



Testimony of

The Honorable Peggy E. Gustafson  
Inspector General

U.S. Department of Commerce

before a hearing of the

Committee on Commerce, Science, and Transportation  
United States Senate

***A Look Ahead: Inspector General Recommendations  
for Improving Federal Agencies***

February 8, 2017

Chairman Thune, Ranking Member Nelson, and Members of the Committee:

I appreciate the opportunity to testify today as you consider upcoming challenges for the Department of Commerce. The Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation—and, like other federal agencies, faces significant financial uncertainties in the upcoming budget year.

Today I will briefly summarize several challenges facing the Department. These areas are addressed in greater depth in our recent *Top Management and Performance Challenges (TMC)* report, which we prepare annually as required by the Reports Consolidation Act of 2000.<sup>1</sup> Our *TMC* report identifies what we consider, from our oversight perspective, to be the Department's most significant management and performance challenges within each of the Department's strategic goals:

**Challenge 1. TRADE AND INVESTMENT**—Expand the U.S. economy through increased exports and foreign direct investment that leads to more and better American jobs.

**Challenge 2. INNOVATION**—Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.

**Challenge 3. ENVIRONMENT**—Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.

**Challenge 4. DATA**—Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy.

**Challenge 5. OPERATIONAL EXCELLENCE**—Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service.

The challenges I will highlight today focus on the following areas:

1. the First Responder Network Authority (FirstNet)
2. the National Telecommunications and Information Administration (NTIA)
3. National Oceanic and Atmospheric Administration (NOAA) satellites
4. NOAA Fisheries
5. oversight of the Department's management and spending
6. OIG recommendations issued to the Department of Commerce

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<sup>1</sup> 31 U.S.C. § 3516(d).

## I. FirstNet

*Addressing the challenges of ensuring the successful procurement and monitoring of a nationwide high-speed, broadband network dedicated to public safety*

FirstNet, created by the Middle Class Tax Relief and Job Creation Act of 2012 (the Act), is an independent authority within NTIA. The law gives FirstNet the mission to build, operate, and maintain the first high-speed, nationwide wireless broadband network dedicated to public safety at the local, state, tribal, and federal levels. FirstNet will provide a single interoperable platform for emergency and daily public safety communications.<sup>2</sup>

The program currently operates with no appropriated funds other than those initially borrowed. The Federal Communications Commission (FCC) sold by auction valuable spectrum to the public in FYs 2014 and 2015. Of the \$45 billion raised, \$6.8 billion was provided to FirstNet in FY 2015 to build a network on retained spectrum. Currently, the program has \$6.5 billion on hand.

FirstNet's most significant challenges to date concern managing its acquisitions, consulting with public safety entities at all levels, and strengthening internal control.

**Effective management of acquisitions.** In January 2016, FirstNet issued a request for proposals (RFP) for the development, building, and management of a National Public Safety Broadband Network (NPSBN). Proposals were due May 31, 2016, and FirstNet—with assistance from the Department of Interior's Acquisitions Services Directorate—evaluated proposals to select the best vendor solution. The award will be delayed due to a protest by an unsuccessful bidder.

In its RFP, FirstNet adopted an objectives-based approach—rather than a traditional requirements-driven model—to help industry develop innovative solutions for the NPSBN. The successful bid must meet the objective-based goals of the RFP. Also, as the RFP points out, FirstNet must provide services at competitive prices, given constrained local, state, and federal budgets. Further, FirstNet must be self-sustaining—by leveraging existing infrastructure, maximizing value for excess network capacity, and optimizing its pricing structure.

The contractor selected will be awarded a contract to build a cellular network dedicated to first responders. Once complete, it is estimated that the network could cost \$25–50 billion, all of which may be covered by the contractor—which will build and maintain the network, working with all 56 states and territories. The contractor will also implement either the FirstNet plan or integrate the state-approved plan. Other contractor responsibilities will include managing revenues, costs, and paying yearly fees to FirstNet.

**Effective consultation with states and localities.** FirstNet is required by the Act to consult with the 56 states and territories, as well as tribes and federal public safety

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<sup>2</sup> Pub. L. No. 112-96; see also 47 U.S.C. § 1426. See First Responder Network Authority. *About FirstNet* [online]. [www.firstnet.gov/about](http://www.firstnet.gov/about) (accessed February 6, 2017).

entities, in order to build and deploy an effective NPSBN.<sup>3</sup> NTIA issued \$116.56 million in grant awards under the Act's State and Local Implementation Grant Program (SLIGP) to promote associated outreach, data collection, and planning for the NPSBN. Nearly all entities were consulted to discuss priority and pre-emption (i.e., moving commercial users off the network in an emergency), coverage for large events, rural coverage, and what users will pay for the service. States and territories provided network coverage feedback for developing state plans.

To realize a nationwide design that meets public safety needs, FirstNet must continue to work with designated points-of-contact at each location and entity and develop individual state plans for building and deploying radio access networks. FirstNet will provide a coverage plan for each state and territory or, if the plan is not found acceptable, the state can provide its own. If a state opts out of FirstNet, and uses its own coverage plan, that state's plan will still be required to tie into FirstNet's backbone system—and it will pay for the FirstNet service. Plans will be submitted to FCC for approval.

**Continue to strengthen internal control.** Reports issued by OIG,<sup>4</sup> the Government Accountability Office,<sup>5</sup> and an independent public accounting firm<sup>6</sup> have identified the need for FirstNet to strengthen its controls. Our recent audit of FirstNet's management of its interagency agreements (IAAs) found that FirstNet could strengthen controls regarding documenting IAA tracking and closeout procedures; we also noted that FirstNet could maintain readily available documentation and provide timely responses to audit requests to demonstrate transparency and accountability of programs and operations.<sup>7</sup>

A FirstNet–OIG memorandum of understanding (MOU) funded at \$1.35 million was developed in FY 2014 to address lack of an oversight provision in FirstNet legislation. This MOU was cancelled in July 2016, and now OIG funds its FirstNet oversight with its base appropriation.

## II. NTIA

*Addressing increased demand for radio frequency spectrum and implementing a replacement system to modernize, automate, and integrate key spectrum management functions*

NTIA must address the increasing demand for radio frequency spectrum through sharing among federal and commercial entities. It will accomplish this mission through expanding

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<sup>3</sup> 47 U.S.C. § 1426(b)(1).

<sup>4</sup> See U.S. Department of Commerce Office of Inspector General, December 5, 2014. *FirstNet Must Strengthen Management of Financial Disclosures and Monitoring of Contracts*, OIG-15-013-A. Washington, DC: OIG. See also DOC OIG, August 14, 2015. *Audit of FirstNet's Workforce and Recruiting Challenges, Participation at Discretionary Outreach Events, and Internal Control*, OIG-15-036-A. Washington, DC: DOC OIG.

<sup>5</sup> U.S. Government Accountability Office, April 2015. *Public-Safety Broadband Network: FirstNet Should Strengthen Internal Controls and Evaluate Lessons Learned*, GAO-15-407. Washington, DC: GAO.

<sup>6</sup> Harper, Rains, Knight & Company, July 22, 2015. *Independent Auditors' Report*.

<sup>7</sup> DOC OIG, June 29, 2016. *FirstNet Can Strengthen Its Controls by Documenting Procedures to Close and Track Interagency Agreements*, OIG-16-035-A. Washington, DC: DOC OIG.

broadband Internet access and adoption, expanding the use of spectrum, and ensuring the Internet is an engine for economic growth.

Freeing up radio frequency spectrum to meet the increasing demand for high-speed broadband services—while ensuring no loss of critical existing and planned federal, state, local, and tribal government capabilities—remains a key challenge facing the Department. In June 2010, the President directed the Department, working through NTIA, to make 500 megahertz of federal and non-federal spectrum available by 2020 to support wireless broadband needs.<sup>8</sup> In June 2013, federal agencies were further directed to expand the availability of spectrum by accelerating efforts to share federal spectrum with non-federal users.<sup>9</sup>

According to the most recent report<sup>10</sup>—as of June 2016, or 6 years after the President’s 2010 directive and with 4 years remaining to achieve the goal—NTIA reported that it has made 245 megahertz of spectrum available, which is almost half of the 500 megahertz goal. NTIA continues to investigate opportunities to make additional spectrum available by conducting studies, consulting with the Federal Communications Commission, and undertaking research and development (R&D) activities to better understand spectrum-sharing capabilities between federal and non-federal users. Additionally, NTIA continues to search for a replacement system for the Federal Spectrum Management System (FSMS), which was terminated in 2015. FSMS was intended to support federal spectrum management by (1) identifying and managing spectrum for federal use and (2) identifying and releasing spectrum for non-federal use.

As the 2020 target approaches, NTIA’s challenge is to incorporate lessons learned from its R&D activities and consultation efforts into actual strategies that lead to more efficient use and availability of radio frequency spectrum. Also, the termination of FSMS necessitates that the Department identify a technological system that can modernize, automate, and integrate key spectrum management functions.

**Ongoing OIG oversight.** Our ongoing work includes

- *NTIA Management of the State and Local Implementation Grant Program (SLIGP).* This \$135 million grant program supports state level efforts to plan for the implementation of FirstNet. We anticipate issuing our final report in FY 2017.
- *NTIA Oversight of Grant Award to the Los Angeles Regional Interoperable Communications System (LA-RICS).* This \$154 million Broadband Technology Opportunities Program (BTOP) grantee has entered into an initial 5-year spectrum lease agreement with FirstNet, allowing it to provide wireless communication services

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<sup>8</sup> The White House Office of the Press Secretary, June 28, 2010. “Unleashing the Wireless Broadband Revolution,” Memorandum for the Heads of Executive Departments and Agencies [online]. <https://www.whitehouse.gov/the-press-office/presidential-memorandum-unleashing-wireless-broadband-revolution> (accessed August 17, 2016).

<sup>9</sup> The White House Office of the Press Secretary, June 14, 2013. “Expanding America’s Leadership in Wireless Innovation,” Memorandum for the Heads of Executive Departments and Agencies [online]. <https://www.whitehouse.gov/the-press-office/2013/06/14/presidential-memorandum-expanding-americas-leadership-wireless-innovatio> (accessed August 17, 2016).

<sup>10</sup> DOC NTIA, June 17, 2016. *Sixth Interim Progress Report on the Ten-Year Plan and Timetable*, Washington, DC: DOC NTIA.

to public safety entities. For this audit initiated in FY 2017, we will assess LA-RICS' efforts to meet grant objectives and provide the FirstNet with lessons learned.

### III. NOAA Satellites

#### *Managing environmental satellite system acquisition and development risks*

The Department must manage risks associated with the acquisition and development of environmental satellite systems. NOAA's major satellite system programs are among the Department's largest investments, totaling more than 16 percent of its \$9.7 billion FY 2017 budget request.

NOAA geostationary and polar-orbiting environmental satellites provide some of the most important data and imagery for weather forecasting and storm tracking. After a number of delays, NOAA's GOES-R program launched its first satellite—GOES-16—on November 19, 2016. The month before, NOAA announced that the JPSS program would delay the launch of JPSS-1 approximately 6 months, to the fourth quarter of FY 2017. Both have faced similar challenges completing the integration and testing of satellites and ground systems. At the same time, the programs are developing or planning for additional satellites.

Our work on these programs has highlighted the need for effective management to mitigate the potential for gaps in the environmental data provided by NOAA's current, aging systems. Below we preview the challenges posed by GOES-R, JPSS, and the Polar Follow-On programs, as well as processing data from the GOES-16 and JPSS-1 satellites and new challenges to maintaining satellite coverage.

**Completing and launching GOES-R series satellites.** A number of integration and test problems caused NOAA to delay the GOES-R estimated launch date from March 2016 to October 2016. In addition, a launch anomaly on an international space station resupply mission in March 2016 raised concerns about GOES-R's launch vehicle. After an investigation and corrective actions, GOES-R's launch date was postponed from October to November 2016, further threatening NOAA's ability to maintain a spare, on-orbit satellite. NOAA launched GOES-R on November 19 and renamed it GOES-16. Its on-orbit commissioning has reportedly gone well and, once operational, NOAA will have mitigated the risk of a gap in its geostationary satellite coverage.

However, GOES-R development issues and schedule delays have affected the progress of the program's next mission, GOES-S. NOAA slipped the GOES-S planned launch date from May 2017 to March 2018. The GOES-R mission's problems pulled resources away from the GOES-S effort and, in some cases, required the use of GOES-S components as spares for GOES-R. Further, the program is managing a risk related to the need to rework antenna stations, which are on the ground system schedule's critical path for GOES-S launch readiness.

**Completing preparations for the launch of JPSS-1.** The JPSS program was committed to launching JPSS-1 no later than the end of the second quarter of FY 2017. However, additional problems with a key instrument and further delays in the completion of its ground system led NOAA and the program to delay the launch, which is now scheduled for September 23, 2017.

The program had to significantly revise the integration and testing sequence of activities for JPSS-1 in order to accommodate the delayed completion of the Advanced Technology Microwave Sounder (ATMS) and pivoted support systems (gimbals) for the satellite's two science mission data antennas. We reported in April 2016 that JPSS-1's schedule reserves<sup>11</sup> were below the program's procedural requirements. The satellite's environmental testing campaign began in mid-March. In July 2016, testing detected additional problems with ATMS that required its removal from the satellite in order to investigate and correct.

The JPSS-1 launch is also contingent upon an upgrade of the JPSS common ground system. This major upgrade will provide new hardware and software, capabilities for supporting JPSS-1, a full backup capability, additional ground antenna stations, multiple operating environments, and significant security improvements. Its completion has been prolonged by software development and integration problems, adding risk to the JPSS-1 launch schedule.

In April 2016—before the discovery of additional problems with ATMS—we concluded that the program's ability to meet full requirements for JPSS-1 launch was at risk. Further, the program's need to revise its integration and testing approach to preserve its schedule risked having lower-level system requirements insufficiently tested.<sup>12</sup> In October, NOAA concluded that the instrument and ground system problems presented too much risk to its second quarter launch commitment date and delayed the launch to the fourth quarter.

Recently, the importance of launching JPSS-1 has taken on added urgency. The JPSS program has been responding to more frequent issues with Suomi National Polar-orbiting Partnership (Suomi NPP), which was launched in 2011 and is now operating beyond its designed mission life. Suomi NPP is the only provider of certain JPSS-quality data from the afternoon polar orbit. The loss of that data before JPSS-1 is in operation would result in a data gap that could affect the accuracy of weather forecasts.

**Establishing life-cycle cost and schedule baselines for Polar Follow-On program.** The JPSS program formulated the acquisition and development of two additional satellites—JPSS-3 and JPSS-4—which are intended to be copies of JPSS-2. Funded under the Polar Follow-On program budget, the missions will be integrated with and managed by the JPSS program. In December 2016, the Deputy Secretary of the Department of Commerce formally approved the Polar Follow-On life-cycle cost and schedule baselines.

**Preparing to process observational data from GOES-16 series and JPSS-1.** The ground system development problems both programs were addressing risked the deferral of planned operational capabilities until after the launches of GOES-16 and JPSS-1. Management attention to post-launch test activities is needed to ensure users' needs are met—and to inform a new Administration and Congress of data availability and its effect on forecasts.

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<sup>11</sup> This referred to schedule reserves toward what was then a January 20, 2017, planned launch date.

<sup>12</sup> DOC OIG, April 26, 2016. *The Joint Polar Satellite System: Further Planning and Executive Decisions Are Needed to Establish a Long-term, Robust Program*, OIG-16-026-1. Washington, DC: DOC OIG, 12–13.

The GOES-R program continues to conduct post-launch testing of GOES-16. The results of the testing will indicate whether or not certain planned capabilities will be delayed. For JPSS, we recommended, in our April 2016 report, that the National Weather Service complete a contingency plan to expedite the use of JPSS-I data, if needed, once the satellite is launched and communicate the plan to users and stakeholders by the end of the third quarter of FY 2016. We also recommended that NOAA provide stakeholders with a list of key activities for operationalizing JPSS-I data that NOAA will undertake during the potential gap period. However, NOAA has yet to complete these activities in accordance with its audit action plan.

**New challenges to maintaining satellite coverage.** Issues include the following:

*GOES backup concerns:* NOAA maintains operational geostationary satellites at two positions over the Western Hemisphere: GOES-East (the GOES-13 satellite) and GOES-West (GOES-15). A third satellite (currently, GOES-14) is kept in storage-mode at a location between them and is intended to provide backup capability should either of the operational satellites fail. Events in recent years have demonstrated the need for this redundancy. GOES-13 failures have necessitated a call-up of the backup satellite twice. Additionally, GOES-15 only has one operable star tracker remaining among its three onboard. If the final star tracker fails, GOES-15 will be unable to meet its mission requirements.

GOES-16, as the newest and fourth NOAA satellite on orbit, is planned to take one of the operational positions in November 2017.

*JPSS-I launch delay prolongs potential coverage gap:* NOAA's need to delay the launch of JPSS-I from March 2017 to September 2017 prolongs a period of increased risk of a polar satellite coverage gap due to the aging of Suomi NPP beyond its mission design life. In April 2016, using assumptions based on the program status at that time, we had assessed that NOAA would be facing a period of increased risk for 7–10 months starting in November 2016. Now, assuming a JPSS-I launch in late September 2017, the potential coverage gap period, which began in November 2016, has increased to 14–17 months.

**Ongoing OIG oversight: Audit of JPSS program performance and Polar Follow-On baseline establishment.** For an audit of JPSS and Polar Follow-On programs, our objective is to assess the cost, schedule, and technical performance of selected components of the JPSS program, as well as the establishment of Polar Follow-On program baselines.

#### **IV. NOAA Fisheries**

*Balancing the priorities of sustainable fisheries with those of multiple stakeholders*

The National Marine Fisheries Service (NOAA Fisheries) must balance two competing interests: (1) promoting commercial and recreational fishing as vital elements of our national economy and (2) preserving populations of fish and other marine life. The Magnuson-



Stevens Fishery Conservation and Management Act of 1976 (Magnuson-Stevens Act),<sup>13</sup> the Marine Mammal Protection Act of 1972,<sup>14</sup> and the Endangered Species Act of 1973<sup>15</sup> gave NOAA Fisheries responsibility for rebuilding and maintaining sustainable fisheries and promoting the recovery of protected marine species. The Magnuson-Stevens Act also made NOAA Fisheries the primary federal agency for managing marine fisheries and established a regional fishery management council system to help the agency carry out its mission.

Developing conservation and management measures requires collecting, analyzing, and reporting demographic information about fish populations via stock assessments. These assessments are a key element of the fishery management process; they are used to determine whether additional regulations are necessary to rebuild fish stocks or whether an increase in fishing opportunities can be allowed. NOAA continues to face challenges to ensuring timely and accurate assessments and providing consultation to its stakeholders. OIG's oversight of such activity includes responses to members of Congress about regional issues, as well as an upcoming review of NOAA stock assessments.

**Congressional responses.** On June 13, 2016, we received a request from Senators Blumenthal and Murphy and Congressman Courtney asking for information about fishery management across the Northeast and mid-Atlantic. Specifically, they raised issues related to the

- current management structure of black sea bass, summer flounder, and scup, as well as their statutory requirements;
- current structure of fisheries management in the area;
- effectiveness of the quota share transfer between states; and
- sufficiency of the liaison model to address concerns of one region's fishery management council where another region's council has jurisdiction.

In its August 30, 2016, response to us, NOAA stated that

- Fisheries released a formal Fisheries Allocation Review Policy and two associated procedural directives to provide a consistent approach for the Councils to periodically re-evaluate fishery allocations.
- NOAA also communicated that the Mid-Atlantic Fisheries Management Council recently voted to increase the New England Fishery Management Council's voting seats on the Demersal Species Committee—under which black sea bass, summer flounder, and scup are managed—to three. In NOAA's estimation, this approach provides another opportunity for Northern states to be involved in the management of these stocks.
- Lastly, NOAA Fisheries is currently considering a request from the New England Fishery Management Council for joint management of black sea bass, summer flounder, and scup.

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<sup>13</sup> Pub. L. No. 94-265; see also 16 U.S.C. 1801 et seq.

<sup>14</sup> Pub. L. No. 92-522; see also 16 U.S.C. 1361 et seq.

<sup>15</sup> Pub. L. No. 93-205; see also 16 U.S.C. 1531 et seq.

On September 14, 2016, our Deputy IG's response to the Congressional request stated in part that

- OIG was planning a project to inventory the science that NOAA Fisheries' Office of Science and Technology has used to estimate the population of various fish stocks.
- The Fisheries Management Councils have the authority under the Magnuson-Stevens Act to conduct any activities that are necessary and appropriate to carrying out its functions.
- With respect to issues managing fish stock and quota share transfer, NOAA and the Fisheries Management Councils have the expertise needed to address concerns related to the science used in their decisions.
- OIG presented to NOAA the Congressional concerns raised with respect to issues with the current management structure and liaison model, and requested NOAA to provide a response (which we ultimately included as an enclosure to our response).

In addition, on June 27, 2016, we received a request from Senator Rubio for OIG to review the Department's decisions and assessment modeling, especially the Beaufort Assessment Model, as it relates to the South Atlantic red snapper fishery.

OIG reached out to NOAA for information related to Senator Rubio's request. In its July 27, 2016, response to us, NOAA stated that

- A protracted benchmark stock assessment was conducted for red snapper and gray triggerfish, with various public meetings informing the decisions made with respect to these species, including the use of the Beaufort Assessment Model. This information is consolidated on a public website.
- The decision process related to these species has numerous features involving multiple stakeholders, the South Atlantic Fishery Management Council, and the NOAA Fisheries Southeast Fisheries Science Center, among others.

On August 29, 2016, our Deputy IG replied to the Senator's request by stating in part that

- OIG was planning a project to inventory the science that NOAA Fisheries' Office of Science and Technology has used to estimate the population of various fish stocks.
- OIG conveyed NOAA response to the Senator's concerns.
- To date, we have not encountered or been alerted to specific risks with respect to NOAA's actions or the Fishery Management Council process.

**Ongoing OIG oversight: Review of NOAA Fisheries stock assessment enterprise.** NOAA Fisheries manages approximately 500 fish stocks. Its stock assessments examine the effects of fishing and other factors to describe the past and current status

of a fish stock, answer questions about the size of a fish stock, and make predictions about how a fish stock will respond to current and future management measures.

On January 13, 2017, OIG initiated a project for inventorying the science that NOAA Fisheries' Office of Science and Technology has used to estimate the population of various fish stocks. NOAA has provided us a list of 40 models and 964 assessments completed since 2004 and their respective scientific models. Our preliminary work is currently underway.

## **V. Oversight of the Department's Management and Spending**

### *IT and cybersecurity issues*

Our Cybersecurity Act of 2015 audit identified that the Department faces significant challenges to securing its national security systems.<sup>16</sup> We found that the Department had not followed longstanding requirements for managing the security risks for some of its national security systems. After we disclosed this issue to the Department's senior management, the Chief Information Officer developed a plan to correct the issues we identified. Currently, the Department is in the process of mitigating the security risks.

The Enterprise Security Operations Center (ESOC) is to provide Department-wide security situational awareness to senior Departmental and bureau managers. To meet OMB's requirement,<sup>17</sup> the Department has also designated ESOC as its principal security operations center, which will be responsible for coordinating communication with the Department of Homeland Security, U.S. Computer Emergency Readiness Team, and OMB; and sharing cybersecurity intelligence and information with the Department's bureaus. In August 2016, ESOC began to receive and analyze cyber security-related information covering all of the Department's bureaus.

As part of the Department's enterprise continuous monitoring initiative, the Enterprise Cybersecurity Monitoring and Operations (ECMO) is to provide timely information about vulnerabilities to system owners in the bureaus. ECMO has been funded through the Department's working capital fund (WCF). In FY 2016, the Department put the implementation of ECMO on hold until its WCF received additional funding. This action delayed the Department-wide continuous monitoring capabilities to its high-impact systems. Currently, the Department plans to complete the implementation of ECMO on high-impact systems by the end of September 2017.

### *Creating a Department-wide culture of accountability*

Over the course of 2016, OIG's Office of Investigations (OI) processed more than 500 complaints regarding the Department's operations; opened more than 80 investigations into allegations of fraud, waste, and abuse related to the Department's programs and funds; and

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<sup>16</sup> DOC OIG, August 4, 2016. *Review of IT Security Policies, Procedures, Practices, and Capabilities in Accordance with the Cybersecurity Act of 2015*, OIG-16-040-A. Washington, DC: OIG.

<sup>17</sup> OMB, October 30, 2015. *Cybersecurity Strategy and Implementation Plan (CSIP) for the Federal Civilian Government*, M-16-04. Washington, DC: OMB, 16.

closed more than 50 open investigations. Many of these closed investigations resulted in successful criminal convictions (8), suspension or debarment actions (10), and administrative disciplinary actions (5).

OIG released two investigative reports to the public in 2016. One report described OIG's detailed analysis of work hours claimed by more than 8,000 patent examiners at the U.S. Patent and Trademark Office. In that investigation, we found hundreds of thousands of hours that examiners claimed to work that could not be supported by evidence of actual work, which equated to more than \$18 million in potential waste. The second report detailed evidence gathered by OIG showing how a high-ranking political appointee received multiple unwarranted reimbursements for expenses he incurred during stays at luxury hotel accommodations while on official travel, inappropriately used a subordinate to handle personal tasks for him on a regular basis, and caused his agency to spend thousands of dollars on questionable expenses associated with renovation work that he wanted done to his office suite.

**Preventing travel abuse.** In the latter case, pertaining to government travel, our inquiries raised concerns about the Department's compliance with governing laws and rules, particularly the Federal Travel Regulation and the Department's travel-related policies. In particular, we identified issues with Department personnel involved in the preparation and approval of official travel, specifically with regard to premium-class travel involving senior Department personnel. While some of the problems identified in these inquiries appeared to result from intentional abuse, other failures stemmed from critical misunderstandings of key travel-related laws and rules by one or more employees responsible for administering travel.

**NOAA Fisheries' Alaska Regional Office Use of Contract Raises Issues Regarding Personal Services.** We reviewed a complaint received in January 2015 from a confidential complainant regarding NOAA Fisheries Alaska Regional Office's use of grants and cooperative agreements. The objective of our review was to determine whether NOAA inappropriately used a cooperative agreement and grant to acquire personal services, as alleged by the confidential complainant.

We were unable to substantiate the complainant's claim. However, we did find that the regional office used a contract to acquire administrative support services, the execution and management of which contained similarities in appearance to prohibited personal services contracts, which should be avoided to ensure that NOAA Fisheries does not inappropriately supplement its full-time employee workforce.

We recommended that the Assistant Administrator for Fisheries (1) develop a control process that restricts future awards from being managed as personal service contracts; and (2) distribute guidance to NOAA Fisheries program staff on statutory restrictions and limitations relating to personal services contracts.

**Conference spending issues.** On December 2, 2016, we issued a memorandum, *Biweekly Reporting on Conference Spending by the Department of Commerce* (OIG-17-006-M), that provides the results of OIG's analysis of biweekly conference spending reports provided by the Department. Our review found the following results:

- *USPTO is likely under-reporting its FY 2016 conference activity to OIG.* In its FY 2015 biweekly submissions to Office of Administration Programs (OAP), the U.S. Patent and Trademark Office (USPTO) reported a total of 36 conferences. In FY 2016, USPTO reported none. OIG noted that USPTO’s interpretation of the policy is overly broad and, through its application, may not be reporting conference information as envisioned by Congress or OMB.
- *It is unclear whether the Census Bureau is under-reporting its FY 2016 conference activity to OIG.* In its FY 2015 biweekly submissions to OAP, the Census Bureau (Bureau) reported a total of 14 conferences. In FY 2016, the Bureau has reported 3. The Bureau’s explanation indicates that, upon clarification of the policy, it stopped reporting these training events. It is not clear who provided this clarification to the Bureau—and, while its explanation refers to an “opinion” to not report on similar events in FY 2016, this opinion was not provided to OIG nor was it described as a legal opinion.

## **VI. OIG Recommendations Issued to the Department of Commerce**

Our office is committed to ensuring that the Department resolves and implements each recommendation provided in our products. Since FY 2015 alone, we have provided 205 recommendations to the Department, identifying program improvements, operational efficiencies, and cost savings in a wide range of programs and activities. For those delivered in FY 2015, 57 of 86 have been implemented by the Department—a rate of 66 percent for those issued during this time. For FY 2016, this rate is currently 30 percent (33 of 111 recommendations implemented), as the Department begins to take action on many of these recommendations in FY 2017. Overall, 115 recommendations—issued between October 1, 2015, and the end of January 2017—remain either unresolved or unimplemented as of the end of January 2017.

Much of our work produces results that directly benefit the taxpayer. With respect to OIG’s return on investment, we have reported more than \$125 million in monetary benefits over the last 2 full fiscal years. These include (a) questioned costs and (b) funds to be put to better use as a result of audits and inspections, as well as (c) monetary issues identified by investigations.

In addition to the recent and upcoming work we have highlighted in the above discussion of Department challenges—which included agencies and programs of particular interest to this Committee—OIG is engaged in other oversight work on challenges related to, among other issues,

1. preparations for the 2020 decennial census,
2. U.S. Patent and Trademark Office programs,
3. the National Institute of Standards and Technology,
4. the International Trade Administration’s Commercial Service and Enforcement and Compliance offices, and
5. the Department’s and operating units’ working capital funds and unliquidated obligations.

OIG expresses its appreciation to the former Secretary of Commerce for supporting our efforts as Department management addressed our recommendations. We look forward to the continued support of the incoming Secretary.

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This concludes my prepared statement, and I will be pleased to respond to any questions you or other Committee members may have.