



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

June 28, 2013

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

Dear Mr. Chairman:

In response to your request of June 17, 2013, we are providing current information on our office's open and unimplemented recommendations, including:

- The number of open and unimplemented recommendations (see enclosure 1)
- The cumulative estimated cost savings associated with the current number of open and unimplemented OIG recommendations (see enclosure 2)
- Those recommendations that would result in cost savings if implemented (see enclosure 2)—for which we include the recommendation, the date the recommendation was made, and the cost savings that we believe would be realized if agency management implemented the recommendation

As requested, we also identify what we consider to be the three most important unimplemented recommendations we have made to the Department or its bureaus (for further details, see enclosure 3), concerning:

- Departmental contracts
- Departmental IT security
- National Oceanic and Atmospheric Administration environmental satellite programs

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

cc: The Honorable Elijah E. Cummings, Ranking Minority Member
The Honorable Penny Pritzker, Secretary of Commerce



Enclosure I:
 OIG’s Open and Unimplemented Recommendations as of June 21, 2013

| Calendar Year | Recommendations Made | Recommendations Still Open (Unresolved) | Recommendations Still Unimplemented |
|-------------------|----------------------|---|-------------------------------------|
| 2007 | 187 | 0 | 1 |
| 2008 | 143 | 0 | 0 |
| 2009 | 100 | 0 | 2 |
| 2010 | 93 | 0 | 7 |
| 2011 | 52 ^a | 0 | 32 |
| 2012 | 125 | 0 | 95 |
| 2013 ^b | 46 | 20 | 26 |
| Total | 746 | 20 | 163 |

^a A previous OIG table “OIG’s Open and Unimplemented Recommendations Since 2007”—which we submitted in April 2012 as enclosure I in our response to the Committee’s request—included 14 recommendations from financial assistance audits that are not included in this current table.

^b As of June 21, 2013.

We compiled this table by reviewing all performance audit, evaluation, and inspection reports that we issued during the period of January 1, 2007, through June 21, 2013. We have not included classified or sensitive nonpublic recommendations, recommendations in financial statement audits, or those addressed to specific nonfederal entities in connection with audits of financial assistance awards.

After OIG issues a final report, a bureau has up to 60 days to submit a corrective action plan for OIG’s approval. The 20 “open” (unresolved) recommendations from 2013 reports are due to 3 reports for which the bureaus had not yet submitted corrective action plans as of June 21, 2013:

- OIG-13-024-A, *Audit of Geostationary Operational Environmental Satellite-R Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps* (issued April 25, 2013)
- OIG-13-025-A, *Internal Controls for Purchase Card Transactions Need to Be Strengthened* (issued May 2, 2013)
- OIG-13-026-A, *Monitoring of Obligation Balances Needs Strengthening* (issued June 18, 2013)

“Unimplemented” recommendations have approved action plans, but the bureaus have not yet completed their implementation of the recommendations.

Enclosure 2:
 OIG’s Open and Unimplemented Recommendations That Have Associated
 Estimated Cost Savings

The cumulative estimated cost savings associated with the current number of open and unimplemented OIG recommendations is \$385.3 million.

| Reports with Recommendations That Have Associated Estimated Cost Savings | |
|---|--|
| Recommendations | Estimated Cost Savings |
| Report: OIG-12-019-I, More Action Needed to Improve Controls in Asset Forfeiture Fund (issued February 8, 2012) | |
| We recommend that the Under Secretary of Commerce for Oceans and Atmosphere require that the National Oceanic and Atmospheric Administration’s (NOAA’s) Office of Law Enforcement, the Enforcement Section, and NOAA Finance implement a process to ensure that deposit account ^a cases are periodically reviewed and that legally resolved cases are transferred from the deposit account or returned to a respondent in a timely manner. | \$871,000 funds to be put to better use |
| We recommend that the Under Secretary for Oceans and Atmosphere require that the Enforcement Section and NOAA Finance develop policies and procedures to consistently pursue collection of fines and penalties in a manner that treats all respondents uniformly, and in compliance with the Debt Collection Improvement Act of 1996. | \$3,900,000 unsupported costs and write-offs |
| ^a The “deposit account” holds proceeds that are pending legal determination from the sale of property seized by OLE agents. Once a case has a determination, funds should be moved from the deposit account in accordance with the legal disposition—either by returning money to the respondent or transferring money to one of NOAA’s marine resource funds. | |
| Report: OIG-12-027-A, NOAA’s Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions (issued May 18, 2012) | |
| We recommend that the Director of the NOAA Acquisition and Grants Office require performance monitors to provide narrative comments that identify specific strengths, weaknesses, and deficiencies to support assigned ratings. | \$43,802,965 questioned costs |
| We recommend that the Director of the NOAA Acquisition and Grants Office develop award-fee and award-term incentive structures that encourage contractor excellence. | |
| We recommend that the Director of the NOAA Acquisition and Grants Office require a cost-benefit analysis in decisions on cost-plus-award-fee and cost-plus-award-term contracts, including documentation of how the benefits will offset the costs and justifications and approvals for all contract actions containing award-fee and award-term provisions. | \$60,927,455 funds to be put to better use |

| Reports with Recommendations That Have Associated Estimated Cost Savings | |
|---|---|
| Recommendations | Estimated Cost Savings |
| Report: OIG-13-001-I, Quarterly Conference Reporting Processes Need Improvement (issued October 17, 2012) | |
| <p>We recommend that the Director of the Office of Administrative Services strengthen operating policy to ensure bureaus accurately report actual conference spending data, identify estimated costs, and provide updates to these estimates when actual costs become available.</p> <p>We recommend that the Director of the Office of Administrative Services require bureaus to maintain supporting documentation for costs incurred, planning considerations, and decision justifications.</p> | <p style="text-align: center;">\$282,637 funds to be put to better use</p> |
| Report: OIG-13-010-I, U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts (issued November 30, 2012) | |
| <p>We recommend the Director General of the U.S. & Foreign Commercial Service take the following actions:</p> <ul style="list-style-type: none"> • Develop strategies for minimizing the administrative duties of trade specialists. • Upgrade or replace the current Client Tracking System. • Determine why some U.S. Export Assistance Centers (USEACs) are underperforming and take corrective action or explore the following options: (1) consolidate lower-producing USEACs with higher-producing USEACs located within the same Metropolitan Statistical Area (MSA), (2) close lower-producing USEACs operating in MSAs with low export potential, and (3) consider closing vacant USEACs. | <p style="text-align: center;">\$1,528,000 funds to be put to better use</p> |

| Reports with Recommendations That Have Associated Estimated Cost Savings | |
|---|--|
| Recommendations | Estimated Cost Savings |
| Report: <i>OIG-13-016-A, Fourth Annual Assessment of the Public Safety Interoperable Communications (PSIC) Grant Program</i> (issued February 22, 2013) | |
| We recommend that the Assistant Secretary for Communications and Information pursue the return of questioned unallowable costs for each grant recipient and determine the most appropriate process to recover questioned costs in the future. | \$190,317 questioned costs |
| Report: <i>OIG-13-024-A, Audit of Geostationary Operational Environmental Satellite-R (GOES-R) Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps^a</i> (issued April 25, 2013) | |
| To limit cost overruns and improper award fees for GOES-R Flight Project contracts, we recommend that the NOAA Assistant Administrator for Satellite and Information Services ensure that the National Aeronautics and Space Administration (NASA) modifies advanced baseline imager, geostationary lightning mapper, and spacecraft contract award-fee structures to reduce award fee percentages in accordance with the current NASA Federal Acquisition Regulation Supplement, as well as clearly articulates how scores should be adjusted based on the magnitude of cost overruns. | \$105,940,788 funds to be put to better use |
| To limit cost overruns and improper award fees for GOES-R Flight Project contracts, we recommend that the NOAA Assistant Administrator for Satellite and Information Services ensure that NASA adjusts future award fees for the advanced baseline imager to be more commensurate with contractor performance and to incentivize the contractor to control costs. | \$8,857,750 questioned costs |
| ^a In June 2013, we received NOAA's action plan, in which the agency disagreed with taking any actions necessary to implement the above-noted two recommendations. The disagreement invokes the audit resolution process. | |
| Report: <i>OIG-13-026-A, Monitoring of Obligation Balances Needs Strengthening</i> (issued June 18, 2013) | |
| We recommend that the Office of the Secretary develop a Department-wide initiative related to the timely liquidation, deobligation, and closure of unneeded open obligations. | \$159,000,000 funds to be put to better use |
| We recommend that the Office of the Secretary enhance policies and procedures to include specific, comprehensive guidance for the consistent monitoring and deobligation of unliquidated obligation balances, as well as ongoing departmental oversight. | |

Enclosure 3:
 OIG's Top Three Open and Unimplemented Recommendations
 as of June 21, 2013

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

In FY 2011, the Department obligated approximately \$2.4 billion on contracts for goods and services, including satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. To maximize these funds, the Department needs to strengthen its acquisition and contract management practices. While it has made some progress, our audits continue to find weaknesses in how the Department and its agencies plan, administer, and oversee contracts and acquisition programs.

One OIG audit report, from May 2012, contains important contracts-related recommendations that remain unimplemented. This audit report relates to National Oceanic and Atmospheric Administration's (NOAA's) rating and award-payment decisions when using cost contracts that contain additional incentive award provisions (see table below):

| Report | Audit Objective(s) | Top Unimplemented Recommendation(s) | Cost Savings |
|---|--|--|---|
| OIG-12-027-A, NOAA's Cost-Plus-Award-Fee (CPAF) and Award-Term (CPAT) Processes Need to Support Fees and Extensions (issued May 18, 2012) | Assess award-fee and award-term ratings and payments made by the agency, based on documentation used to support them, and evaluate its award-fee and award-term guidance, payment structure, and evaluation criteria for nine incentive contracts: four CPAF contracts, four CPAT contracts, and one contract with both award fees and terms | We recommend that the Director of the NOAA Acquisition and Grants Office require: <ul style="list-style-type: none"> • performance monitors to provide narrative comments that identify specific strengths, weaknesses, and deficiencies to support assigned ratings • a cost-benefit analysis in decisions on CPAF and CPAT contracts, including documentation of how the benefits will offset the costs and justifications and approvals for all contract actions containing award-fee and award-term provisions | Our audit report identified \$43,802,965 in questioned costs and \$60,927,455 in unsupported costs. |

Recommendations related to the Department’s IT security, including those reported in *OIG-12-035-A, Significant IT Security Program Improvements Are Needed to Adequately Secure NTIA's Systems* (issued September 7, 2012), and *OIG-12-037-A, Improvements Are Needed to Strengthen ITA's Information Technology Security Program* (issued September 27, 2012)

The Federal Information Security Management Act of 2002 (FISMA) requires agencies to secure systems against the loss, misuse, or unauthorized access to or modification of information collected or maintained by, or on behalf of, an agency. In addition, FISMA requires inspectors general to evaluate agencies’ information security programs and practices by assessing a representative subset of agency systems, with results reported to the Office of Management and Budget (OMB), Department of Homeland Security, and Congress annually. Over the years, OIG has repeatedly identified significant flaws in basic security measures protecting IT systems and information and made recommendations to correct them. Important recommendations from two recent FISMA audits—of National Telecommunications and Information Administration (NTIA) and International Trade Administration (ITA) systems, respectively—remain unimplemented (see table below):

| Report | Audit Objective(s) | Top Unimplemented Recommendation(s) | Cost Savings |
|--|---|---|---|
| <p>OIG-12-035-A, <i>Significant IT Security Program Improvements Are Needed to Adequately Secure NTIA's Systems</i> (issued September 7, 2012)</p> | <p>Assess the effectiveness of NTIA's IT security program by determining whether key security measures adequately protect its systems and its information</p> | <p>The Assistant Secretary for Communications and Information should</p> <ul style="list-style-type: none"> • revise the authorization status of NTIA's systems to interim authorization to operate until the following activities have been completed: <ol style="list-style-type: none"> (1) 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 (2) system owners develop and maintain an accurate hardware and software inventory for their systems (3) NTIA implements and assesses appropriate IT security controls according to Department policy and NIST SP 800-53, and (4) NTIA follows the plan of action and milestones process required by the Department's IT security policy • 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. | <p>Implementation of our recommendations will improve the security posture of NTIA's information systems. However, we cannot yet estimate particular cost savings associated with these improvements.</p> |
| <p>OIG-12-037-A, <i>Improvements Are Needed to Strengthen ITA's Information Technology Security Program</i> (issued September 27, 2012)</p> | <p>Evaluate information security controls and security-related documentation for six ITA systems, to determine whether key security measures adequately protect ITA's systems and information</p> | <p>The Under Secretary of Commerce for International Trade should ensure that only authorized software and USB devices are used on both servers and workstations.</p> | <p>Implementation of our recommendation will improve the security posture of ITA's information systems. However, we cannot yet estimate particular cost savings associated with these improvements.</p> |

While the above recommendations remain unimplemented, both NTIA and ITA have made significant progress toward implementation and expect to fully implement them by September 30 and October 1, 2013, respectively.

Recommendations related to NOAA environmental satellite programs, including those reported in *OIG-13-024A, Geostationary Operational Environmental Satellite–R (GOES-R) Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps* (issued April 25, 2013); *OIG-12-038-A, Joint Polar Satellite System (JPSS): Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps* (issued September 27, 2012), and *OSE-18291, Successful Oversight of GOES-R Requires Adherence to Accepted Satellite Acquisition Practices* (issued November 20, 2007)

Managing risks in the acquisition and development of the next generation of environmental satellites is a continuing challenge for the Department. The two most prominent programs, the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), together accounted for one-third of NOAA's FY 2013 budget request. They are also the largest investments in the Department, comprising nearly 20 percent of the total budget. However, with cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting coverage gaps for these critical weather-forecasting and mission-essential assets.

Important recommendations from three of our NOAA satellite audits (dating back to 2007) remain open or unimplemented (see table below):

| Report | Audit Objective(s) | Top Open (Unresolved)/Unimplemented Recommendation(s) | Cost Savings |
|---|--|--|--|
| <p>OIG-13-024A, <i>Geostationary Operational Environmental Satellite–R (GOES-R) Series: Comprehensive Mitigation Approaches, Strong Systems Engineering, and Cost Controls Are Needed to Reduce Risks of Coverage Gaps</i> (issued April 25, 2013)</p> | <p>Assess (1) the adequacy of contract management and administration and (2) the effectiveness of management’s direction, monitoring, and collaboration for development of select components of the GOES-R program</p> | <p>Open (unresolved) recommendations: The NOAA Assistant Administrator for Satellite and Information Services should ensure that NASA:</p> <ul style="list-style-type: none"> • modifies contract award-fee structures to reduce award fee percentages in accordance with the current NASA FAR Supplement, and clearly articulates how scores should be adjusted based on the magnitude of cost overruns. • adjusts future award fees to be more commensurate with contractor performance, to incentivize the contractor to control costs. | <p>Our audit report identified \$115 million in potential monetary benefits—about \$9 million in questioned costs and \$106 million in funds to be put to better use.</p> |
| <p>OIG-12-038-A, <i>Joint Polar Satellite System (JPSS): Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps</i> (issued September 27, 2012)</p> | <p>(1) Assess the adequacy of JPSS formulation activities and (2) monitor the program’s efforts to maintain continuity of polar satellite data</p> | <p>Unimplemented recommendations: The NOAA Deputy Secretary for Operations should:</p> <ul style="list-style-type: none"> • develop a policy that adheres to cost-estimating best practices. • ensure that an independent cost estimate adequately tests the viability of the program’s funding profile. | <p>While we cannot yet project specific cost savings, implementation of our recommendations should help prevent loss of life and property by ensuring the availability of critical data needed to predict severe weather events.</p> |
| <p>OSE-18291, <i>Successful Oversight of GOES-R Requires Adherence to Accepted Satellite Acquisition Practices</i> (issued November 20, 2007)</p> | <p>Determine whether the Department and NOAA have established effective oversight mechanisms for handling their expanded roles and are leveraging NASA’s oversight expertise</p> | <p>Unimplemented recommendation: Department officials should 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) 7120.5D and requires comprehensive independent reviews at all key decision points.^a</p> | <p>With an estimated \$23 billion for the Department to spend on GOES-R and JPSS—two critical environmental satellite systems—over their life cycle, plus \$2.5 billion annually in major IT investments alone, the Department must have an effective oversight program in place. The benefits gained by implementing our recommendation may result in cost savings; however, we cannot yet project a specific amount.</p> |
| <p>^a In June 2010 the Department created a new process, the Commerce Acquisition Framework, to manage acquisitions and reduce risk. On November 6, 2012, the Department issued a memorandum on its Commerce Acquisition Project Management policy for implementation on all Department acquisition projects and programs. OIG expects the Department to develop an administrative order for major system acquisition policy within 6 months.</p> | | | |