



Testimony of

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Commerce, Justice, and Science Subcommittee
U.S. House of Representatives

Commerce OIG Budget Hearing

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Introduction

Chairman Rogers, Ranking Member Cartwright, and members of the subcommittee:

Thank you for the invitation to address the subcommittee today. I appreciate the opportunity to testify about the Office of Inspector General's budget and our strong oversight of Department of Commerce programs and initiatives. I'm grateful for your continued interest in and support of our work. I look forward to our dialogue today and a conversation about the important work OIG accomplishes.

I'll provide an overview of OIG's budget and explain how our resources are deployed to address several high-profile areas—the CHIPS and Science Act, the Infrastructure Investment and Jobs Act (IIJA), cybersecurity, and other efforts within the Department and its bureaus. I will also share with you the improvements I have made to OIG's culture and work environment. I am encouraged by the strides my colleagues have made, and I am proud of the results they have produced and look forward to the tremendous opportunities ahead of us.

Budget Overview

I'd first like to thank the subcommittee for your longstanding support of our office, including our FY 2023 appropriation. Your support recognizes the importance of OIG's work, enables OIG to enhance oversight in several of the Department's critical programs, and allows OIG to tackle the Department's new lines of effort, including the CHIPS and Science Act and the Infrastructure Investment and Jobs Act (IIJA).

The CHIPS and Science Act provides a total of \$47 million in funding to OIG for oversight of the CHIPS for America Fund (\$25 million) and the Public Wireless Supply Chain Innovation Fund (\$22 million). In addition, we received \$18 million in IIJA funds for oversight of three broadband programs. The Disaster Relief Supplemental Appropriations Act of 2023 provided \$2 million for oversight of the Economic Development Administration's (EDA's) economic development assistance programs.

I greatly appreciate the subcommittee supporting OIG's FY 2023 request to replace previous annual transfers for Census, NOAA, and FirstNet oversight with direct appropriations, recognizing that this work is both important and enduring. The appropriation also continued the annual transfer from the U.S. Patent and Trademark Office (USPTO) and provided \$1.9 million to offset inflationary increases, which almost entirely stem from increases to personnel costs.

As a result of the subcommittee's support, OIG is creating an audit team to address the ongoing challenges in ensuring fair and secure trade, particularly in relation to China and Russia. OIG is also adding a team to focus on the National Institute of Standards and Technology (NIST) and is enhancing oversight of USPTO's intellectual property activities.

As good stewards of the resources the subcommittee has provided, OIG is also committed to streamlining its own operational costs and improving efficiency. For example, OIG plans to relocate its headquarters from the Herbert C. Hoover Building in downtown Washington, DC,

to a GSA-managed facility. The new HQ would offer an open space that will enhance teamwork and communication and reduce rent and utility costs by nearly two thirds. The move will also improve network reliability and data security by allowing OIG to operate its own network apart from the Department's, further enhancing OIG's independence. The new office would be 25 percent smaller than OIG's headquarters in the Hoover Building. OIG is also working to reduce regional office sizes and their costs. Shifting resources from overhead to oversight will increase OIG's overall effectiveness.

We can also increase our effectiveness by modernizing our investigative approaches. Law enforcement and investigative work have become increasingly technical over the last decade, and OIG's need for enhanced support in cyber, digital forensics, data analytics, forensic accounting, and investigative analysis has risen dramatically. To meet the need for proactive fraud investigation and address the changing nature of investigative work, OIG proposes to create 15 new technical investigative and audit positions to provide oversight of the Department's most vulnerable program areas. This will help detect fraud earlier as well as detect fraud that would otherwise have gone unnoticed.

In addition, OIG anticipates that contracts and grants will continue to be attractive targets for fraudsters. We are therefore requesting \$3.0 million to enable OIG to proactively target contract and grant fraud. Our Office of Investigations has already begun laying the groundwork to help prevent and detect fraud schemes and will further amplify its focus on contract and grant fraud.

Overall, OIG intends to increase its staff to 237 by the end of FY 2023, including new IJA and CHIPS Act positions as well as 12 positions funded through the USPTO transfer. We are also requesting funding sufficient for a complement of 252 staff by the end of FY 2024. Our request includes \$2.3 million for inflationary adjustments, which are almost entirely a result of increases in personnel costs—over 70 percent of OIG's FY 2023 budget is consumed by salaries and benefits.

Growth of this magnitude will be a challenge, but OIG is very competitive in today's labor market. In August 2021, OIG began increasing the geographic dispersion of its staff to match the broad reach of the Department's work. This effort has provided a much broader and deeper applicant pool, enabling OIG to bring substantially higher-quality applicants on board.

Oversight of Key Initiatives

OIG provides independent oversight through audits, evaluations, inspections, and investigations. As you know, the Department of Commerce has a diverse and varied mission, and with the Subcommittee's help, OIG has designed a nimble oversight program to review and report on activities across the Department, as well as within specific bureaus and key initiatives.¹ Here I

¹ For a description of specific challenges OIG has identified for the Department, see DOC OIG, October 13, 2022. *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2023*, OIG-23-001. Washington, DC: DOC OIG.

will discuss three key departmental initiatives that OIG will focus on in the coming years: CHIPS, IIJA, and improving cybersecurity.

Oversight of Semiconductor Reshoring and Production Through the CHIPS and Science Act

The COVID-19 pandemic and its impacts helped crystalize awareness that our nation's security and economy rely heavily on access to semiconductors. Over the last three decades, the U.S.'s production of semiconductors has decreased; by enacting the CHIPS and Science Act, policymakers affirmed that we need to increase domestic production of them. The Department will play a key role in executing this law, and OIG is committed to performing oversight.

The Act provides the Department with up to \$39 billion in direct funding, up to \$11 billion for research and development, and up to \$75 billion in direct loans and loan guarantees. The funding may be used for

- construction, expansion, or modernization of facilities and equipment;
- site development and modernization;
- workforce development; and
- reasonable operating costs (as determined by the Department).

The Act also provides OIG with approximately \$25 million over 5 years for CHIPS oversight. We are grateful for the funding, and we are hiring staff for two audit teams to conduct CHIPS program oversight. We expect the staff will include at least one subject matter expert in semiconductor materials and technology. These new teams will be a vital part of OIG's independent, continuous oversight of the program, to include determining whether

- eligible entities use the funding received under the program in accordance with established requirements;
- entities receiving financial assistance carry out their commitments to worker and community investments;
- the required agreement has been carried out to give covered entities sufficient guidance about violations of the agreement;
- Congress receives timely notification about violations of the required agreement and how that determination was reached; and
- the Department has sufficiently reviewed any covered entity engaging in a listed exception.

OIG has already identified preliminary challenges for the Department, including managing its workforce to meet new demands as well as implementing controls and oversight for this new program and its corresponding funding.

Improving Broadband Internet Access Through IIJA

OIG is also committed to oversight of the Department's broadband infrastructure funding. By enacting IIJA, Congress highlighted the critical importance of affordable, high-speed broadband

for individuals, families, and communities to be able to work, learn, and connect remotely. Increasing access to broadband is an ongoing national challenge.

In 2021, IIJA provided roughly \$65 billion with the stated intention of ensuring that every American has access to reliable high-speed internet. IIJA included investment in broadband infrastructure deployment that builds on investments from previous laws, including the American Rescue Plan Act of 2021 (ARPA) and the Consolidated Appropriations Act, 2021 (CAA). The National Telecommunications and Information Administration (NTIA) will use \$48 billion of this funding to

- implement new programs² that provide funding for infrastructure deployment and adoption;
- expand and extend middle mile infrastructure to reduce the cost of connecting unserved and underserved areas to the internet backbone;
- direct funding to tribal governments for broadband deployment on tribal lands; and
- promote digital inclusion and equity.

OIG is building three teams to focus on audits of these broadband programs. As part of its oversight, OIG will also issue a series of semiannual reports summarizing the status of IIJA programs. These reports will provide program milestone dates, status of funds awarded to date, status of remaining funding, and oversight findings OIG has reported on. The first report was issued this past January.³

In addition, OIG is auditing the Tribal Broadband Connectivity Program (TBCP) to determine whether NTIA properly disbursed federal funds provided for the program, and whether grantees and subrecipients used TBCP funds for their intended purposes.

Improving Cybersecurity While Addressing Longstanding IT Challenges

In May 2021, Executive Order 14028 was issued with the stated purpose of combatting ever-increasing cyberthreats.⁴ The executive order moved the government toward zero-trust cybersecurity principles. Implementing the new security requirements presents a challenge for the Department, which must continue to mature its program to address longstanding cybersecurity weaknesses while transitioning to a zero-trust architecture.

In its most recent *Top Management and Performance Challenges* report,⁵ OIG again includes the maturation of DOC's IT security program among the challenges for the Department in

² These programs include the Broadband Equity, Access, and Deployment Program; the Enabling Middle Mile Broadband Infrastructure Program; the Tribal Broadband Connectivity Program; and the Digital Equity Act Program.

³ DOC OIG, January 24, 2023. *Semiannual Status Report on NTIA's Broadband Programs*, OIG-23-009. Washington, DC: DOC OIG.

⁴ White House, May 12, 2021. *Executive Order on Improving the Nation's Cybersecurity*. Washington, DC: White House. Available online at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/> (accessed July 19, 2022).

⁵ DOC OIG, October 13, 2022. *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2023*, OIG-23-001. Washington, DC: DOC OIG.

FY 2023. OIG has identified several key areas that will require prioritization from the Department, including using multifactor authentication (MFA) Department-wide, modernizing legacy systems, and securely managing user accounts and permissions. OIG's recent audit work has highlighted barriers and challenges in these areas.^{6,7}

Transitioning to zero-trust architecture also poses a challenge to the Department. Zero trust moves away from a perimeter-defense mindset, allowing for additional protection checkpoints each time a user wants to access data instead of giving full trust to inside users. Implementing zero trust will require comprehensive changes to the Department's IT security program. Many of the new requirements touch on longstanding challenges that also impact the maturity of the Department's information security program. In fact, the Department has already failed to meet the deadlines for implementing some requirements, such as the requirement to adopt MFA and data encryption Department-wide by November 8, 2021.

OIG has observed improvement in the incident response capabilities of the Enterprise Security Operations Center and the Census Bureau, with the Department taking sufficient action to result in the closing of a number of previously open audit recommendations.^{8,9} From FY 2020 to FY 2021, the Department also increased the maturity of two functional areas related to the Federal Information Security Management Act of 2002 (FISMA), and it maintained this improvement in FY 2022.¹⁰ Despite this progress, longstanding weaknesses will remain until the IT security program is consistently implemented across all the Department's bureaus.

Ongoing Department and Bureau-Specific Oversight

In addition to these key initiatives, OIG continues to provide oversight to specific Commerce bureaus and program offices. OIG remains committed to providing timely, relevant oversight in a variety of top challenge areas.

Managing and Safeguarding Pandemic-Related Funding

It's been just over 3 years since the COVID-19 pandemic was declared a nationwide emergency. Although restrictions have eased and case numbers have gone down, OIG remains focused on the Department's pandemic-related funding. As with the broadband infrastructure initiative, OIG continues to prioritize the funding the Department received for grants to ease the pandemic's burden on people and businesses.

⁶ DOC OIG, June 15, 2022. *The Department Mismanaged, Neglected, and Wasted Money on the Implementation of IT Security Requirements for Its National Security Systems*, OIG-22-023-I. Washington, DC: DOC OIG.

⁷ DOC OIG, July 20, 2022. *USPTO Needs to Improve Its Cost Estimating, Scheduling, and Agile Practices to Timely Retire Patent Legacy Systems*, OIG-22-026-A. Washington, DC: DOC OIG.

⁸ DOC OIG, August 16, 2021. *The U.S. Census Bureau's Mishandling of a January 2020 Cybersecurity Incident Demonstrated Opportunities for Improvement*, OIG-21-034-A. Washington, DC: DOC OIG.

⁹ DOC OIG, November 22, 2022. *Simulated Internal Cyber Attack Gained Control of Critical Census Bureau Systems*, OIG-23-004-I. Washington, DC: DOC OIG.

¹⁰ FISMA has five function areas: *Identify, Protect, Detect, Respond, and Recover*. The Department increased its maturity for *Identify* and *Respond* from FY 2020 to FY 2021.

The total dollar amount of the Department's obligated grant awards increased substantially after Congress passed multiple spending bills allocating funding for pandemic relief. In FYs 2020 and 2021, the Department received more than \$6.9 billion under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), CAA, and ARPA to support the Department's response to the pandemic. For example, EDA's obligated grant award amounts doubled—from \$760 million to \$1.5 billion— between FY 2019 and FY 2021, and rose again to almost \$3.9 billion in FY 2022.

This infusion of funding also increases departmental programs' exposure to potential fraud. One of OIG's top investigative priorities is to pursue fraud associated with the pandemic; approximately 15 percent of our open investigations are pandemic related. The fraud schemes associated with our open investigations include false certifications by labs contracted to perform COVID-19 testing for the Department, false certifications and misuse of EDA-administered CARES Act and ARPA resources by revolving loan fund recipients, and misrepresentation of project eligibility for funds administered by NTIA under CAA 2021.

OIG is also pursuing four proactive initiatives around the country to identify potential fraud by recipients of pandemic funds administered by the Department. And, in 2022, OIG became a member of the Pandemic Response Accountability Committee Task Force, joining 14 other OIGs in providing investigative resources to pursue fraud related to various pandemic programs, including the Paycheck Protection Program and the Economic Injury Disaster Loan program.

Managing Contracts and Grants

Since the vast majority of the Department's budget goes toward contracts and grants—especially considering the funding infusions from CHIPS, IJJA, and pandemic relief programs—OIG has long identified improving contract and grant management as a top challenge.

In addition to funding and managing the key initiatives discussed above, the Department must ensure programs approved for State Small Business Credit Initiative funding comply with program requirements. In April 2022, the Department of Treasury announced that the Minority Business Development Agency would receive \$100 million in grant funding, which will focus its technical assistance on helping underserved entrepreneurs seeking direct capital investment.

Hiring and retaining experienced acquisition staff is part of this ongoing challenge. Acquisition services require well-qualified personnel to award and administer complex acquisitions and successfully prioritize a workload distribution that aligns with the Department's strategic goals.

OIG's audit work also continues to identify significant vulnerabilities in how the Department manages contract and grant file documentation, which could expose the Department to substantial financial losses.

As previously mentioned, fraud by Department contractors and grantees is a significant risk and this focus area has become OIG's highest investigative priority. Before FY 2021, contract and grant fraud investigations accounted for 35 to 40 percent of OIG's cases; they now account for

65 percent. Recognizing the risks associated with a significant influx of funding, OIG is also proactively providing guidance on how to prevent, detect, and resolve contract and grant fraud.

Investing in NOAA's Ability to Provide Timely Environmental Data

NOAA's satellite systems, fleets of ships and aircraft, and ground-based systems provide environmental data that are critical inputs to weather and climate forecasts. NOAA must ensure the continuity of environmental data and provide timely, high-quality forecasts.

OIG has identified several key challenges for NOAA:

- maintaining continuity of its current geostationary and polar satellite systems, which gather important data on weather, environment, space, and more;
- investing in the next generation of satellites to ensure long-term continuity;¹¹
- managing challenges and risks in the acquisition, development, and construction of its fleet of ships and aircraft to avoid gaps and ensure mission continuity;¹²
- sustaining cost-effective improvements in the forecasting of high-impact weather events such as tornadoes and hurricanes;^{13,14,15}
- ensuring national weather radar continuity and minimizing coverage gaps; and
- enhancing commercial space technologies and capabilities by providing a service to help avoid collisions of satellites in orbit.¹⁶

OIG's audit work helps assess NOAA's response to these challenges and will provide recommendations for further improvement.

NIST's Oversight of Manufacturing Extension Partnership Program

As a result of increased funding, OIG was able to establish a dedicated team for NIST oversight. OIG recently evaluated NIST's oversight of its Manufacturing Extension Partnership (MEP) program and identified \$6.9 million in total funds that could be put to better use,¹⁷ concluding the following:

- Excess program income was not strategically reinvested to further MEP; rather, MEP Centers were permitted to retain a portion as unrestricted funds with no accountability to MEP, the federal government, or the public.

¹¹ DOC OIG, June 8, 2022. *The Success of NOAA's Next-Generation Satellite System Architecture Depends on Sound Requirements Management Practices*, OIG-22-022-A. Washington, DC: DOC OIG.

¹² DOC OIG, May 25, 2021. *OMAO Must Define and Implement a Disciplined Requirements Management Process to Ensure Future Acquisitions Meet User Needs*, OIG-21-027-1. Washington, DC: DOC OIG, p. 2-7. Note: Our office contracted with the MITRE Corporation, an independent firm, to perform this evaluation.

¹³ Weather Research and Forecasting Innovation Act of 2017 (2017 Weather Act), Pub. L. No. 115-25 (2017).

¹⁴ Hurricane Ida alone caused \$78.7 billion in damages, the fifth costliest storm on record.

¹⁵ See DOC NOAA. *National Hurricane Center Forecast Verification—Performance Measures and Goals* [online]. <https://www.nhc.noaa.gov/verification/verify8.shtml> (accessed July 25, 2022).

¹⁶ White House, June 18, 2018. *Presidential Memoranda: Space Policy Directive-3, National Space Traffic Management Policy, SPD-3*. Washington, DC: White House.

¹⁷ DOC OIG, March 13, 2023. *NIST Must Improve Monitoring of MEP to Prevent Waste of Financial Resources*, OIG-23-014-I. Washington, DC: DOC OIG.

- Inadequate review of the reasonableness of salaries at MEP Centers resulted in executives receiving salaries higher than the limits used by other federal agencies.
- Potential conflicts of interest at MEP Centers were not addressed; board members at 12 Centers who were also owners or executives of companies used those companies to provide or receive services from the same Centers on whose boards they served.

Using NIST's own economic impact reporting, if the funds OIG identified had been reinvested into MEP, it could have boosted the U.S. manufacturing sector by creating or retaining about 6,000 jobs, increasing investments by \$238 million, and generating \$180 million in new sales.

OIG plans to review NIST's monitoring of MEP economic impact reporting and NIST's MEP financial assistance awards.

Promoting Trade While Protecting the United States

As one of the government's leading trade enforcement and promotion agencies, the Department helps U.S. companies be more competitive abroad and attract foreign investment while protecting U.S. national security interests.

OIG has identified the following top challenges related to trade enforcement:

- combating unfair trade practices by effectively resolving trade barriers and enforcing U.S. trade agreements;
- combating China's military-civil fusion strategy, which seeks to acquire foreign technology to modernize China's military; and
- ensuring proper implementation of export controls related to Russia's invasion of Ukraine. (In response to the invasion, the Bureau of Industry and Security (BIS) imposed strict export controls on Russia, including items that had not previously been subject to the Export Administration Regulations.)

OIG has undertaken several audits to assess efforts in these areas. Later this year, OIG will issue an audit report on the International Trade Administration's efforts to resolve foreign trade barriers. OIG is also reviewing whether BIS properly granted licenses for Export Administration Regulations-controlled exports to China, and OIG plans to assess the effectiveness of BIS' progress enforcing Russia and Belarus export controls.

Supporting First Responders Through FirstNet Authority

The Middle-Class Tax Relief and Job Creation Act of 2012 established the First Responder Network Authority as an independent authority in NTIA to ensure the building, deployment, and operation of the National Public Safety Broadband Network, dedicated to first responders. On March 28, 2017, FirstNet Authority entered a 25-year contract with AT&T to build and operate the network. This arrangement involves an initial obligation by FirstNet Authority of up to \$6.5 billion to deploy the network, a dedicated broadband spectrum for AT&T, and AT&T's spectrum lease payments to FirstNet Authority, which will support FirstNet Authority's operations and improvements to the network.

The Act requires FirstNet Authority to reinvest a portion of AT&T's annual payments into the network to maintain and improve it. Of the \$18 billion AT&T will pay over 25 years, approximately \$15 billion is expected to be used for reinvestments.

Priority areas related to FirstNet Authority include ensuring

- a process for reinvesting the annual payments from AT&T, including following GAO guidance when evaluating reinvestment proposals¹⁸ and establishing a sound process for selecting reinvestment opportunities;¹⁹
- sufficient oversight of the contract's task orders;²⁰ and
- proper network adoption and coverage.

We initiated two audits in the second half of FY 2022 to evaluate FirstNet Authority's oversight of the network's coverage and device connection targets. The audits will determine whether FirstNet Authority is ensuring that AT&T is achieving the desired connection and coverage results for each state and territory, and that FirstNet Authority is paying only for the connection and coverage services provided.

Ensuring an Accurate 2030 Census

For FY 2023, the Census Bureau requested funding to continue its research and testing to develop the design for the 2030 census. This design will capitalize on several innovations, such as the way the address list is developed and maintained, the use of administrative records as a source of data for enumeration, and more efficient field operations.

OIG has identified these priority areas related to the Census Bureau:

- ensuring the timely delivery of 2020 census studies and the timely completion of the 2020 Post-Census Group Quarters Review, needed to inform 2030 census planning;
- ensuring information from the Post-Enumeration Survey, which helps measure the census's accuracy, is used to develop a strategy for obtaining a more accurate count of certain demographic groups and state populations in 2030;
- enhancing the accuracy and reliability of the bureau's address list; and
- ensuring data products provide timely, reliable, and quality data to stakeholders.

OIG has planned or undertaken several audits and evaluations related to these challenges:

- OIG is auditing the bureau's efforts to ensure data quality for its reimbursable surveys and ensuring 2020 Census paid advertising efforts achieved desired outcomes, with reports planned for summer 2023.

¹⁸ DOC OIG, August 25, 2022. *FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices*, OIG-22-029-A. Washington DC: DOC OIG

¹⁹ DOC OIG, November 28, 2022. *FirstNet Authority Could Not Demonstrate Investment Decisions Were the Best Use of Reinvestment Funds or Maximized the Benefits to Public Safety*, OIG-23-005-A. Washington DC: DOC OIG

²⁰ DOC OIG, March 1, 2023. *FirstNet Authority Failed to Provide Adequate Contract Oversight for Its Initial Two Reinvestment Task Orders*, OIG-23-012-A. Washington DC: DOC OIG

- OIG is working with a contractor to evaluate the bureau’s 2020 Census Evaluations and Experiments operation, with a report planned for summer 2023.
- Later in FY 2023, OIG will initiate audits to assess the validity of Post-Enumeration Survey results for overcounts and undercounts, and whether the bureau has improved the accuracy of its master address file.

Ensuring Fast, High-Quality Patent and Trademark Processing

The United States’ intellectual property system can drive innovation to meet society’s challenges. High-quality, timely patent and trademark examinations aid innovation and help maintain U.S. leadership in intellectual property.

But USPTO faces numerous challenges, including

- timeliness for processing both patents and trademarks;
- improving review quality and perception by its customers;
- considerable growth in demand for trademark registration in recent years, contributing to a backlog of applications awaiting initial examination (longer wait times can burden businesses, forcing them to change brand strategies and leaving them uncertain about their trademark rights);
- concerns about fraudulent or inaccurate applications or registrations, despite initiatives launched in response to our FY 2021 audit report and the requirements of the Trademark Modernization Act of 2020;²¹
- IT investment that is misaligned with budget planning, including cost estimation and planning when retiring legacy systems;²² and
- strengthening contract award processes to avoid unnecessary or unreasonable costs,²³ including over \$22 million in questioned costs related to USPTO’s use of noncompetitive contracts.

As part of its ongoing oversight of USPTO, OIG has initiated audits of the patent classification and routing process as well as USPTO’s acquisition practices. With the additional FY 2023 funding, we have been able to expand our teams and initiate an evaluation of USPTO’s and the Department’s ethics programs to prevent financial conflicts of interest by USPTO patent examiners.

Modernizing IT Systems and Supported Operations

The Department is acquiring new financial and grants management systems to support enterprise-wide operations on common platforms. IT acquisitions and operations often suffer from poorly defined system requirements, lack of project planning, and ineffective program

²¹ DOC OIG, August 11, 2021. *USPTO Should Improve Controls over Examination of Trademark Filings to Enhance the Integrity of the Trademark Register*. OIG-21-033-A. Washington, DC: DOC OIG.

²² DOC OIG, July 20, 2022. *USPTO Needs to Improve Its Cost Estimating, Scheduling, and Agile Practices to Timely Retire Patent Legacy Systems*. OIG-22-026-A. Washington, DC: DOC OIG.

²³ DOC OIG, August 16, 2022. *USPTO Should Strengthen Its Planning and Oversight of Patent Data Capture Contracts to Manage Risks and Prevent Unnecessary Costs*, OIG-22-028-A. Washington, DC: DOC OIG.

oversight. But modernization efforts also present opportunities to improve key business processes. OIG has identified these key challenges for the Department:

- avoiding further delays in the implementation of its Business Applications Solution (BAS) program, which is replacing legacy financial systems; and
- managing risks to the implementation of an enterprise grants management system.

OIG's audit work has resulted in key recommendations for the BAS program.²⁴ Our follow-on audit of BAS and planned work on the grants management system effort will help these programs succeed.

OIG Culture and Improvements

My testimony so far has provided details on OIG's budget and how OIG provides oversight of key Commerce initiatives as well as ongoing oversight to the Department and its bureaus. I'd like to conclude by sharing a bit about our office. I am proud of the work OIG does and the people that make it all happen. We are committed stewards of taxpayer dollars, and my team and I constantly look for achievable improvements—both to the work we do and within our culture and environment to ensure we maintain a highly effective, productive workforce.

Improvements to OIG's Operations and Employee Satisfaction

When I assumed the duties of IG at Commerce, I walked into a difficult situation. Morale was extremely low. Turnover was extremely high. The office had a high degree of dysfunction, particularly within its leadership ranks. None of those things are true today. The following are among our many accomplishments over the past few years:

- We've improved our audit processes and our report review process. The quality of our audit products has risen and stayed high.
- Our HR office has consistently ranked among the top servicing HR offices in the Department of Commerce. We're proud to hire a greater percentage of veterans than any other entity in the Department.
- Our Office of the Chief Information Officer has completely turned around what was a poorly performing network and now leads the Department in many ways.
- Our CFO adeptly manages our budget every year, and we efficiently use all funding.
- Federal Employee Viewpoint Survey scores tell us that morale has risen and stayed high.
- In the two most recent Best Places to Work rankings, OIG's scores in the overall engagement index rose 29.6 points to the highest scores ever for this OIG. The scores rose more than for any other OIG in the rankings.
- The Best Places to Work index that deals with effective leadership has likewise reached its highest scores ever, increasing by 28.9 points in 2 years.
- We were ranked number one of all OIGs in the new Employee Well-Being Index, scoring 97.6.

²⁴ DOC OIG, July 7, 2022. *The BAS Program Needs to Increase Attention to Business Process Reengineering and Improve Program Management Practices*, OIG-22-025-A. Washington, DC: DOC OIG.

- Our recruiting is the best it's ever been. We hire highly skilled and experienced employees. We do it quickly, and we retain them. We're in our fourth year of very low employee turnover.

One of the main drivers of success has been our emphasis on communication, with 93 percent of OIG employees rating internal communication from leaders as effective. We're very open to input from employees, we tell our employees what we are doing and why, we work to make sure they know what is going on throughout the organization, and we recognize and celebrate excellent performance.

Improvements to the Office of Investigations

I'd also like to highlight specific improvements to how OIG's Office of Investigations operates. First, since FY 2020 we've doubled its staff, from 19 employees to 40. We've reshaped the office to include a division that provides training and support for all of our investigators. We also created a headquarters investigative team that focuses on whistleblower retaliation investigations, senior level employee misconduct, and hotline triage, while allowing the Investigative Operations Division to focus on high-impact contract and grant fraud investigations.

We've made a concerted effort to refocus investigative capabilities and priorities on the most vulnerable programs, with the highest potential return on investment and the greatest impact for the Department and taxpayers.

We've also shifted the culture from relying on hotline complaints to being a proactive investigative team, including

- conducting outreach and providing fraud awareness training to government personnel, contractors, grantees, and subrecipients so they know what and how to report fraud;
- conducting outreach with the Department of Justice, other OIGs, partner law enforcement agencies, and state and local oversight agencies around the country to make them aware of our mission and investigative interests;
- applying algorithms for fraud indicators to use in analysis and data mining;
- leveraging audits and auditors, who are often in position to identify fraud indicators; and
- partnering with the Department to implement antifraud measures into contract and grant requirements, before funds are distributed.

We've already seen results from this shift to proactivity:

- Cases opened based solely on analysis and investigator efforts increased from just 2 percent of total cases in FY 2019 to 37 percent in FY 2022.
- Cases opened based on analysis, investigator efforts, liaison, and audit referrals jumped from 6 percent in FY 2019 to over 60 percent thus far in FY 2023.

Conclusion

I'm grateful for the subcommittee's and Congress's continuing support of OIG. I'm proud of the work that we do and the progress that the office has made. I'm excited to see us continue to improve and to provide independent oversight that will help the Department meet its mission and support Congress in its legislative and oversight roles. I'm grateful for the opportunity to testify here today and I welcome any questions you may have.

Peggy E. Gustafson

Peggy E. (Peg) Gustafson was sworn in as Inspector General of the U.S. Department of Commerce on January 9, 2017. Peg was nominated by the President in March 2016 and confirmed by the Senate on December 10, 2016. Peg leads a team of auditors, investigators, attorneys, and support staff responsible for reviewing and improving the Department's business, scientific, economic, and environmental programs and operations.

Before assuming her current post, Peg was the Inspector General of the U.S. Small Business Administration, a position she had held since October 2009. She previously served as General Counsel to Claire McCaskill (D-MO), where she advised the Senator on government oversight issues and helped write two bills that have significantly strengthened the federal offices of Inspectors General: the Inspector General Reform Act of 2008 and the legislation that strengthened the office of Special Inspector General for the Troubled Asset Relief Program.

During her tenure as Chair of the Legislation Committee for the Council of Inspectors General on Integrity and Efficiency, Peg worked with lawmakers on legislation to ensure the continued independence of Inspectors General, including the Inspector General Empowerment Act of 2016, which passed Congress and was signed into law in December 2016.

From 1999 to 2007, Peg served as General Counsel in the Missouri State Auditor's Office. In that capacity, she worked closely with the auditors on issues of the scope of their duties, their need to access records, and all other legal issues arising in the course of the audits. She also served as an assistant prosecuting attorney for Jackson County, Missouri, serving as the Chair of the Insurance Fraud Task Force, and as an assistant county counselor for Jackson County.

A native of Chicago, Illinois, Peg received her B.A. from Grinnell College in Grinnell, Iowa, in 1989, and her Juris Doctor from Northwestern University in Chicago in 1992.