The five highest-priority unimplemented long-term recommendations (see enclosure 2), and
- The ways in which Department and bureau management solicit OIG input on how to improve efficiency and reduce waste (see enclosure 3).

Each year, we develop a risk-based work plan that includes our legislatively mandated work, such as reviews of IT security and annual financial statement audits. It also includes other priorities that we discussed in our annual *Top Management Challenges* report, such as improving acquisition and contract operations, as well as managing the development and acquisition of the National Oceanic and Atmospheric Administration's (NOAA's) environmental satellite program. Our plan contains the flexibility to perform critical unplanned additional work that is either required by new legislation or requested directly by Congress.

Our 5 most important unimplemented short-term recommendations to the Department or its bureaus (for further details, see enclosure 1) concern the following program areas:

- Recommendations related to **NOAA deficiencies in budgetary controls and accounting procedures**, reported in the Department of Commerce fiscal year (FY) 2012 financial statement audit report (OIG-13-006-A), November 15, 2012,



- Recommendations related to **NOAA environmental satellite programs**, including those reported in *Joint Polar Satellite System: Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps* (OIG-12-038-A), September 27, 2012, and *Successful Oversight of GOES-R Requires Adherence to Accepted Satellite Acquisition Practices* (OSE-18291), November 20, 2007,
- Recommendations related to the **National Telecommunications and Information Administration's (NTIA's) and International Trade Administration's (ITA's) IT security**, including those reported in *Significant IT Security Program Improvements Are Needed to Adequately Secure NTIA's Systems* (OIG-12-035-A), September 07, 2012, and *Improvements Are Needed to Strengthen ITA's Information Technology Security Program* (OIG-12-037-A), September 27, 2012, and
- Recommendations related to **NOAA acquisitions**, reported in *NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions*, (OIG-12-027-A), May 18, 2012.

Our 5 most important unimplemented long-term recommendations to the Department or its bureaus (for further details, see enclosure 2) concern the following program areas:

- Recommendations related to **NOAA deficiencies in budgetary controls**, reported in the Department of Commerce fiscal year (FY) 2012 financial statement audit report (OIG-13-006-A), November 15, 2012,
- Recommendations related to **USPTO IT automation**, reported in *Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk* (OIG-11-033-A), September 29, 2011, and
- Recommendations related to the **Census Bureau's 2020 decennial census**, including those reported in *2010 Census: Final Report to Congress* (OIG-11-030-I), June 27, 2011, and *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals* (OIG-12-024-I), May 10, 2012.

If you have any questions or require additional information, you or your staff may contact me at (202) 482-4661 or Ann Eilers, Principal Assistant Inspector General for Audit and Evaluation, at (202) 482-2754.

Sincerely,



Todd J. Zinser

Enclosures

Enclosure I: OIG's Highest-Priority Unimplemented Short-Term Recommendations

I. Recommendations related to deficiencies in NOAA financial management oversight, reported in the Department of Commerce fiscal year (FY) 2012 financial statement audit report (OIG-13-006-A), November 15, 2012

Accounting for General Property

We identified several weaknesses involving untimely recording of capital assets and construction work-in-progress (CWIP) transfers, unadjusted property records, incomplete property inventories, improper CWIP capitalization, and unclear CWIP policies. Because NOAA's accounting activities for property are decentralized, NOAA's Finance Office must rely on various line offices to provide specific information on property acquisitions and disposals.

Accounting for Satellites

The accounting for satellite transactions originates within NOAA's National Environmental Satellite, Data, and Information Service (NESDIS), whose staff does not have significant financial accounting training and experience. Because NOAA's Finance Office does not have sufficient oversight of the accounting for satellites, accounting issues related to satellites continue to surface. During the FY 2012 audit, we identified the following:

- Incorrect classification of a \$616 million satellite ground system,
- Unrecorded \$183 million satellite transferred from NASA,
- Inadequate impairment analysis related to Joint Polar Satellite System, and
- Insufficient documentation of 17 out of 61 Intra-governmental Payment and Collection (IPAC) payments to other federal agencies.

Recommendations

We provided NOAA with four recommendations to improve its accounting for property and eight recommendations to address its accounting for satellites.

Of these, the highest-priority short-term recommendations include one regarding property accounting and three regarding satellite accounting:

- Implement greater Finance Office oversight for property accounting transactions,
- Establish stronger Chief Financial Officer oversight of accounting for satellites and related areas,

- Improve the process to identify and determine the financial statement impact of significant events or transactions, particularly those related to satellite programs, and ensure that accounting positions are based on standards, and
- Establish and implement stronger NOAA-wide policies and procedures for review and approval of IPAC payments, and work with NASA to ensure that sufficient documentation is received for all charges, to enable a determination of the nature of the charge and the period of performance.

Status of Recommendations

NOAA is in the process of developing a corrective action plan to address the recommendations.

2. Recommendations related to NOAA environmental satellite programs, including those reported in:

A. *Joint Polar Satellite System: Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps (OIG-12-038-A)*, September 27, 2012

In February 2010, NOAA partnered with NASA to establish the Joint Polar Satellite System (JPSS) program—which, at that time, planned to launch two satellites at an estimated cost of \$11.9 billion to collect data for short- and long-term weather and climate forecasting through 2026. In its FY 2011 budget submission, NOAA reported that JPSS, running through 2024, would cost \$11.9 billion. Requirement changes and an extended life cycle through 2028 resulted in a revised cost estimate of \$14.7 billion. In its FY 2013 budget submission, however, NOAA committed to capping the cost of the program at \$12.9 billion.

Our September 2012 audit found, among other things, that NOAA lacks a policy that ensures consistent and reliable cost estimating for its major system acquisitions. We found that NOAA lacks a clearly defined program and a more mature cost-estimating process. The program's revised cost estimate, derived to meet a life-cycle cost cap and artificially flattened funding profile, is not consistent with typical space acquisitions. Finally, without an independent cost estimate, NOAA cannot assess whether the program is executable under these constraints.

Recommendations

Two significant recommendations remain unimplemented:

- Develop a policy that adheres to cost-estimating best practices and
- Ensure that an independent cost estimate adequately tests the viability of the program's funding profile.

Status of Recommendations

NOAA is working with the Department's Office of Acquisition Management to (1) supplement the Department's November 2012 Policy on Acquisition Project Management with specific cost estimating guidance and (2) complete an independent cost estimate. We expect NOAA to implement both recommendations within 1 year.

B. *Successful Oversight of GOES-R Requires Adherence to Accepted Satellite Acquisition Practices (OSE-18291), November 20, 2007*

In 2005, the Department and NOAA assumed oversight and management responsibility for the entire Geostationary Operational Environmental Satellite (GOES-R) program, now projected to cost \$10.9 billion for four satellites that will enable uninterrupted short-range severe weather warning and forecasting through 2036. Since then, NOAA has led GOES-R's program management and acquisition, thus leaving the Department with direct oversight authority for both the ground and space segments. Our 2007 review found that the Department lacked a workable oversight structure—not just for GOES-R, but for all major acquisitions.

Recommendation

The following recommendation remains unimplemented: complete and implement the Department's major system acquisition policy and, for satellite programs, ensure the policy incorporates the key decision points in NASA Procedural Requirements (NPR) 7120.5D¹ and requires comprehensive independent reviews at all key decision points.

Status of Recommendation

In June 2010, the Department created a new process to manage acquisitions and reduce risk called the Commerce Acquisition Framework. On November 6, 2012, the Department issued a memorandum on its policy on Commerce Acquisition Project Management. The memorandum establishes the policy for implementation on all Department acquisition projects and programs. We expect the Department to develop an administrative order for major system acquisition policy within 1 year.

¹ NPR 7120.5D is a NASA policy that NOAA has adopted for its satellite acquisition activities. This procedure was updated August 2012 (NPR 7120.5E) and still contains key decision points.

3. Recommendations related to the Department's IT security, including those reported in *Significant IT Security Program Improvements Are Needed to Adequately Secure NTIA's Systems (OIG-12-035-A)*, September 07, 2012, and *Improvements Are Needed to Strengthen ITA's Information Technology Security Program (OIG-12-037-A)*, September 27, 2012

A. Recommendations related to the Department's IT security, including those reported in *Significant IT Security Program Improvements Are Needed to Adequately Secure NTIA's Systems (OIG-12-035-A)*, September 07, 2012

For our NTIA audit, we determined that fundamental steps for securing NTIA's information and systems have not been taken. Specifically, we found (1) inadequate security categorizations that jeopardize critical bureau information; (2) significant weaknesses in IT software and hardware inventory practices; (3) major inadequacies in NTIA's process to remediate security weaknesses; (4) weaknesses in managing its IT security workforce and developing effective IT security policies and procedures, and (5) significant deficiencies in key IT security controls. These issues have resulted in ineffective management of security controls needed to protect NTIA's systems and information.

Recommendations

Two significant recommendations remain unimplemented.

First, the Assistant Secretary for Communications and Information should revise the authorization status of NTIA's systems to interim authorization to operate until the following activities have been completed:

- System owners and appropriate NTIA officials collaborate to identify and categorize all information types that are processed, stored, or transmitted by each system and categorize each system accordingly,
- System owners develop and maintain an accurate hardware and software inventory for their systems,
- NTIA implements and assesses appropriate IT security controls according to Department policy and NIST SP 800-53, and
- NTIA follows the POA&M process required by the Department's IT security policy.

Second, the Assistant Secretary for Communications and Information should ensure that system owners, IT security officers, authorizing officials, and other staff with critical IT security roles are appropriately trained, earn certifications as required by Department policy, and have the required metrics incorporated into their performance plans.

Status of Recommendations

We expect NTIA to implement both recommendations within 1 year.

B. Recommendations related to *Improvements Are Needed to Strengthen ITA's Information Technology Security Program (OIG-12-037-A)*, September 27, 2012

For our ITA audit, we identified security weaknesses, including inadequate security categorization that may affect protection against critical information and security control deficiencies that increase the likelihood of a successful cyber attack. The security control deficiencies include (1) deficiencies with vulnerability scanning and patch management; (2) weaknesses in securing databases; (3) the presence of unauthorized software and use of unauthorized removable media, and (4) risks related to network implementation.

Recommendations

Two significant recommendations remain unimplemented: that the Under Secretary of Commerce for International Trade

- Ensure that only authorized software and USB devices are used on both servers and workstations and
- Strengthen the worldwide enterprise network's security posture by reducing the threats associated with allowing network traffic to flow freely between all computing components.

Status of Recommendations

We expect ITA to implement both recommendations within 1 year.

4. Recommendations related to NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions, (OIG-12-027-A), May 18, 2012

As of June 2011, NOAA's incentive contracts had a potential maximum value of approximately \$1.6 billion, including approximately \$87 million in available award-fee pools and about \$386 million in available award-term periods.

Our audit found that—while NOAA gave contractors high ratings, resulting in substantial award fees or extended contract periods of performance, for eight of nine contracts—the ratings associated with four of these contracts lacked sufficient support to demonstrate that the contractor met or exceeded the award-fee or award-term evaluation criteria. On some contracts, the performance monitors did not maintain documentation to support the ratings; on other contracts, the examples and comments provided did not contain enough information to determine whether the ratings, award fees, and award terms were warranted. In addition, award-fee and award-term plans developed by NOAA did not consistently and clearly identify criteria for evaluations or contain payment structures that encouraged contractors to excel. In addition, descriptions defining scores to rate contractor performance were subjective and unclear. Also, weaknesses existed in the management of NOAA's award-fee and award-term contracts.

Recommendations

Two significant recommendations remain unimplemented:

- Require performance monitors to provide narrative comments that identify specific strengths, weaknesses, and deficiencies to support assigned ratings, and
- Develop measurable and outcome-based criteria for assessing contractor performance for award fees and award-term extensions.

Status of Recommendations

NOAA plans to issue an Acquisition Alert to its staff members requiring (1) documentation for the basis for all award-fee and award-term determinations, and (2) award-fee and award-term plans that encourage contractor excellence and describe how contractor performance will be measured against evaluation criteria. According to NOAA officials, the bureau will monitor compliance through its Acquisition Review Boards and Policy Division reviews. NOAA plans to implement these recommendations by December 31, 2012.

Enclosure 2: OIG's Highest-Priority Unimplemented Long-Term Recommendations

I. Recommendations related to deficiencies in NOAA financial management oversight, reported in the Department of Commerce fiscal year (FY) 2012 financial statement audit report (OIG-13-006-A), November 15, 2012

Budgetary Controls

The National Weather Service (NWS), a component of NOAA, circumvented budgetary controls by moving expenses between accounts to prevent exceeding budget authority. An internal Departmental review identified that NWS was misusing summary level transfers (SLTs).¹ The Department determined that the circumvention of budgetary controls resulted in an Antideficiency Act (ADA) violation.

The financial statement audit also found that many of these types of journal entries lacked (a) adequate supporting documentation to describe the purpose of the entries, and (b) evidence of adequate supervisory review. In addition, one SLT dated June 14, 2012, and three other questionable transactions were identified and referred to NOAA for further review to determine whether they violated the ADA.

Recommendations

We provided NOAA with five recommendations to improve its budgetary controls. Of these, the highest-priority long-term recommendations are summarized below:

- Implement the recommendations arising from the *Internal Inquiry into Alleged Mismanagement of Funds within the National Weather Service*, dated May 11, 2012, and
- Implement the actions described in the Deputy Secretarial Decision Memorandum, dated May 24, 2012.

Status of Recommendations

The Department and NOAA are in the process of implementing a detailed corrective action plan developed to address the May 11, 2012, report and Deputy Secretarial Decision Memorandum. While some of the corrective actions may be completed within the year, others may exceed the 1-year time line.

¹ *Summary level transfers* are a type of journal entry that complicates the detection of funds moving between accounts, preventing the transactions from being flagged during program reviews and audits.

2. Recommendation related to *Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A)*, September 29, 2011

In 2010, The United States Patent and Trademark Office (USPTO) began the Patent End-to-End (PE2E) project to develop the next generation of computer systems designed to fully automate patent processing in an effort to modernize its systems and reduce the significant backlog of more than 700,000 unprocessed patent applications.

We found that USPTO performed enough short-term planning to implement the first segment of the project; however, it neglected PE2E high-level, long-term planning—which systems development best practices identify as the first steps when starting a project of such scope. Specifically, USPTO lacks (a) a plan for releasing PE2E functionality based on prioritized, high-level requirements, and (b) a high-level model of its service architecture.² Unless USPTO improves its current long-term planning, it cannot guide the project's building and deployment strategies. Unnecessary rework could leave USPTO at risk of not achieving its goal of fully automating the patent process in a timely and economical fashion.

Recommendation

We recommended that USPTO officials improve PE2E planning by developing:

- A description and schedule of releases based on prioritized high-level requirements for the entire project and
- High-level designs for the service architecture for the entire project.

Status of Recommendation

As of September 2012, work is underway to further define and develop a more long-term plan that encapsulates USPTO's business objectives and strategies.

² A *service architecture* outlines the reusable software components of a project.

3. Recommendations related to the decennial census, reported in *2010 Census: Final Report to Congress (OIG-11-030-1)*, June 27, 2011, and *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals (OIG-12-024-1)*, May 10, 2012

A. Recommendations related to the decennial census, reported in *2010 Census: Final Report to Congress (OIG-11-030-1)*, June 27, 2011

While 2010 Census operations were successfully completed, this constitutionally mandated activity incurred a high cost and a level of risk that should not be repeated. The 2000 Census cost \$8 billion, the 2010 Census cost \$12 billion, and—if not changed—the 2020 Census could cost as much as \$30 billion, according to a GAO estimate.³ Census's latest estimates for the lifecycle cost of the 2020 Census currently range from \$12.8 – 18.0 billion. Fundamentally changing the decennial census is critical to reduce costs and save about \$12 billion over the 2020 decennial census lifecycle.

Recommendations

Over the previous decade and throughout 2010 Census field operations, OIG issued quarterly reports and audits, inspections, and evaluations. From our oversight, we also developed findings on ways to improve the 2020 Census. Our *Final Report to Congress* contained 19 recommendations resulting from these findings.

Of these findings, the highest-priority long-term recommendations include:

- Obtain and use independent cost estimates to validate internally derived cost estimates (that include contingency reserves),
- Explore alternative approaches for conducting the 2020 Census that include (1) Internet and web-based response options, (2) automated field data collection alternatives, (3) utilizing administrative records, and (4) incorporating into the decennial process experienced field representatives who conduct nondecennial Census surveys each year,
- Explicitly address enumerator safety in collaboration with the Department, law enforcement agencies and Congress, and
- Align system development schedules with operational deadlines to allow adequate time to test systems before their deployment.

Status of Recommendations

We are working with the Department to monitor the implementation of recommendations.

³ U.S. Government Accountability Office, December 2010. *2010 CENSUS: Data Collection Operations Were Generally Completed as Planned, but Long-standing Challenges Suggest Need for Fundamental Reforms*, GAO-11-193. Washington, DC: GAO, 27.

B. Recommendations related to *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals (OIG-12-024-I)*, May 10, 2012

The Census Bureau maintains a database containing a complete list of all the nation's living quarters (the master address file, or MAF) and geospatial data (the topologically integrated geographic encoding and referencing system, or TIGER) to use in all demographic and decennial programs. The Bureau's method of collecting and tabulating decennial census data is to link (geographically encode, or geocode) MAF addresses to TIGER.

The Census Bureau spent nearly \$1.4 billion on (a) 2000–2010 database maintenance; (b) an 8-year geographic initiative to improve database accuracy, and (c) its 2009 operation to visit and verify or add every place a person lives or could live. Our review's objectives were to (1) review the Bureau's progress on its 2010 geographic initiative; (2) evaluate the impact of various address-updating operations on the database and identify trends that introduced error, and (3) review the Bureau's procedures for updating the map and address files.

Recommendations

Our report contained five recommendations. Our highest-priority long-term recommendations include:

- Develop a MAF/TIGER database (MTdb) measure for determining address list quality at a low level of geography that (a) provides a fair and equal opportunity for targeting selection, (b) drives selection and planning decisions, and (c) is well-documented and verifiable,
- Work with the Department to determine the feasibility of improving methods of sharing MTdb information throughout the decade with governmental entities (partners) to create a uniform, national address list, and
- Develop and implement quality indicator tools, including use of administrative records, to ensure that updates to the MAF are accurate.

Status of Recommendations

We are working with the Department to monitor the implementation of recommendations.

Enclosure 3: How the Department Solicits OIG's Input for Improving Efficiency and Reducing Waste

The Department and bureau management have solicited OIG input in a number of instances related to internal controls over program management:

Recovery Act. With the Department of Commerce receiving \$7.9 billion from the American Recovery and Reinvestment Act of 2009 (the Recovery Act), bureau management has reached out to OIG for assistance in several ways. One example involves NTIA's oversight of the Broadband Technology Opportunities Program (BTOP), the Department's largest Recovery Act grant program. At the agency's request, we have:

- Participated in pre-award workshops, briefing potential applicants about the Recovery Act's accountability and transparency requirements,
- Led post-award workshops, briefing recipients on fraud prevention, and
- Provided training sessions to NTIA staff and recipients based on lessons learned from previous audits of federal fund recipients.

In addition, we helped NTIA draft its program-specific audit guides for independent audit firms assessing for-profit BTOP awardees. Finally, we respond to NTIA requests for review and advice on individual grant award-related issues that arise from:

- Grant monitoring activities performed by NTIA staff and
- Complaints made against specific awards.

This assistance has included making site visits to BTOP award recipients.

NOAA satellites' and other program offices. Bureau and Departmental management have requested our input with audit analysis and results as they respond to OIG recommendations to help programs increase efficiency or reduce waste. NOAA satellite program offices (the Department's largest program operation) have asked to receive timely audit data and analysis for making immediate recommended improvements. Other NOAA program offices have requested our help to resolve current operational issues in the areas of cost estimation and award fees.

Meetings and future collaborations. The IG attends select Departmental meetings to keep posted on bureau events. We are also working with the Department to identify additional Departmental and bureau oversight meetings at which OIG could participate in an advisory capacity. This will ensure that OIG stays informed and can weigh in early on efficiency and waste reduction initiatives.