



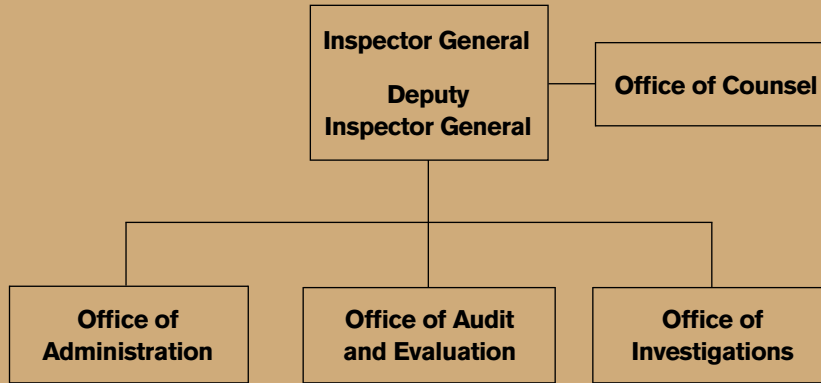
**U.S. Department of Commerce
Office of Inspector General**

Semiannual Report to Congress

September 2014



OFFICE OF INSPECTOR GENERAL



Oversight Areas

Office of the Secretary
 Bureau of Economic Analysis
 Bureau of Industry and Security
 Economic Development Administration
 Economics and Statistics Administration
 International Trade Administration
 Minority Business Development Agency
 National Institute of Standards and Technology
 National Oceanic and Atmospheric Administration
 National Technical Information Service
 National Telecommunications and
 Information Administration
 U.S. Census Bureau
 U.S. Patent and Trademark Office

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FROM THE INSPECTOR GENERAL

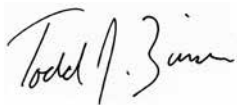
I am pleased to present the Department of Commerce Office of Inspector General's *Semiannual Report to Congress* for the 6 months ending September 30, 2014.

This report summarizes work we initiated and completed during this semiannual period on a number of critical departmental activities. Over the past 6 months, our office completed 18 audits, inspections, responses to Congressional requests, and public investigative reports, and 2 Congressional testimonies addressing programs and personnel associated with the Bureau of Industry and Security, Economics and Statistics Administration, International Trade Administration, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, U.S. Patent and Trademark Office, and the Department itself.

In September 2014, we issued a draft of our annual report identifying what we consider from our oversight perspective to be the top management challenges facing the Department in fiscal year 2015, a summary of which begins on page 2. We will continue to work closely with the Department and with Congress to meet these and other challenges facing Commerce, especially as it tackles the ambitious strategies and initiatives outlined in *America Is Open for Business*, its strategic plan for fiscal years 2014–18.

Also during this reporting period we entered into an agreement with the Denali Commission to provide a full range of inspector general services, including investigating hotline complaints. David Sheppard, our Regional Inspector General, Seattle, is serving as acting inspector general for the Denali Commission until a permanent inspector general is selected.

We thank Secretary Pritzker, senior officials throughout the Department, and members of Congress and their staffs for their support of our work and for their receptiveness to our recommendations to improve Commerce programs and operations.



TODD J. ZINSER

TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. In June 2014, OIG issued to the Department of Commerce and its agencies a memorandum that previewed what we would discuss in further detail in our forthcoming report for fiscal year 2015, *Top Management Challenges Facing the Department of Commerce*. In the memorandum, we identified five areas of major challenges—cross-cutting issues grouped together in alignment with the Department's FY 2014–18 strategic plan, which was released on March 10, 2014. We issued a draft report on September 19, 2014; our final report will be issued in October 2014.

1. TRADE AND INVESTMENT

Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs

As the lead trade and investment promotion agency in the federal government, the Department of Commerce faces the challenge of ensuring that it fulfills its role as a key player in making U.S. companies more competitive abroad and attracting foreign investment into the United States. Several bureaus that hold pivotal roles in supporting U.S. trade and investment face a variety of challenges. We have identified four key areas for management attention:

- Delivering trade promotion and enforcement services to the Department's clients and effectively working with federal partners by (a) realizing the benefits of the consolidation and reorganization of the International Trade Administration (ITA) and (b) improving ITA's Customer Tracking System/customer relationship management system.
- Continuing the Bureau of Industry and Security's migration of export licensing functions to the Department of Defense's USXPORTS system and working to fully implement the changes called for by the Export Control Reform Initiative.
- Addressing conditions and issues with the Economic Development Administration's Revolving Loan Fund Program.
- Ensuring the accuracy of grants management financial and performance metrics.

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

As much as half of U.S. economic growth can be attributed to advances in science, technology, and business processes. The Department of Commerce has a central responsibility for supporting and expanding innovation, and has the relationships with businesses and industry necessary to address the challenges the country faces in this area. We have identified three key areas for management attention:

- Facing internal and external challenges at the U.S. Patent and Trademark Office in promoting innovation through the protection of intellectual property rights by (a) reducing wait times for issuing determinations on new patent applications, appeals, and other filings, (b) assisting U.S. companies to protect and enforce intellectual property (IP) rights and providing technical assistance to the Office of the U.S. Trade Representative to implement IP rights provisions in international agreements, (c) responding to stakeholder concerns about patent quality, and (d) managing a larger and more dispersed workforce.
- At the National Telecommunications and Information Administration, (a) identifying spectrum for commercial broadband use, (b) addressing the First Responder Network Authority's implementation of a nationwide wireless broadband network for public safety users, and (c) paying close attention to the sustainability of Broadband Technology Opportunities Program grants after the federal funds end.
- Completing the re-competition of Manufacturing Extension Partnership centers by the National Institute of Standards and Technology.

3. ENVIRONMENT

Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment

The Department's objectives under its environmental strategic goal include advancing understanding and prediction of changes in the environment; building a weather-ready nation; and fostering healthy and sustainable marine resources, habitats, and ecosystems. As the lead agency for addressing this goal, the National Oceanic and Atmospheric Administration (NOAA) faces challenges posed by costly, complex satellite acquisitions and development and potential data gaps; efforts to improve forecast accuracy; the competing needs of fisheries stakeholders; and limited marine technology. We have identified the following three key areas for management attention:

- Keeping next-generation satellite acquisition programs on track to provide critical environmental observations. For the Geostationary Operational Environmental Satellite-R Series (GOES-R), this requires managing program costs, schedule milestones, and system requirements, as well as avoiding potential gaps in geostationary satellite coverage; for the Joint Polar Satellite System (JPSS), this requires developing and launching next-generation polar-orbiting satellites.
- Improving forecasts to support a weather-ready nation. While there has been some evidence that next-generation polar satellite data from Suomi National Polar-orbiting Partnership has improved forecasts, a coverage gap could affect accuracy; addressing that risk requires the Department to develop a contingency plan.
- Fostering healthy and sustainable marine resources. NOAA and its National Marine Fisheries Service are challenged to improve oversight of fisheries management, maintain relationships with and among competing stakeholders, incorporate timely fisheries science and technology, and address issues related to its National Observer Program.

4. DATA

Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy

The Department's "Data" challenge, and its three strategic objectives, impacts the Economics and Statistics Administration and the U.S. Census Bureau, as well as NOAA. We have identified the following three key areas for management attention:

- Incorporating cost-saving decennial innovations while continuing to ensure an accurate decennial count. Due to research and testing delays, a lack of cost and budget integration, and other issues, the Census Bureau is challenged with designing a more cost-effective 2020 decennial census.
- Meeting public demand for data. Providing as well as protecting data served by rapidly changing technology is another key challenge faced by the Census Bureau and NOAA; the population data and business indicators that the Census Bureau provides (and the weather, climate, and environmental information that users access through NOAA) illustrate the Department's challenge of "transforming Department data capabilities and supporting a data-enabled economy."
- Implementing a mandate for government-wide data standards. The Digital Accountability and Transparency Act of 2014 promises to form a federal government-wide community of data providers adhering to uniform standards; the Department plans to hire its first-ever "Chief Data Officer" to develop and implement a vision for the future of the Department's diverse data resources.

5. OPERATIONAL EXCELLENCE

Deliver better services, solutions, and outcomes that benefit the American people

The Department characterizes the goal as being responsive, nimble, and adaptive to fast changes. This goal's objective calls on all facets of the Department to maintain "customer-focused" drive. We have identified the following four key areas for management attention:

- Improving cybersecurity and IT management. The Department relies on more than 280 IT systems, including 20 high-impact systems, to support its business operations; persistent security deficiencies and a long-standing fragmented IT governance structure challenge the Department's cybersecurity.
- Strengthening stakeholder confidence in the Department. Over the past 2 years, the Department and its bureaus have worked closely with OIG to resolve management issues raised through OIG hotline complaint referrals; timely and thorough actions to resolve these issues help create a culture of accountability in the Department.
- Improving financial data quality. The lack of centralized data systems creates reporting and oversight challenges for the Department, including the ability to effectively report financial data and monitor financial activity across its bureaus; significant control weaknesses related to the financial accounting for NOAA satellites, financial management issues within the Office of the Secretary's Working Capital Fund, and turnover within NOAA's financial management leadership ranks present further challenges.
- Reducing acquisition risk. Continuing to address high-risk contracts, better monitoring of contractor performance, and maintaining a qualified acquisition workforce will enable better management of the Department's day-to-day spending.



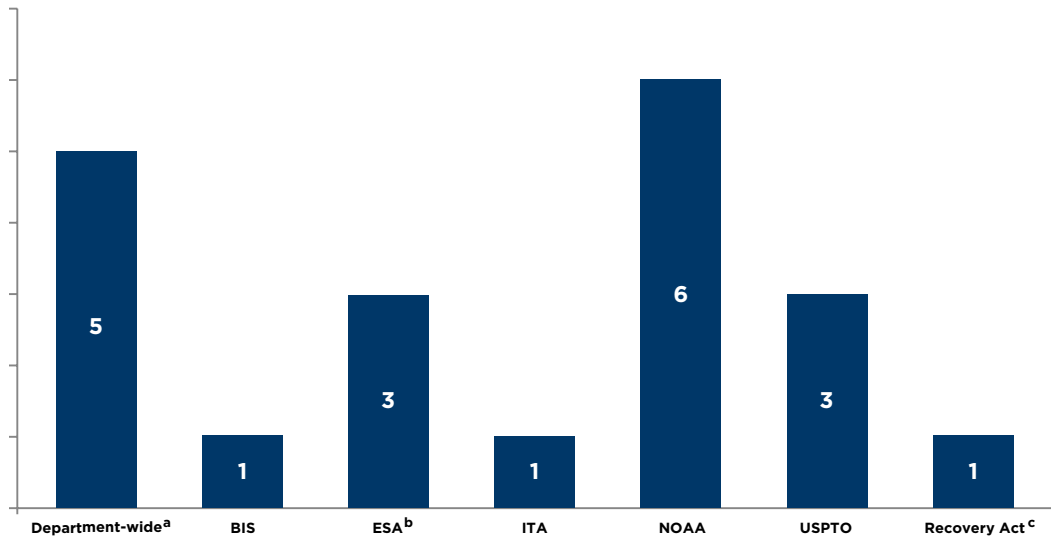
DEPARTMENT-WIDE MANAGEMENT

The **U.S. Department of Commerce** works to help American companies become more innovative and successful at home and more competitive abroad. It creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

The Department accomplishes its mission by providing national and local weather services; developing key economic and demographic data (including the Census); advancing technological and scientific innovation; protecting and restoring environmental resources; promoting international trade; and supporting local, regional, and national economic development. These activities affect U.S. business and industry daily and play a critical role in the nation's economic well-being.

COMPLETED WORKS (BY OVERSIGHT AREA)

During this reporting period, OIG completed 18 audits, inspections, responses to Congressional requests, and public investigative reports, and two Congressional testimonies.



^a Department-wide completed works include one Congressional testimony.

^b ESA-completed works concern the Census Bureau and include one Congressional testimony.

^c The Recovery Act work concerns NTIA.

FY 2013 COMPLIANCE WITH IMPROPER PAYMENT REQUIREMENTS (OIG-14-016-I)

We initiated this engagement to review the Department's compliance with the Improper Payments Information Act of 2002 (IPIA) and the Office of Management and Budget's (OMB) government-wide implementation guidance.

The Department implemented procedures in FY 2013 to detect and prevent improper payments. These assessments revealed no programs or activities susceptible to significant risk of improper payments. In addition, the Department's review did not identify any significant improper payments among its approximately \$13.7 billion in outlays. The Department's routine monitoring efforts in FY 2013 identified almost \$9.2 million in overpayments, of which more than \$5 million was confirmed by the Department as recaptured. Based on these activities, we found the Department met the applicable OMB criteria for compliance with IPIA. The Department has also implemented corrective actions to address the finding identified in our March 2013 report on improper payment practices and reporting.

Improper Payments Legislation

The Improper Payments Elimination and Recovery Act of 2010 and Improper Payments Elimination and Recovery Improvement Act of 2012 amended the Improper Payments Information Act of 2002 by expanding on the previous requirements and broadening recovery requirements for overpayments. (*Improper payments* are those the federal government has made in the wrong amount, to the wrong entity, or for the wrong reason.)

While the Department met the applicable compliance requirements for FY 2013, we determined that the Department could further improve its improper payment practices related to bureau reporting of quarterly improper payment data.

We recommended that the Deputy Chief Financial Officer and Director for Financial Management enhance the Department's processes to ensure that bureaus specifically provide, in their quarterly

improper payment reporting, the status of unresolved audits identified in prior years and whether any improper payments were identified and recaptured upon final resolution.

INADEQUATE PRACTICE AND MANAGEMENT HINDER DEPARTMENT'S INCIDENT DETECTION AND RESPONSE (OIG-14-017-A)

Federal Information Security Management Act of 2002

This legislation requires federal agencies to establish incident response capabilities, among other provisions. Performing incident response effectively is a complex undertaking that requires continual monitoring for attacks; establishing clear procedures for prioritizing the handling of incidents; collecting, analyzing, and reporting data; and communication within and outside of the organization.

As part of our Federal Information Security Management Act of 2002 (FISMA) audit work, we evaluated incident detection and response capabilities at the Bureau of Economic Analysis, Bureau of Industry and Security, International Trade Administration, and United States Patent and Trademark Office. We also evaluated these capabilities at the Herbert C. Hoover Building Security Operations Center (SOC) within the Office of the Secretary.

Our objective in conducting this audit was to determine whether key security measures are in place to adequately monitor networks, detect malicious activities, and handle cyber incidents.

We found that

- bureaus' actions in response to suspicious network activities may not stop cyber attacks in a timely manner; and
- lack of collaboration prevents the bureaus from realizing the full benefits of incident detection and response capabilities provided by Managed Trusted Internet Protocol Services (MTIPS).

We recommended that the Department's Chief Information Officer work with the bureaus' management to ensure that

- bureaus follow the National Institute of Standards and Technology's Computer Security Incident Handling Guide to take timely action in response to potential cyber attacks;
- bureaus without around-the-clock SOC coverage work with the MTIPS provider to evaluate MTIPS services to fill gaps in SOC coverage after business hours;
- bureaus interact with the MTIPS provider to (a) explore opportunities that leverage MTIPS services to reduce or eliminate security services currently handled by the bureau and (b) ensure that MTIPS security services are fully delivered and effectively utilized; and
- there should be a determination of the feasibility and cost effectiveness of independently assessing incident management capabilities at all bureaus' SOCs.

OFFICE OF THE SECRETARY'S WORKING CAPITAL FUND BILLING CONTROL ISSUES RESULTED IN INCORRECT CHARGES (OIG-14-020-A)

We reviewed 34 projects managed by 9 Commerce offices that provide services to 13 Departmental customers. For 10 of the projects reviewed, we found that the Office of the Secretary Financial Management (OSFM) did not use current billing rates and the service providers (e.g., the Office of General Counsel) did not have accurate supporting documentation for the amounts they charged to their customers. Consequently, the customers receiving services were not billed in accordance with the Department's *Working Capital Fund & Advances and Reimbursements Handbook*.

Specifically, we found that

- OSFM relied on inconsistent project information and incorrect bases of charge.
- OSFM did not use current billing information.

We recommended that the Chief Financial Officer and Assistant Secretary for Administration

- update processes for calculating the correct bases of charge and obtain the most current documentation from the service providers in order to ensure that customers are charged for their appropriate share of project costs;
- require a validation and certification process for Office of General Counsel (OGC) and other WCF service providers to capture and retain supporting documentation that accurately reflects the level of services provided to customers; and
- make a determination on whether FY 2013 charges should be reviewed and recalculated accordingly, and whether adjustments should be considered in calculating charges for FY 2014.

We recommended that the General Counsel

- develop an automated process to track attorney time, by customer and services provided, to ensure that customers are accurately charged for the OGC projects within the WCF.

Working Capital Fund

The Department's Working Capital Fund operates as a revolving fund approved by Congress, set up to provide centralized services to the Department as efficiently and economically as possible. In FY 2013, the WCF collected nearly \$150 million for 62 projects managed by 12 service providers within the Department. Services provided include information technology, human resources, security, and legal services.

NONFEDERAL AUDIT RESULTS FOR THE 6-MONTH PERIOD ENDING DECEMBER 31, 2013 (OIG-14-017-M)

OIG's report contained an analysis of findings identified in nonfederal audit reports from July 1 through December 31, 2013, submitted by nonprofit and government grantees pursuant to OMB Circular A-133 and by for-profit grantees pursuant to program guidelines. The analysis noted trends in the types of findings reported and summarized findings by Departmental program.

AUDITS OF COMMERCE FUND RECIPIENTS BY NONFEDERAL INDEPENDENT AUDITORS (REVIEWED BY OIG DURING THE 6 MONTHS ENDING SEPTEMBER 30, 2014)

In addition to undergoing OIG-performed audits, certain recipients of Department of Commerce financial assistance or cost-reimbursable contracts are periodically examined by state and local government auditors and by independent public accountants. OMB Circular A-133 establishes requirements for audits of states, local governments, and non-profit organizations. For-profit organizations that are audited in accordance with *Government Auditing Standards* include those that receive NIST awards from both the Technology Innovation Program and the Measurement and Engineering Research and Standards program. Some for-profit organizations are audited in accordance with other specific audit guides. For example, BTOP awards are audited in accordance with the NTIA *Program-Specific Audit Guidelines for the Broadband Technology Opportunities Program*.

We examined 136 audit reports during this semiannual period to determine whether they contained audit findings related to departmental programs. For 73 of these reports, the Department acts as an oversight agency and monitors the audited entity's compliance with OMB

Circular A-133, *Government Auditing Standards*, or program-specific reporting requirements. The other 63 reports cover entities for which other federal agencies have oversight responsibility. We identified 6 reports with material findings related to the Department.

NONFEDERAL AUDIT ACTIVITIES

Report Category	OMB A-133 Audits	Program-Specific Audits	Total
Pending Review (April 1, 2014)	41	4	45
Received	124	31	155
Examined	113	23	136
Pending Review (September 30, 2014)	52	12	64

The following table shows a breakdown by bureau of approximately \$1 billion in Department funds audited through the A-133 or program-specific guidelines.

NONFEDERAL AUDITS BY BUREAU

Agency	Funds Audited (\$)
U. S. Census Bureau	849,683
Economic Development Administration	63,647,297
International Trade Administration	337,600
National Institute of Standards and Technology ^a	18,640,045
National Oceanic and Atmospheric Administration	36,801,573
National Telecommunications and Information Administration ^b	341,518,734
Multibureau	625,366,882
Total	1,087,161,814

^a Includes \$10,283,280 in program-specific audits; A-133 audits account for the remainder of the total amount of \$18,640,045.

^b Includes \$249,809,065 in program-specific audits; A-133 audits account for the remainder of the total amount of \$341,518,734.

The audits identified a total of \$ 554,413 in the federal share of questioned costs, and \$ 323,113 in federal unsupported costs. In most reports, the subject programs were not considered major programs; thus, the audits involved limited transaction and compliance testing against laws, regulations, and grant terms and conditions. The six reports with material findings are listed in table 7-a on page 47.

CONGRESSIONAL TESTIMONY (OIG-14-015-T)

On April 10, the Inspector General submitted written testimony at the request of the Senate Appropriations' Subcommittee on Commerce, Justice, Science, and Related Agencies about the Department's \$12.2 billion FY 2015 budget request. He noted that 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 challenges in the upcoming year. After summarizing the management and performance challenges facing the Department, the Inspector General

focused on challenges specifically related to NOAA satellites, the 2020 Census, Departmental cybersecurity, U.S. Patent and Trademark Office backlogs, Departmental operational controls and oversight, FirstNet authority, and issues raised by whistleblowers through the OIG hotline.

FORMER SPECIAL AGENTS ARE SENTENCED IN FEDERAL COURT

On May 12, superseding informations against two former OIG special agents were filed by the U.S. Attorney's Office for the District of Maryland in two cases in the District Court for the District of Maryland. These filings followed a decision by the federal court to vacate the employees' guilty pleas to prior similar charges. On May 13, the two former employees pled guilty to the new misdemeanor charges of submitting false official writings to the U.S. government related to time and attendance abuse. On June 30, the employees were sentenced in federal court. Each former criminal investigator was fined \$20,000 by the court and ordered to pay over \$9,000 in restitution and special assessments. All told, the former OIG employees were charged nearly \$60,800 in fines, restitution, and court special assessments and were each ordered to serve 60 hours of community service and to complete a 12-month term of supervised release. This sentencing concludes a joint investigation by OIG and the FBI. The OIG agents resigned their positions from the government in 2013, and OIG has made several organizational changes to prevent and deter the type of abuse that occurred.



BUREAU OF INDUSTRY AND SECURITY

The **Bureau of Industry and Security** is primarily responsible for administering and enforcing the nation's system for controlling exports of sensitive dual-use goods and technologies. BIS's major functions include formulating and implementing export control policy; processing export license applications; conducting various policy, technical, and economic analyses; promulgating regulations; conducting industry outreach; and enforcing the Export Administration Act and regulations. BIS has three primary organizational units.

Export Administration—Implements U.S. export control and nonproliferation laws and policies through export licensing, commodity classifications, and advisory opinions; technical, economic, foreign availability, and policy analyses; promulgation of regulations; and industry outreach. It also conducts various defense industry activities and enforces industry compliance with arms control treaties.

Export Enforcement—Participates in reviews of export license applications and conducts criminal and administrative investigations relating to the export control portions of the Export Administration Act and regulations. It also administers and enforces the anti-boycott provisions of the act and regulations.

Chief Financial Officer and Office of Administration—Advises senior leadership on business and information technology issues and oversees policies and procedures for administrative functions for programs including budget and finance, human resources and workforce issues, corporate analysis and risk management, IT operations and cyber security, acquisitions, audits and investigations, and Freedom of Information Act requests.

BIS'S IMPLEMENTATION OF EXPORT CONTROL REFORM REQUIRES SEVERAL IMPROVEMENTS TO ADDRESS CHALLENGES (OIG-14-028-A)

We conducted this audit in response to a Congressional request and in conjunction with our *Top Management Challenges* report for FY 2013. We focused our analysis on areas of BIS most affected by the Export Control Reform (ECR) Initiative, namely its licensing divisions, outreach office, and enforcement offices (excluding anti-boycott compliance).

Our audit found that

- BIS currently has adequate licensing resources to handle the gradually increasing licensing workload for new munitions items, including satellite items, that is coming as a result of ECR.
- Average license determination processing times could not be fully calculated due to data errors.
- Delays in migrating to a new IT system, USXPORTS, now in its third year, may cost BIS \$1.3 million per quarter in FY 2015 to continue operating its current antiquated system.
- BIS's plans for increasing enforcement capabilities and resources are reasonable, but end-use check training for commercial officers from the International Trade Administration's U.S. and Foreign Commercial Service (USFCS) could be enhanced.

We recommended that the Under Secretary for Industry and Security:

- verify the appropriateness of staffing levels after the transfer of all U.S. Munitions List items to the Commerce Control List is complete;
- improve the tracking of license determinations to ensure they are processed within established timeframes;
- develop a contingency plan for completing the migration to USXPORTS that includes any additional incurred costs and how BIS will absorb those costs; and
- enhance end-use check training for USFCS officers.

U.S. Export Control System

The U.S. export control system is distributed among several different licensing and enforcement agencies. The two primary export licensing agencies are the Bureau of Industry and Security, which historically has licensed exports of dual-use items, and the Department of State, which has historically licensed munitions, satellites, and spacecraft items.

The Export Control Reform Initiative, launched in 2010, is a three-phase effort to streamline the nation's export control system by ultimately consolidating the export efforts of multiple federal agencies. It aims to create a single licensing agency, a single list of controlled items, a single information technology platform, and a single export enforcement coordination agency.



ECONOMICS AND STATISTICS ADMINISTRATION

The **Economics and Statistics Administration** analyzes economic activity, formulates policy options, and produces a major share of the U.S. government's economic and demographic statistics. ESA has one constituent operating unit and two primary operating units.

Office of the Chief Economist—Provides the Department with expertise on key economic forces affecting the U.S. economy, delivering timely, relevant, and credible economic analysis and advice to government leaders and the public.

Census Bureau—Publishes a wide variety of statistical data about the nation's people and economy, conducting approximately 200 annual surveys in addition to the decennial census of the U.S. population and the quinquennial census of industry.

Bureau of Economic Analysis—Prepares, develops, and interprets national income and product accounts (summarized by the gross domestic product), as well as aggregate measures of international, regional, and state economic activity.

CENSUS BUREAU LACKS ACCURATE AND INFORMATIVE COST DATA TO GUIDE 2020 CENSUS RESEARCH THROUGH A CONSTRAINED BUDGET ENVIRONMENT (OIG-14-021-A)

We conducted this audit to (1) evaluate the Bureau's process for implementing recent budget reductions; (2) assess the impact of these reductions on the Bureau's goal of achieving a cost-effective, high-quality 2020 Census; and (3) evaluate the roles of the Department and ESA in monitoring the Bureau's progress toward this goal.

The Census Bureau's Decennial Program generally adhered to OMB and Departmental guidance for implementing mandatory budget reductions. However, we found that

- due to inaccurate cost information, the impact of budget reductions cannot be determined;
- budget fund transfers prevent the Bureau from validating budget estimates and identifying inaccurate project costs;
- the Decennial Program does not have support for budget requests; and
- ESA should develop a stronger oversight process for monitoring the Decennial Program's progress in reducing 2020 decennial census costs.

We recommended that the Director of the Census Bureau develop

- a process to ensure project costs reflect the actual level of effort (a) in the short term, by requiring all Census Bureau employees to accurately record project hours through webTA (an Internet-based time tracking system), and (b) in the long term, by implementing an activity-based costing system, with appropriate internal controls, that reflects actual project cost and reconciles with the accounting system;
- policies and procedures that require supporting documentation for budget estimate decisions be prepared and retained for audit; and
- a process to validate budget estimates that (a) incorporates actual costs recorded in the accounting system and (b) uses budget-to-actual cost information to identify incorrect project charges.

We also recommended that the Director of the Census Bureau and Under Secretary for Economic Affairs develop a process to ensure that ESA has sufficient oversight of the 2020 Decennial Program.

INVESTIGATIVE REPORT ON CENSUS BUREAU DATA FALSIFICATION ALLEGATIONS (14-0073)

In May, OIG issued an investigative report that looked into whether employees in the Census Bureau's Philadelphia Regional Office manipulated the results from the Current Population Survey in order to systematically manipulate the national unemployment rate in advance of the 2012 Presidential election. OIG conducted more than 100 interviews of Census employees, reviewed numerous documents, analyzed data, and found no evidence that management in the Philadelphia

Projected 2020 Census Costs

The Census Bureau is committed to conducting the 2020 Census for less, per household, than the 2010 Census, which had a life-cycle cost of an estimated \$13 billion (about \$94 per household). To achieve this goal, the Bureau must make fundamental changes to the design, implementation, and management of the decennial census. If the Bureau fails to innovate in these areas, the cost of the 2020 Census could reach \$148 per household.

Funding for the 2020 decennial census lifecycle began in FY 2012 and will continue through FY 2023. This protracted life cycle with many dependent phases, along with cost accounting and budget formulation issues noted during the audit, may hinder the Bureau's ability to control the cost of the 2020 Census.

OIG is committed to monitoring the progress of planning for the 2020 Census and includes ongoing reviews in its annual audit plan.

Regional Office instructed staff to falsify survey data at any time. As a result, our report concluded that the allegations were unsubstantiated. However, we identified several programmatic weaknesses, including that legal advice from the Department hindered Census from dealing with employees who falsified data, and made recommendations to strengthen the program.

INDIVIDUAL PLEADS GUILTY TO CONSPIRACY TO COMMIT WIRE FRAUD

In June, a Nigerian man pleaded guilty to taking part in a computer hacking and identity theft scheme that compromised various government employee e-mail accounts, which were then used to defraud vendors of almost \$1 million of office products and supplies. Beginning in approximately 2012, the individual and his co-conspirators operated an e-mail “spear phishing” attack scheme that targeted several government agencies and their employees, as well as vendors of office products that were approved to do business with government agencies. As part of the scheme, they used fraudulent e-mails and websites to imitate legitimate government accounts and deceived the employees in order to obtain legitimate e-mail account user names and passwords. The individual and his co-conspirators used stolen credentials to access the employees’ accounts to place fraudulent orders for various office supplies, most often printer toner cartridges. The goods and supplies were then shipped to other locations for repackaging and shipment overseas to locations controlled by these individuals to be sold on the black market for profit.

The case was investigated by the U.S. Attorney’s Office for the District of New Jersey, the FBI, and the Offices of Inspectors General from the Department of Commerce, Environmental Protection Agency, and General Services Administration. Sentencing has been scheduled for December 2014.

CONGRESSIONAL TESTIMONY (14-0073-T)

On September 18, the Inspector General testified before the House Committee on Oversight and Government Reform on data collection vulnerabilities. His testimony focused on our investigative report on Census data falsification allegations and highlighted our findings and recommendations. Census Director John Thompson also testified and described several changes Census is implementing to strengthen its programs in response to recommendations in our report.



INTERNATIONAL
T R A D E
ADMINISTRATION

INTERNATIONAL TRADE ADMINISTRATION

The **International Trade Administration** is the premier resource for American companies competing in the global marketplace. ITA strengthens the global competitiveness of U.S. industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of U.S. trade laws and agreements. ITA is organized into three business units that work together to achieve ITA's mission.

Industry and Analysis—Enhances the international competitiveness of U.S. industry, expands its market access, and increases its exports by devising and implementing innovative international trade, investment, and export promotion strategies utilizing in-depth quantitative and qualitative analysis and leveraging ITA's industry relationships.

Enforcement and Compliance—Safeguards and enhances the competitive strength of U.S. industries against unfair trade through the enforcement of U.S. trade remedy laws and ensures compliance with trade agreements negotiated on behalf of U.S. industries.

Global Markets—Assists and advocates for U.S. businesses in international markets to foster U.S. economic competitiveness and prosperity. Global Markets effectively helps U.S. businesses, partners, and stakeholders enter and expand into international markets, addressing barriers to trade, winning foreign government procurements, and attracting inward investment.

LETTER TO SENATORS MIKULSKI AND SHELBY RE: STATUS OF INTERNATIONAL TRADE ADMINISTRATION'S CONSOLIDATION (OIG-14-026-M)

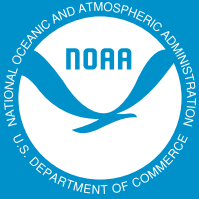
In response to a requirement in Senate Report 113-78 for the FY 2014 Commerce, Justice, Science, and Related Agencies Appropriations Bill, OIG began an audit of ITA's consolidation. The Senate Report directed OIG to provide an initial report on the progress, efficacy, and management of ITA's consolidation, including feedback from affected staff and organizations, within 180 days of the act's passage. Specifically, we sought to assess the status of the consolidation; evaluate changes in resources, including staffing and funding; and identify management challenges that might hinder this effort.

To assess the status of the consolidation, OIG conducted a survey of all ITA employees (and received a 60 percent response rate), interviewed ITA senior management and staff involved in planning for and carrying out the consolidation, and analyzed Departmental and ITA financial information from the end of FY 2011 through January 2014.

Based on our fieldwork from February 20 through May 30, 2014, we determined that ITA saved \$8 million by eliminating, through attrition, 50 positions from the end of FY 2011 through January 2014. Because the FY 2013 sequestration had reduced its budget authority from \$461 million to \$438 million, ITA was unable to direct these savings to high-priority programs (such as expanding overseas markets) and instead used the funds to maintain existing operations.

Based on our initial analysis of the survey results, we identified five broad areas that warrant ITA management's attention and further examination during our audit: (1) collaboration within and among ITA business units following the consolidation, (2) levels of management, (3) duplication of effort and program changes, (4) changes in employee responsibilities, and (5) management communication and employee feedback.

For the remainder of this audit, we will analyze ITA's plans to define and measure operational improvements associated with the consolidation by reviewing relevant documentation and conducting focus-group interviews with select ITA staff and external stakeholders. We will also evaluate the impact of employee concerns about ITA operations as a result of the consolidation. To determine whether ITA has aligned resources with strategic priorities, we will explore conducting a resource value analysis of U.S. and Foreign Commercial Service offices by comparing staffing costs against office performance. Finally, we will review the extent that Global Markets is directing its resources toward high-growth and emerging markets based on data from before and after the consolidation. We plan to issue a final audit report to ITA in early calendar year 2015.



NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The ***National Oceanic and Atmospheric Administration*** mission is to understand and predict changes in Earth's environment, as well as conserve and manage coastal and marine resources to meet our nation's economic, social, and environmental needs. NOAA does this through six line offices.

National Environmental Satellite, Data, and Information Service—Observes the environment by operating a national satellite system.

National Marine Fisheries Service—Conducts a program of management, research, and services related to the protection and rational use of living marine resources.

National Ocean Service—Provides products, services, and information to promote safe navigation, support coastal communities, sustain marine ecosystems, and mitigate coastal hazards.

National Weather Service—Reports the weather of the United States and provides weather forecasts and warnings to the general public.

Office of Oceanic and Atmospheric Research—Conducts research related to the oceans and Great Lakes, the lower and upper atmosphere, and the earth.

Office of Program Planning and Integration—Develops and coordinates NOAA's strategic plan, supports organization-wide planning activities, guides managers and employees on program and performance management, and integrates policy analysis with decision making.

REVIEW OF NOAA CATCH SHARE PROGRAMS (OIG-14-019-I)

This report is part of a multiple-phase review OIG is conducting of the National Marine Fisheries Service (NMFS) and the Fishery Management Councils (FMCs). It is focused on the development of rules for the commercial fishing industry and the fisheries regulation process at NOAA, the NMFS, and the FMCs.

Two previous reports—*NOAA Needs to Continue Streamlining the Rulemaking Process and Improve Transparency and Consistency in Fisheries Management* (OIG-13-011-I) and *Results of Commerce OIG's Online Survey of Fishery Management Council Members and Staff* (OIG-13-022-I)—looked at (a) the role of NOAA and the FMCs in the fishery rulemaking and (b) FMC perspectives on fishery regulatory requirements, rulemaking, and improvements in fisheries management.

The objective of this report was to evaluate the sufficiency of NOAA's implementation and monitoring of a selection of catch share programs developed by FMCs and to consider the adequacy of automated and manual systems and processes for collecting information and administering catch share programs.

We reviewed 6 of the 15 current catch share programs to evaluate the sufficiency of NOAA's implementation and monitoring of the programs. We found that

- NOAA does not have adequate data and does not track or enforce landings overage violations in the Pacific Sablefish Permit Stacking Individual Fishing Quota (IFQ).
- The Golden Tilefish program did not have formal controls to ensure that shareholders with sanctions were prevented from buying, selling, or transferring shares or allocation.
- NOAA relies on shareholder self-certifications for eligibility criteria.

We recommended that the NOAA Assistant Administrator for Fisheries, in coordination with the Pacific Fishery Management Council and relevant state agencies, improve the internal controls for the Pacific Sablefish Permit Stacking IFQ program. NOAA should also verify whether improvements should be made in the programs not included in our review. Specifically, for all catch share programs, we recommended that the NOAA Assistant Administrator for Fisheries

- develop a process to ensure that accurate landings information is obtained by individual permit holders in a timely manner;
- develop controls to monitor landings on an individual permit basis to ensure overage violations are adequately addressed;
- develop a process to ensure that shareholders with sanctions are prevented from buying, selling, or transferring shares or allocation; and
- document procedures for determining when reviewing self-certifications is warranted, to ensure that shareholders meet eligibility requirements prior to joining fisheries.

NOAA Catch Share Programs

“Catch share” is a general term for several fishery management strategies that allocate a specific portion of the total allowable fishery catch to individuals, cooperatives, communities, or other entities.

Catch share programs have been used in U.S. federal fisheries since 1990, and now include 15 programs managed by 6 different Fishery Management Councils (FMCs). Each program is designed by the relevant FMC with features tailored to the specific program goals and objectives or other unique characteristics of the fisheries in their region.

AUDIT OF JOINT POLAR SATELLITE SYSTEM: TO FURTHER MITIGATE RISK OF DATA GAPS, NOAA MUST CONSIDER ADDITIONAL MISSIONS, DETERMINE A STRATEGY, AND GAIN STAKEHOLDER SUPPORT (OIG-14-022-A)

Joint Polar Satellite System

The Joint Polar Satellite System program was established in 2010 when the Administration chose to restructure the troubled National Polar-orbiting Operational Environmental Satellite System—a tri-agency partnership among the Department of Defense, NOAA, and NASA—into separate civil and defense programs. JPSS currently supports the operation of one satellite and is developing and launching two, next-generation polar-orbiting satellites (JPSS-1 and JPSS-2) with new, more capable instruments to replace NOAA's legacy polar satellites.

Developing next-generation environmental satellite systems is a top management challenge for the Department and NOAA. Given its national significance and large budget, we have conducted oversight of NOAA's Joint Polar Satellite System (JPSS) since 2010, after management and technical problems led to cost increases, schedule delays, and capability reductions for its predecessor program, National Polar-orbiting Operational Environmental Satellite System (NPOESS). This is our third audit report and fourth oversight product focused on JPSS.

Our objectives were to (1) monitor NOAA's progress toward establishing JPSS cost, schedule, and performance baselines; (2) assess ongoing development activities; and (3) review efforts to mitigate a potential data gap between Suomi National Polar-orbiting Partnership (Suomi NPP) and JPSS-1 satellites.

We found that

- JPSS program baselines were established after the Department and NOAA reduced system capabilities to lower the life-cycle cost and focus its missions, but baselines may be revised to mitigate risk of data gaps.
- NOAA leadership deemed JPSS-1 ready for the next phase of development—but technical, schedule, and programmatic challenges await.
- NOAA has begun gap mitigation activities but should do more to help stakeholders understand the consequences of a gap.

We recommended that the NOAA Administrator

- establish reporting metrics to ensure adequate coordination among JPSS, Solar Irradiance, Data and Rescue (SIDAR), and NASA climate instrument programs for review at monthly Program Management Council meetings;
- ensure that JPSS-2 operations and sustainment costs beyond FY 2025 are delineated in stakeholder briefing materials about plans for additional missions;
- leverage Office of Acquisition Management (OAM)-led cost analysis expertise to explore cost savings opportunities in acquisitions beyond JPSS-2; and
- ensure that stakeholders are provided formal documentation of NOAA's response to independent review team recommendations and its corresponding acquisition strategy.

We recommended that the NOAA Assistant Administrator for Satellite and Information Services

- ensure that stakeholders (including Congress) are provided updated information on the results and confidence level of the JPSS-1 mission's integrated master schedule.

We recommended that the NOAA Deputy Under Secretary for Operations

- direct appropriate NOAA entities to explain the effects of a potential afternoon orbit data gap in terms of degraded forecast hours and extrapolated economic costs, or, conversely, the contribution to forecast accuracy and the economic benefits of afternoon orbit data.

SIGNIFICANT SECURITY DEFICIENCIES IN NOAA'S INFORMATION SYSTEMS CREATE RISKS IN ITS NATIONAL CRITICAL MISSION (OIG-14-025-A)

NOAA's information systems are crucial to its ability to reliably perform its national critical mission. They provide hazardous weather forecasts and warnings, which are essential in protecting life, property, and the nation's economy. This information technology security audit focused on select systems in two line offices that support NOAA's critical mission: the National Environmental Satellite, Data, and Information Service (NESDIS) and the National Weather Service (NWS). Specifically, we evaluated information security controls and security-related documentation for four NESDIS systems to determine whether key security measures adequately protect them. Additionally, we reviewed the independent security control assessments of five NWS systems to determine whether the controls were adequately assessed.

Federal Information Security Management Act of 2002

This legislation requires agencies to secure their information technology systems through the use of cost-effective management, operational, and technical controls, among other provisions. In addition, FISMA requires inspectors general to evaluate agencies' information security programs and practices, by assessing a representative subset of agency systems, and the results are reported to the OMB, the Department of Homeland Security, and Congress annually.

We found that

- Information systems connected to NESDIS's critical satellite ground support systems increases the risk of cyber attacks.
- NESDIS's inconsistent implementation of mobile device protections increases the likelihood of a malware infection.
- Critical security controls remain unimplemented in NESDIS's information systems.
- Improvements are needed to provide assurance that independent security control assessments are sufficiently rigorous.

We recommended that NESDIS's Assistant Administrator and NOAA's Chief Information Officer

- conduct a review to determine risks posed by NESDIS's restricted systems' current interconnections and ensure that the U.S. Air Force (USAF) identifies all of the Defense Meteorological Satellite Program's (DMSP's) interconnections;
- document and convey to NOAA senior management the risks identified with these interconnections;
- require that interconnected systems have completed control assessments and are authorized to operate before establishing an interconnection;
- pursue USAF commitment to conduct security assessments on DMSP;
- prevent components' moving between the Geostationary Operational Environmental Satellites (GOES) and Space Weather Prediction Center (SWPC) networks for maintenance activities;

- implement security mechanisms to protect against the use of unauthorized mobile devices;
- determine a feasible remediation timeframe for applying patches to Polar-orbiting Operational Environmental Satellites (POES), GOES, and Environmental Satellite Processing Center (ESPC);
- ensure appropriate priority to remediation of high-risk vulnerabilities in the required timeframe. If remediation is not feasible, ensure documentation of vulnerabilities and implementation of compensating controls;
- ensure (a) information system compliance with all applicable remote access and telework policies and (b) implementation of two-factor authentication;
- ensure NESDIS telework policy compliance with Department policy on personal devices;
- implement necessary security mechanisms to secure against remote access via personal computers; and
- ensure that appropriate attention is given to implementing required secure configuration settings in a timely manner and continue the implementation.

We recommended that NOAA's Chief Information Officer

- develop a quality control process for assurance that security controls are appropriately assessed before the authorization package is assembled and submitted to the authorizing official.

EXPEDITED EFFORTS NEEDED TO REMEDIATE HIGH-RISK VULNERABILITIES IN THE JOINT POLAR SATELLITE SYSTEM'S GROUND SYSTEM—FINAL MEMORANDUM (OIG-14-027-M)

Joint Polar Satellite System Ground System

The JPSS ground system is a high-impact IT system that supports NOAA's mission by gathering and routing data from several polar-orbiting weather satellites and disseminating it to users worldwide. This system also provides command, control, and data processing for the Suomi National Polar-orbiting Partnership (Suomi NPP) weather satellite and in the future will provide similar functions for other planned satellites. In a partnership with NOAA, NASA manages the contract for the JPSS ground system.

The objective of our audit was to assess the effectiveness of NOAA's IT security program by determining whether key security measures adequately protect NOAA's systems. We found that the JPSS program needs to expedite its efforts to reduce the current IT security-related risks to its ability to support critical weather forecasting operations and improve the overall security posture of JPSS's ground system.

Although full implementation of many of the missing and partially implemented security controls requires the significant changes that are planned for the next iteration of this system, there are steps the program can take now to improve its security posture. It is essential that the JPSS program's existing urgent update processes be used to correct high-risk vulnerabilities in the ground system's critical components.

We believe that the types of high-risk vulnerabilities we have identified can be fixed in an expedited manner and should be addressed as soon as possible. Although these measures will not address all vulnerabilities, we believe that they will improve protection of the current JPSS ground system until NOAA deploys the next iteration of its ground system. Considering that the current system's security posture was at a disadvantage from the outset—having not incorporated security into its development when it was transitioned into the JPSS—the program needs to ensure that the security measures planned for the next iteration of the ground system are included from the beginning and not added later or deferred.

To reduce the risks of compromise to the JPSS ground system, we recommended that the NOAA Assistant Administrator for Satellite and Information Services and NOAA's Chief Information Officer ensure that

- the JPSS program review the types of vulnerabilities identified in this memorandum and, where possible, correct them as soon as feasible;
- urgent system update processes are used to deploy high-risk security-related software patches and updates, based on the criticality of the patches and the system components affected; and
- newly discovered, high-risk, JPSS vulnerabilities be remediated within 3 months, according to the requirements of Plan of Action and Milestones guidelines.

INVESTIGATIVE REPORT ON HURRICANE SANDY RELIEF FUNDING FOR THE NATIONAL ESTUARINE RESEARCH RESERVE SYSTEM (13-0963)

In May, OIG issued a public investigative report looking into whether a NOAA grantee improperly applied for and received Hurricane Sandy funds under the Disaster Relief Appropriations Act and Sandy Recovery Improvement Act. While OIG did not find evidence of fraud, we concluded that under the plain language of the Act, some applications for this funding did not meet the Act's threshold requirement for equipment that was "damaged by Hurricane Sandy." In fact, we found that NOAA instructed applicants that equipment that was "lost, damaged, or compromised" by Hurricane Sandy met the Act's requirement for funding and thus expanded the Act's eligibility requirements. This guidance to the funding applicants and subsequent approval of funding applications resulted in questioned costs of approximately \$550,200—more than half of the approximately \$1 million of funds disbursed—for items that may not have been eligible for funding based on the eligibility standard established by the plain language of the Act. As a result of the investigation, OIG provided several recommendations to NOAA, including the development of an internal approval process for substantive changes to eligibility standards in NOAA grant programs.

REVIEW OF IMPROPER EXPENDITURE FOR GOES-R GROUND SEGMENT TEAM ACTIVITY (14-0475)

In September, OIG issued a public investigative report concerning an off-site team-building event involving 21 members of the Geostationary Operational Environmental Satellite-R Series (GOES-R) Ground Segment staff. Our investigation established that 2 NOAA employees, 3 NASA employees, 1 Department of Commerce employee, and 15 contract employees participated in the event to varying degrees. While 17 individuals who participated in the event properly accounted for the event or made up the time by working extra hours during the same pay period, we found that 4 GOES-R Ground Segment contract employees improperly billed their participation in the event to the GOES-R project and did not otherwise make up the time, resulting in \$1,460 in taxpayer-funded wages initially charged to the government.

Although we found that the amount improperly billed to the federal government was subsequently refunded by the respective contracting companies, in our report we noted that the credits were made only after we initiated our review into the team activity. It appeared unlikely that GOES-R management or the contract companies would have recognized the improper billing absent the OIG review.

GUILTY PLEAS IN CONSPIRACY AND FRAUD CASES RELATED TO NOAA FISHERIES FUNDS

In the March 2014 *Semiannual Report to Congress*, we reported that in November 2013 the U.S. Attorney's Office for the Southern District of Mississippi announced indictments from federal and state grand juries against five individuals for conspiracy, bribery, federal program fraud, mail fraud, and money laundering. Two of these individuals, one of whom is the former executive director of the Mississippi Department of Marine Resources (MDMR), pleaded guilty to conspiracy to defraud the government, and were sentenced in June and July of this year. In June, the former director was sentenced to 60 months in federal prison, followed by 3 years of supervised release, and in July, the second individual was sentenced to 18 months and 3 years of supervised release. In addition, both individuals were ordered to pay \$235,200 related to the Department of Commerce programs, in addition to other ordered payments.

Our investigation, which was conducted in coordination with the FBI and Mississippi's Office of the State Auditor, found that the then-executive director embezzled \$210,000, most of which came from Emergency Disaster Relief Program funds through NOAA's National Marine Fisheries Service, to purchase land on behalf of a family member. The FBI's investigation involved a larger-scale public corruption scandal that encompassed elected officials and several people who held senior positions within MDMR. MDMR received eight different awards in part for oyster reef restoration, oyster and shrimp ground restoration, research, testing, and assistance to businesses and fishers.

NOAA SUSPENDS EMPLOYEE FOR DOWNLOADING PORNOGRAPHY

In January 2013, OIG concluded an investigation into a NOAA employee's improper use of government computer equipment. Our investigation found that the employee downloaded 14 adult pornographic video files, 92 adult pornographic images, and 3 unauthorized computer programs. Due to the seriousness of the individual's misconduct, we recommended that appropriate action be taken against the individual. In April, NOAA suspended the employee for 30 days.



UNITED STATES PATENT AND TRADEMARK OFFICE

The **United States Patent and Trademark Office** administers the nation's patent and trademark laws. Patents are granted and trademarks registered under a system intended to provide incentives to invent, invest in research, and commercialize new technology. USPTO also collects, assembles, publishes, and disseminates technological information disclosed in patents.

RAPID RISE IN THE REQUEST FOR CONTINUED EXAMINATION BACKLOG REVEALS CHALLENGES IN TIMELY ISSUANCE OF PATENTS (OIG-14-024-A)

Since FY 2010, USPTO has made progress in reducing the amount of time that an applicant waits to have a new patent application reviewed. During that time, however, there was a concurrent decline in USPTO's performance in issuing timely determinations on another type of filing application, the Request for Continued Examination (RCE). RCEs are patent applications resubmitted for consideration after an examiner has previously closed the review, such as by making a second and final rejection of the inventor's claims.

Our audit identified several factors that have contributed to the recent increase in the RCE backlog at USPTO. Specific findings include:

- Structural and examiner-specific issues have increased the number of RCEs that USPTO needs to act upon.
- The inclusion of new information from examiners is an ongoing concern for applicants.
- USPTO was slow to act on rapid RCE growth and will face challenges making future adjustments.
- Some USPTO incentives that could reduce RCEs have low applicant participation rates and a negligible effect of the RCE backlog.

We recommended that the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

- mitigate the impact of RCE structural issues and examiner-specific issues and take corrective action where necessary by (a) researching the reasons for the variance in after-final amendment approval rates and the decline in after-final amendment filings; (b) assessing why applications handled by lower- and higher-grade examiners have different RCE filing rates; and (c) assessing the reasons for variance among art units, identifying best practices that promote efficiency, and then developing strategies to minimize patent term adjustment;
- determine whether a stratified sample of patent applications targeting risk areas would enhance quality assurance tests and the overall determination of patent examiner quality;
- establish a risk-management plan that ensures that timely, situation-specific analysis and solutions are documented and implemented to minimize patent-term adjustments when rebalancing is needed to meet statutory requirements and public expectations for prompt processing; and
- develop ways to increase participation in the compact prosecution initiatives.

REVIEW OF CONDUCT BY A HIGH-RANKING USPTO OFFICIAL IN THE HIRING OF A TRADEMARK ORGANIZATION EMPLOYEE (13-0726)

In July, OIG issued an investigative report looking into whether a high-ranking official at USPTO improperly used her official position to ensure the hiring of a relative's boyfriend. Our investigation found that the official instructed subordinates to interview the boyfriend after he had not been selected for an interview and that the official effectively created a new position specifically for the boyfriend after he was interviewed and not selected to receive an offer of employment. As a result, we concluded that the high-ranking official violated several federal regulations, which prohibit using a public office for private gain, prohibit giving preferential treatment to an applicant for

employment, and prohibit taking actions that create the appearance that the employee is violating the law or ethical standards. OIG recommended that the agency take appropriate action. The high-ranking official will be resigning from USPTO at the end of 2014.

REVIEW OF WASTE AND MISMANAGEMENT AT THE PATENT TRIAL AND APPEAL BOARD (13-1077)

In July, OIG issued an investigative report on whistleblower allegations of waste and mismanagement at the Patent Trial and Appeal Board (PTAB), part of the Patent and Trademark Office. Our investigation uncovered waste that persisted for more than 4 years, beginning in 2009, and resulted in the misuse of federal resources totaling more than \$5 million. The bulk of the waste identified in our report related to PTAB's paralegals, who had insufficient workloads and considerable idle time during those years. Paralegals told our investigators that they engaged in a variety of personal activities including watching television; surfing the internet; using Facebook and other social media; washing laundry and cleaning dishes; and shopping online while in an official pay status.

We also found that this problem was widely known throughout the agency, but that no employees, except for the whistleblowers, reported the waste. OIG issued nine recommendations to USPTO to remedy this situation and to prevent similar waste in the future. For example, we recommended that the PTAB conduct an examination of workloads on a regular basis and implement a process to readjust employee assignments, among other things, if employees have insufficient workloads.



AMERICAN RECOVERY AND REINVESTMENT ACT

The Recovery Act—signed into law by President Barack Obama on February 17, 2009—had three immediate goals: (1) create new jobs and save existing ones, (2) spur economic activity and invest in long-term growth, and (3) foster unprecedented levels of transparency and accountability.

Five Department of Commerce bureaus—the Census Bureau, EDA, NIST, NOAA, and NTIA—and OIG received \$7.9 billion under the Act, with \$1.2 billion ultimately rescinded or transferred to other agencies. Financial and activity reporting for the Recovery Act ended as of December 31, 2013. As of December 31, 2013, the Department had obligated and disbursed almost all of the approximately \$6 billion remaining. (The disbursement amount includes funding for the now-completed NTIA Digital Television Converter Box Coupon Program.)

OIG RECOVERY ACT OVERSIGHT, FEBRUARY 2009–SEPTEMBER 2014

Funded by \$16 million for proactive oversight of the Department's Recovery Act programs and activities, OIG has been evaluating whether agencies are using Recovery Act funds efficiently and effectively and following up on complaints, including whistleblower reprisal allegations.

Key Activities	Cumulative Results
Published audit and evaluation reports	24
Other work products (correspondence to Congress and the Recovery Accountability and Transparency Board)	8
Audits/evaluations in progress	2
OIG recommendations for action, correction, or improvement	97
Recommendations implemented to take corrective action by making improvements, reducing risk, or preventing waste	88
Investigations completed	30
Investigations in progress	7
Whistleblower reprisal allegations received	16
Whistleblower reprisal allegations accepted	15
Debarments and corporate compliance agreements implemented	1
Testimonies	6
Proactive training and outreach sessions held	129
Individuals trained	6,624
Hours of training provided	8,259

EXCESS EQUIPMENT, WEAKNESSES IN INVENTORY MANAGEMENT, AND OTHER ISSUES IN BTOP INFRASTRUCTURE PROJECTS (OIG-14-023-A)

Through our oversight of the Broadband Technology Opportunities Program (BTOP), we identified equipment as an area of concern that needed further review. Our audit of equipment acquisitions found that for the sample of infrastructure recipients reviewed, the recipients appropriately acquired, tested, and implemented equipment. However, we identified certain weaknesses and recommended steps to improve NTIA's oversight controls:

- Site visits identified problems with excess equipment and inventory management.
- Technical oversight of BTOP grant recipients needs to be strengthened.
- The design of the middle-mile network for one recipient does not follow industry best practice for providing reliable service.
- Three of the six recipients we reviewed may not be able to sustain network service beyond the grant period.
- Many of the projects were not completed on time, requiring that they receive extensions.

Broadband Technology Opportunities Program

The Recovery Act provided NTIA approximately \$4.7 billion to establish this competitive grant program that provides funds for deploying broadband infrastructure, enhancing broadband capacity at public computing centers, improving access to broadband services for public safety agencies, and promoting sustainable broadband adoption.

Of the \$4.7 billion, NTIA issued 232 BTOP grant awards representing approximately \$3.9 billion. The bulk of BTOP dollars, totaling \$3.5 billion, went toward 123 infrastructure grants. A significant portion of federal funds used to implement these projects has been spent on purchasing network equipment: fiber, base tower stations, switches, microwave radio equipment, etc.

We recommended that the Assistant Secretary for Communications and Information direct NTIA personnel to perform the following oversight activities on all BTOP grants:

- NTIA should ensure that grant recipients have devised effective inventory internal controls.
- NTIA program officers should review their awards and, where appropriate, ensure that BTOP grant recipients obtain agreements with all community anchor institutions to secure federal interests in all BTOP equipment.
- NTIA program officers should work with grant recipients to assess equipment acquisitions to ensure that (1) the justification on the use and benefit of the equipment is adequate and (2) the purchases are allowable.
- NTIA should work with recipients to identify and employ best practices in network design and risk mitigation strategies for networks in which reliability is a concern.
- NTIA should reassess its staff's ability to provide technical expertise in order to ensure that awards with complex issues are receiving appropriate oversight.

NATIVE AMERICAN TRIBE ENTERS INTO SETTLEMENT AGREEMENT WITH WHISTLEBLOWER

A Native American tribe received more than \$7 million in BTOP funding from NTIA to install a middle-mile fiber optic broadband system in an underserved rural area. In July 2013, OIG closed an investigation into allegations that a former employee of the tribe was terminated from his position as a result of making whistleblower complaints concerning the tribe's handling of environmental compliance issues. Our investigation produced ample evidence to substantiate this allegation, and the tribe entered into a settlement agreement whereby it remediated the issue. In addition to the settlement agreement with the whistleblower, the tribe agreed to revise certain policies and to deal with the environmental compliance issues originally raised by the whistleblower.

NTIA SUB-RECIPIENT SETTLES CIVIL CASE FOR \$780,000

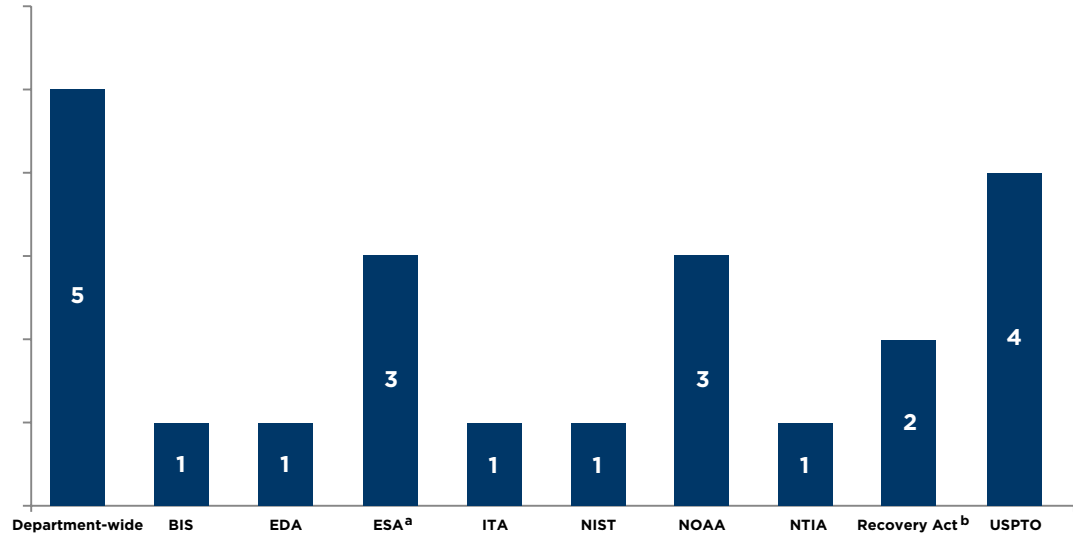
In June 2014, Advanced Power and Lighting, an NTIA sub-recipient of a BTOP award, and two of the company's former officials entered into a settlement by agreeing to pay \$780,000 to the government. The parties agreed to settle allegations that the company deliberately underpaid company workers on federally funded projects covered by the Davis-Bacon Act and also violated the False Claims Act by submitting fictitious payroll records to conceal the illegal activity.

Our investigation, which was conducted in coordination with the U.S. Attorney's Office for the Northern District of Georgia and the U.S. Department of Labor OIG, found that the subjects in this case deliberately underpaid certain workers by approximately \$10 per hour, based upon the prevailing wage requirements for the occupation positions, in order to increase profit margins and bonuses. The investigation also established the company submitted fictitious payroll records that indicated the workers were paid approximately \$10 per hour for fringe benefits, i.e., training and uniforms, which they also did not receive.

WORK IN PROGRESS

WORK IN PROGRESS (BY OVERSIGHT AREA)

During this reporting period, 22 OIG audit and evaluation projects were initiated or under way.



^a All three ESA works in progress concern the Census Bureau.

^b Both Recovery Act works in progress concern programs within the National Telecommunications and Information Administration.

DEPARTMENT-WIDE

Top Management Challenges Facing the Department in FY 2015

An annual report, required by the Reports Consolidation Act of 2000, highlighting the most significant management challenges facing the Department of Commerce.

FY 2014 Audit of the Department's Financial Statements

Determine whether the Department's financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. (The audit will also consider the Department's internal control over financial reporting and compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.)

Audit of Commerce's Cloud-computing Environments

As part of a government-wide review initiated by the Council of Inspectors General on Integrity and Efficiency (CIGIE), evaluate the Department's efforts to adopt cloud-computing technologies and review executed contracts between the Department's bureaus and cloud service providers for compliance with applicable standards.

Audit of Departmental Premium-class Travel Spending

Evaluate controls over premium-class travel spending and how they have been implemented. Assess whether the Department has established effective controls over related approvals, justifications, and documentation in order to comply with applicable laws, regulations, and policies.

Review of the Department's Deployment of Business Application Solutions (BAS)

Evaluate the discovery and planning phases of BAS, determine whether milestones were attained, and identify any challenges as the Department enters the implementation phase.

BUREAU OF INDUSTRY AND SECURITY

Audit of BIS's IT Security

Assess, as part of our FY 2014 FISMA audit, whether BIS's continuous monitoring strategy and practices—including ongoing security control assessments of its critical information systems—provide adequate information for authorizing officials to make proper risk-based decisions.

ECONOMIC DEVELOPMENT ADMINISTRATION

Audit of Revolving Loan Fund (RLF) Program

Audit EDA's controls and processes associated with management of its RLF program to determine how EDA responds to performance problems, such as low utilization rates, high default rates, or noncompliance with reporting requirements. Also, determine how EDA responds to communities that may no longer be considered distressed or underserved.

ECONOMICS AND STATISTICS ADMINISTRATION

Audit of the Census Bureau's IT Security

Determine, as part of our FY 2014 FISMA audit, whether the Census Bureau's continuous monitoring strategy and practices—including ongoing security control assessments of its critical information systems—provide adequate information for authorizing officials to make proper risk-based decisions.

Audit of the Census Bureau's Regional Office Realignment and Field Management Reforms

Determine if the bureau is meeting, or on pace to meet, its goals of reduced cost and improved efficiency and responsiveness, while maintaining data quality across the many surveys it conducts annually.

Review of the 2014 Site Test

Assess whether design alternatives tested in Montgomery County, MD, and Washington, DC, align with originally developed project goals and if Census is continuing its plan to utilize an iterative testing approach.

INTERNATIONAL TRADE ADMINISTRATION

Audit of ITA Consolidation

Evaluate and report on the progress, efficacy, and management of the October 2013 consolidation of ITA's four units into three, and specifically (1) assess the status of ITA consolidation, (2) evaluate whether resource changes as a result of the consolidation are aligned with ITA's strategic priorities and are sufficient for providing services to ITA's customers and stakeholders, and (3) identify management and leadership challenges that might hinder the consolidation effort.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Audit of NIST's Oversight of Contracts

Determine (1) if NIST has managed and administered contracts in accordance with federal and Departmental guidelines, policies, and procedures, and (2) if officials with performance monitoring responsibilities possess the requisite training, technical expertise, and certification of qualifications.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Audit of the National Marine Fisheries Service's Observer Program

Understand how effectively NMFS has evaluated and implemented alternative fishery monitoring options, innovations, and methods in the Observer Program.

Audit of NOAA's Polar Satellite Follow-on Planning and JPSS Implementation

Determine the progress of polar satellite follow-on program planning, monitor ongoing JPSS acquisition and development, and assess the extent of potential data gaps.

Audit of Geostationary Operational Environmental Satellite-R Series (GOES-R) Program

Assess the adequacy of GOES-R development activities in accordance with NOAA and NASA standards. Monitor NOAA's progress in developing and vetting with stakeholders a comprehensive set of trade-off approaches to mitigate launch delays and its oversight of GOES-R systems engineering.

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Audit Related to FirstNet Procurement Issues

Review certain ethics and procurement issues concerning the operations of FirstNet, assessing whether (a) contracts were appropriately awarded and administered in accordance with relevant acquisition regulations, (b) the acquired services were delivered to meet contract requirements, and (c) the processes undertaken by FirstNet pertaining to ethics-related matters of the board were adequate.

UNITED STATES PATENT AND TRADEMARK OFFICE

FY 2014 Audit of USPTO Financial Statements

Audit USPTO's FY 2014 financial statements to determine whether the financial statements are presented fairly, in all material respects, and in accordance with generally accepted accounting principles. (The audit will also consider USPTO's internal control over financial reporting and test compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the financial statements.)

Audit of USPTO's Use of Time-and-Materials and Labor-Hour Contracts

Evaluate USPTO's awarding and administering of time-and-materials and labor-hour contracts, which constitute high risk to the government. This is part of a risk-based oversight strategy developed to help the Department address management challenges in its acquisition function and comply with OMB's directive that federal agencies reduce their use of high-risk contracting authorities.

Audit of USPTO's IT Modernization Projects

Assess the impact of IT contract termination decisions made as a result of the \$110 million reduction in USPTO's IT budget, review the progress USPTO has made in implementing the recommendations from the FY 2011 Patent End-to-End audit, and assess the project management and technical progress USPTO has made in development and implementation of the Trademark Next Generation project.

Audit of USPTO's Quality Assurance Practices

Determine the sufficiency of USPTO's quality assurance program's processes to prevent the issuance of low-quality patents. Assess the additional quality reviews performed by USPTO to measure examiner performance and ensure that examiners are fully qualified to issue patent determinations without supervisory review.

AMERICAN RECOVERY AND REINVESTMENT ACT**Audit of Broadband Technology Opportunities Program Public Computer Centers (PCCs)**

Review NTIA's procedures to ensure that (1) PCC recipients used appropriate procurement practices; (2) recipient equipment purchases are installed, functioning effectively, and utilized to achieve intended program outputs; (3) controls are in place to ensure effective accountability for the purchased equipment; and (4) claimed results are verifiable.

Audit of Broadband Technology Opportunities Program Inventory Excess

Review BTOP grantees' inventory of excess equipment to (1) determine whether grantees purchased equipment outside of the needs of the program, (2) assess procedures taken by NTIA to identify recipients maintaining excess inventory, and (3) evaluate NTIA's procedures for disposition of excess BTOP award inventory.

STATISTICAL DATA

The Inspector General Act Amendments of 1988 require us to present the statistical data contained in tables 1–8.

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TABLE 1. OFFICE OF INVESTIGATIONS STATISTICAL HIGHLIGHTS FOR THIS PERIOD

Investigative activities cover investigations opened and closed by OIG; arrests by OIG agents; indictments and other criminal charges filed against individuals or entities as a result of OIG investigations; convictions secured at trial or by guilty plea as a result of OIG investigations; and fines, restitution, and all other forms of financial recoveries achieved by OIG as a result of investigative action.

Allegations processed presents the number of complaints from employees, stakeholders, and the general public that were handled by our Complaint Intake Unit. Of these, some resulted in the opening of investigations; others were referred to bureaus for internal administrative follow-up. Others were unrelated to departmental activities or did not provide sufficient information for any investigative follow-up and so were not accepted for investigation or referral. Fines and other financial recoveries refer only to agreements that a judge accepted.

Allegations Received	
Total hotline contacts	547
Of which, are complaints related to Commerce programs	Not available ^a
Number of hotline referrals to Commerce management	223
Investigative Caseload	
Investigations opened this period	44
Investigations closed this period	40
Investigations in progress as of September 30, 2014	116
Prosecutive Actions and Monetary Results	
Indictments/Informations	2 ^b
Arrests	0
Convictions	4 ^c
Monetary Issues Identified (waste, questioned costs, recoveries, and fines.)	\$6,845,545
Administrative Actions	
Suspension/Debarment	1
Disciplinary action	6

^a OIG is in the process of implementing a new case management system for investigations, which does not yet have any analytics or reporting functionality. As a result, all data included in this table should be considered to be estimated.

^b These are superseding informations that were noted when originally filed in a prior reporting period.

^c Two of the four are convictions that were previously noted, but appear again due to a sentencing appeal.

TABLE 2. AUDIT RESOLUTION AND FOLLOW-UP

The Inspector General Act Amendments of 1988 require us to present in this report audits issued before the beginning of the reporting period (April 1, 2014) for which no management decision had been made by the end of the period (September 30, 2014). Ten audit reports remain unresolved for more than 6 months for this reporting period (see table 8 page 48).

Audit resolution is the process by which the Department of Commerce reaches an effective management decision in response to audit reports. **Management decision** refers to management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

Department Administrative Order 213-5, *Audit Resolution and Follow-up*, provides procedures for management to request a modification to an approved audit action plan or for a financial assistance recipient to appeal an audit resolution determination. The following table summarizes modification and appeal activity during the reporting period.

Report Category	Modifications	Appeals
Actions pending (April 1, 2014)	0	5
Submissions	0	3
Decisions	0	3
Actions pending (September 30, 2014)	0	5

TABLE 3. AUDIT, EVALUATION, AND INSPECTION STATISTICAL HIGHLIGHTS FOR THIS PERIOD

Audits comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions.

Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

Questioned costs ^a	\$554,413
Value of audit recommendations that funds be put to better use ^b	\$157,000
Value of audit recommendations agreed to by management ^c	\$2,808,757

These amounts include costs questioned by state and local government auditors or independent public accountants.

^a **Questioned cost:** This is a cost questioned by OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.

^b **Value of audit recommendations that funds be put to better use:** This results from an OIG recommendation that funds could be used more efficiently if Department management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or (6) any other savings specifically identified.

^c **Value of audit recommendations agreed to by management:** This is the sum of (1) disallowed costs and (2) funds put to better use that are agreed to by management during resolution. Disallowed costs are the amount of costs that were questioned by the auditors or the agency action official and subsequently determined—during audit resolution or negotiations by a contracting officer—not to be charged to the government.

TABLE 4. AUDITS WITH QUESTIONED COSTS

See table 3 for a definition of “questioned cost.” An **unsupported cost** is a cost that is not supported by adequate documentation at the time of the audit. Questioned costs include unsupported costs.

Report Category	Number	Questioned Costs (\$)	Unsupported Costs (\$)
A. Reports for which no management decision had been made by the beginning of the reporting period ^a	9	2,710,308	625,465
B. Reports issued during the reporting period	6	554,413	323,113
Total reports (A+B) requiring a management decision during the period^b	15	3,264,721	948,578
C. Reports for which a management decision was made during the reporting period ^c	11	2,561,341	373,818
i. Value of disallowed costs		2,499,757	275,000
ii. Value of costs not disallowed		236,641	98,818
D. Reports for which no management decision had been made by the end of the reporting period	4	703,380	574,760

^a One audit report included in this table is also included among reports with recommendations that funds be put to better use (see table 5). However, the dollar amounts do not overlap.

^b In category C, lines i and ii do not always equal the total in line C because resolution may result in values greater than the original recommendations.

TABLE 5. AUDITS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

See table 3 for a definition of “recommendation that funds be put to better use.”

Report Category	Number	Value (\$)
A. Reports for which no management decision had been made by the beginning of the reporting period	1	152,000
B. Reports issued during the reporting period	1	157,000
Total reports (A+B) requiring a management decision during the period ^a	2	309,000
C. Reports for which a management decision was made during the reporting period ^b	2	309,000
i. Value of recommendations agreed to by management	2	309,000
ii. Value of recommendations not agreed to by management	0	0
D. Reports for which no management decision had been made by the end of the reporting period	0	0

^a One audit report included in this table is also included among reports with questioned costs (see table 4). However, the dollar amounts do not overlap.

^b In category C, lines i and ii do not always equal the total in line C because resolution may result in values greater than the original recommendations.

TABLE 6. REPORT TYPES FOR THIS PERIOD

Performance audits are engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management, and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or investigation. An inspection is defined as a process that evaluates, reviews, studies, or analyzes the programs and activities of a department or agency to provide information to managers for decision making; make recommendations for improvements to programs, policies, or procedures; and identify where administrative action may be necessary.

Investigative public reports memorialize the evidentiary findings, analysis, and conclusions of specific OIG investigations. Investigations are different from evaluations and other types of OIG reviews as they are initiated to resolve specific allegations, generally dealing with violations of law, regulations, or policies. In such investigations, OIG collects evidence through a variety of methods, including witness interviews, subpoenas, and document requests, and examines that evidence to determine whether allegations are substantiated. OIG will release certain investigative reports to Congress and the public in the interest of increased transparency and accountability.

Type	Number of Reports	Table Number
Performance audits	9	Table 6-a
Evaluations and inspections	4	Table 6-b
Investigative public reports	5	Table 6-c
Total	18	

TABLE 6-A. PERFORMANCE AUDITS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
Bureau of Industry and Security					
BIS's Implementation of Export Control Reform Requires Several Improvements to Address Challenges	OIG-14-028-A	09.04.2014	0	0	0
Economics and Statistics Administration					
The Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census Research Through a Constrained Budget Environment	OIG-14-021-A	05.21.2014	0	0	0
National Oceanic and Atmospheric Administration					
Audit of the Joint Polar Satellite System: To Further Mitigate Risk of Data Gaps, NOAA Must Consider Additional Missions, Determine a Strategy, and Gain Stakeholder Support	OIG-14-022-A	06.17.2014	0	0	0
Significant Security Deficiencies in NOAA's Information Systems Create Risk in Its National Critical Mission	OIG-14-025-A	07.15.2014	0	0	0
Expedited Efforts Needed to Remediate High-Risk Vulnerabilities in the Joint Polar Satellite System's Ground System	OIG-14-027-M	08.21.2014	0	0	0
National Telecommunications and Information Administration					
Excess Equipment, Weaknesses in Inventory Management, and Other Issues in BTOP Infrastructure Projects	OIG-14-023-A	07.25.2014	157,000	0	0
Office of the Secretary					
Inadequate Practice and Management Hinder Incident Detection and Response	OIG-14-017-A	04.24.2014	0	0	0
Office of the Secretary's Working Capital Fund Billing Control Issues Resulted in Incorrect Charges	OIG-14-020-A	05.15.2014	0	0	0
U.S. Patent and Trademark Office					
Rapid Rise in the Request for Continued Examination Backlog Reveals Challenges in Timely Issuance of Patents	OIG-14-024-A	06.30.2014	0	0	0

TABLE 6-B. EVALUATIONS AND INSPECTIONS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
International Trade Administration					
Letter to Senate Committee on Appropriations on the Status of ITA's Consolidation	OIG-14-026-M	07.25.2014	0	0	0
National Oceanic and Atmospheric Administration					
Review of NOAA Catch Share Programs	OIG-14-019-I	05.01.2014	0	0	0
Office of the Secretary					
FY 2013 Compliance with Improper Payment Requirements	OIG-14-016-I	04.15.2014	0	0	0
Nonfederal Audit Results for the 6-Month Period Ending December 31, 2013	OIG-14-017-M	04.15.2014	0	0	0

TABLE 6-C. INVESTIGATIVE PUBLIC REPORTS

Report Title	Report Number	Date Issued
Economics and Statistics Administration		
Investigative Report on Census Bureau Data Falsification Allegations	14-0073	05.01.2014
National Oceanic and Atmospheric Administration		
Investigative Report on Hurricane Sandy Relief Funding for the National Estuarine Research Reserve System	13-0963	05.19.2014
Review of Improper Expenditure for NOAA GOES-R Ground Segment Team Activity	14-0475	09.22.2014
U.S. Patent and Trademark Office		
Review of Conduct by a High-Ranking USPTO Official in the Hiring of a Trademark Organization Employee	13-0726	07.08.2014
Review of Waste and Mismanagement at the Patent Trial and Appeal Board	13-1077	07.28.2014

TABLE 7. SINGLE AUDIT AND PROGRAM-SPECIFIC AUDITS

OIG reviewed and accepted 134 audit reports prepared by independent public accountants and local, state, and other federal auditors. The reports processed with questioned costs, recommendations that funds be put to better use, and/or nonfinancial recommendations are listed in table 7-a.

Agency	Audits
U. S. Census Bureau	1
Economic Development Administration	44
International Trade Administration	1
Minority Business Development Administration	0
National Institute of Standards and Technology ^a	15
National Oceanic and Atmospheric Administration	12
National Telecommunications and Information Administration ^b	27
Multibureau	32
No Departmental expenditures	4
Total	136

^a Includes 6 program-specific audits.

^b Includes 17 program-specific audits.

TABLE 7-A. PROCESSED REPORTS WITH MATERIAL AUDIT FINDINGS

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use (\$)	Amount Questioned (\$)	Amount Unsupported (\$)
Economic Development Administration					
Earth Science Systems LLC (70NANB9H9012)	OIG-14-05106	09.30.2014	0	9,693	0
Kent Displays Inc. (70NANB11H005)	OIG-14-05115	09.30.2014	0	83,784	0
National Oceanic and Atmospheric Administration					
Commonwealth of the Northern Mariana Islands	OIG-14-04989	04.23.2014	0	86,757	0
National Telecommunications and Information Administration					
EAGLE-Net Alliance (NT11BIX5570001)	OIG-14-05037	05.20.2014	0	275,000	275,000
JKM Consulting Inc. (NT10BIX5570095)	OIG-14-04951	04.15.2014	0	51,066	0
Thomas Edison State College	OIG-14-05005	05.09.2014	0	48,113	48,113

TABLE 8. AUDITS UNRESOLVED FOR MORE THAN 6 MONTHS**National Institute of
Standards and Technology****Five nonfederal audits of financial assistance grants
awarded to Massachusetts Manufacturing Extension
Partnership for FU 2008–2012.**

NIST and OIG continue to work to resolve these audits.

**National Institute of
Standards and Technology****Five nonfederal audits of financial assistance grants
awarded to Florida Manufacturing Extension Partnership
for FY 2008–2012.**

NIST and OIG continue to work to resolve these audits.

REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages of this report.

Section	Topic	Page
4(a)(2)	Review of Legislation and Regulations	50
5(a)(1)	Significant Problems, Abuses, and Deficiencies	6-34
5(a)(2)	Significant Recommendations for Corrective Action	6-34
5(a)(3)	Prior Significant Recommendations Unimplemented	50
5(a)(4)	Matters Referred to Prosecutorial Authorities	41
5(a)(5) and 6(b)(2)	Information or Assistance Refused	51
5(a)(6)	Listing of Audit Reports	47
5(a)(7)	Summary of Significant Reports	6-34
5(a)(8)	Audit Reports—Questioned Costs	43
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	44
5(a)(10)	Prior Audit Reports Unresolved	48
5(a)(11)	Significant Revised Management Decisions	51
5(a)(12)	Significant Management Decisions with Which OIG Disagreed	51
5(a)(14)	Results of Peer Review	51

SECTION 4(A)(2): REVIEW OF LEGISLATION AND REGULATIONS

This section requires the inspector general of each agency to review existing and proposed legislation and regulations relating to that agency's programs and operations. Based on this review, the inspector general is required to make recommendations in the semiannual report concerning the impact of such legislation or regulations on (1) the economy and efficiency of the management of programs and operations administered or financed by the agency or (2) the prevention and detection of fraud and abuse in those programs and operations. Comments concerning legislative and regulatory initiatives affecting departmental programs are discussed, as appropriate, in relevant sections of the report.

SECTION 5(A)(3): PRIOR SIGNIFICANT RECOMMENDATIONS UNIMPLEMENTED

This section requires identification of each significant recommendation described in previous semiannual reports for which corrective action has not been completed. Section 5(b) requires that the Secretary transmit to Congress statistical tables showing the number and value of audit reports for which no final action has been taken, plus an explanation of why recommended action has not occurred, except when the management decision was made within the preceding year. However, information on the status of any audit recommendations can be obtained through OIG upon request.

SECTIONS 5(A)(5) AND 6(B)(2): INFORMATION OR ASSISTANCE REFUSED

These sections require a summary of each report to the Secretary when access, information, or assistance has been unreasonably refused or not provided. There were no reports to the Secretary during this semiannual period.

SECTION 5(A)(10): PRIOR AUDIT REPORTS UNRESOLVED

This section requires (1) a summary of each audit report issued before the beginning of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report); (2) an explanation of why a decision has not been made; and (3) a statement concerning the desired timetable for delivering a decision on each such report. There are 10 nonfederal audit reports concerning two NIST grant recipients, which are more than 6 months old for which no management decision has been made. (See table 8.)

SECTION 5(A)(11): SIGNIFICANT REVISED MANAGEMENT DECISIONS

This section requires an explanation of the reasons for any significant revision to a management decision made during the reporting period. Department Administrative Order 213-5, *Audit Resolution and Follow-up*, provides procedures for revising a management decision. For financial assistance audits, OIG generally must concur with any decision that would change the audit resolution proposal in response to an appeal by the recipient. There are five appeals pending at the end of this period.

SECTION 5(A)(12): SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREED

This section requires information concerning any significant management decision with which the inspector general disagrees. Department Administrative Order 213-5 provides procedures for elevating unresolved audit recommendations to higher levels of Department and OIG management, including their consideration by an audit resolution council. During this period, no audit issues were referred.

SECTION 5(A)(14): RESULTS OF PEER REVIEW

The most recent peer review of the Office of Audit and Evaluation was conducted in 2012 by the Office of Personnel Management (OPM) Office of Inspector General. OPM OIG's *System Review Report* of our audit operations is available on our website. We received a pass rating, the highest available rating. We have implemented all of OPM OIG's recommendations for process and policy improvements.

The most recent peer review of the Office of Investigations was conducted in 2011 by OPM's OIG. We received a compliant rating. The final report of this peer review was issued on April 30, 2012.

ACRONYMS AND ABBREVIATIONS

BAS	Business Application Solutions	GOES-R	Geostationary Operational Environmental Satellite-R Series
BIS	Bureau of Industry and Security	IFQ	Individual Fishing Quota
BTOP	Broadband Technology Opportunities Program	IPERA	Improper Payments Elimination and Recovery Act of 2010
CIGIE	Council of Inspectors General on Integrity and Efficiency	IT	information technology
CIRT	Computer Incident Response Team	ITA	International Trade Administration
DMSP	Defense Meteorological Satellite Program	JPSS	Joint Polar Satellite System
DOC CIRT	Department of Commerce Computer Incident Response Team	MDMR	State of Mississippi's Department of Marine Resources
ECR	Export Control Reform	MTIPS	Managed Trusted Internet Protocol Services
EDA	Economic Development Administration	NASA	National Aeronautics and Space Administration
ESA	Economics and Statistics Administration	NESDIS	National Environmental Satellite, Data, and Information Service
ESPC	Environmental Satellite Processing Center	NIST	National Institute of Standards and Technology
FAR	Federal Acquisition Regulation	NMFS	National Marine Fisheries Service
FirstNet	First Responder Network Authority	NOAA	National Oceanic and Atmospheric Administration
FISMA	Federal Information Security Management Act of 2002	NPOESS	National Polar-orbiting Operational Environmental Satellite System
FMC	Fishery Management Council	NTIA	National Telecommunications and Information Administration
FY	fiscal year	NWS	National Weather Service
GOES	Geostationary Operational Environmental Satellite		

OAM	Office of Acquisition Management	RLF	Revolving Loan Fund
OGC	Office of General Counsel	SIDAR	Solar Irradiance, Data and Rescue
OIG	Office of Inspector General	SOC	Security Operations Center
OMB	Office of Management and Budget	Suomi NPP	Suomi National Polar-orbiting Partnership
OPM	Office of Personnel Management	SWPC	Space Weather Prediction Center
OSFM	Office of the Secretary Financial Management	UCA	Undefinitized Contractual Action
PATB	Patent Trial and Appeal Board	USAF	U.S. Air Force
PCC	Public Computer Center	USFCS	U.S. and Foreign and Commercial Service
POES	Polar-orbiting Operational Environmental Satellites	USPTO	U.S. Patent and Trademark Office
RCE	Request for Continued Examination		



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