



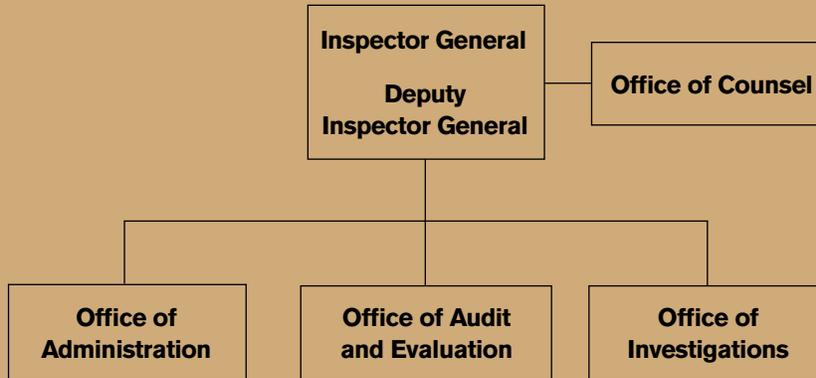
**U.S. Department of Commerce  
Office of Inspector General**

# Semiannual Report to Congress

**September 2016**



# OFFICE OF INSPECTOR GENERAL




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## Oversight Areas

Office of the Secretary  
 Bureau of Economic Analysis  
 Bureau of Industry and Security  
 Economic Development Administration  
 Economics and Statistics Administration  
 First Responder Network Authority  
 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 DEPUTY INSPECTOR GENERAL

I am pleased to present the Department of Commerce Office of Inspector General's (OIG's) *Semiannual Report to Congress* for the 6 months ending September 30, 2016.

This report summarizes work we initiated and completed during this semiannual period on a number of critical Departmental activities. Over the past 6 months—in addition to issuing our annual *Top Management and Performance Challenges Facing the Department of Commerce*—OIG completed 22 audits, inspections, responses to Congressional requests, and public investigative reports, as well as 2 Congressional testimonies.

In September 2016, we issued our annual report identifying what we consider from our oversight perspective to be the top management and performance challenges facing the Department in fiscal year (FY) 2017, 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 FYs 2014–2018.

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.



DAVID SMITH

# TOP MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DEPARTMENT OF COMMERCE

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. On May 17, 2016, 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 FY 2017, *Top Management and Performance Challenges Facing the Department of Commerce*. In the memorandum, we identified cross-cutting issues aligned with the Department's strategic plan for FYs 2014–18. We issued a draft report on August 24, 2016; our final report was issued on September 30, 2016.

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

The Department faces a challenge to comply with new requirements from the Office of Management and Budget (OMB) regarding grant administration, which became effective in December 2014. The new approach places a greater burden on the Department and, if not properly implemented, may affect the performance of its trade and research grant programs. Our FY 2017 *Top Management and Performance Challenges* report focuses on managing systems and personnel related to the processing of grants.

**Departmental and bureau grants oversight.** The Department and its bureaus with grant programs must consolidate the various Departmental grants management systems into one system. An additional challenge is identifying, hiring, and maintaining a qualified financial assistance workforce.

## 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

To foster a more innovative U.S. economy and strengthen U.S. manufacturing, the Department has many diverse innovation programs. These include programs within the U.S. Patent and Trademark Office (USPTO), the First Responder Network Authority (FirstNet), and the National Telecommunications and Information Administration (NTIA). Our FY 2017 *Top Management and Performance Challenges* report focuses on the following:

**USPTO patent examinations.** Despite the increase in both the number of patent examiners and spending on patent examination, USPTO still faces challenges in meeting its targets for patent processing time. In addition, USPTO continues to face challenges in enhancing patent quality and developing more effective quality metrics.

**USPTO information technology (IT) systems.** For FY 2017, USPTO requested \$595.6 million from Congress for its IT portfolio. As stated in its 2014–2018 *Strategic Plan*,

USPTO's vision for the next 4 years includes plans to continue transforming its operations with next-generation technology and services. However, USPTO still needs to deploy a significant number of applications within the portfolios and, in the interim, must rely on more than 67 existing legacy systems to conduct day-to-day business.

**FirstNet network implementation.** As FirstNet makes progress in acquisition activities, consultation, and internal control, challenges remain. FirstNet plans to award a contract for the development and management of a Nationwide Public Safety Broadband Network (NPSBN) in November 2016. Also, NTIA issued \$116.56 million in grant awards under the Middle Class Tax Relief and Job Creation Act of 2012's State and Local Implementation Grant Program (SLIGP) to promote—among each of the 56 states and territories, as well as tribes and federal public safety entities—outreach, data collection, and planning for the NPSBN. In addition, various government and accounting reports have identified the need for FirstNet to strengthen its controls.

**Demand for radio frequency spectrum.** Freeing up spectrum for high-speed broadband services remains a key challenge facing the Department. In June 2010, the President directed the Department, working through NTIA, to make 500 megahertz of federal and non-federal spectrum available by 2020 to support wireless broadband needs. As of June 2016, NTIA reported that it has made available almost half of the 500 megahertz goal. NTIA continues to investigate opportunities to make additional spectrum available, while ensuring no loss of critical existing and planned federal, state, local, and tribal government capabilities.

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

The Department must actively manage risks associated with the acquisition and development of the next generation of National Oceanic and Atmospheric Administration (NOAA) environmental satellites. These satellites provide data and imagery used to track severe storms, forecast weather, and study climate and other environmental conditions. While NOAA works to improve forecast prediction, severe weather preparedness, and its stewardship over marine resources, habitats, and ecosystems, our FY 2017 *Top Management and Performance Challenges* report focuses on the following:

**NOAA satellite acquisitions.** The Department must manage risks associated with the acquisition and development of environmental satellite systems. Satellite integration and test problems caused NOAA to delay the Geostationary Operational Environmental Satellite-R Series (GOES-R) estimated launch date to November 2016. If the launch date continues to be delayed, there will be increased risk of a potential gap in coverage. Also, in order for the Joint Polar Satellite System (JPSS) program to launch JPSS-1 by the end of the second quarter of FY 2017, it must investigate and correct a problem with a key instrument, as well as complete environmental and other final tests of the satellite and a major upgrade of the JPSS common ground system.

**NOAA observational data processing.** The ground system development problems that both GOES-R and JPSS-1 are addressing may necessitate the deferral of planned operational capabilities until after their launches. Management attention to post-launch test activities is needed to ensure users' needs are met—and inform a new Administration and Congress of data availability and its effect on forecasts.

**NOAA National Marine Fisheries Service data.** NOAA Fisheries must balance two competing interests: promoting commercial and recreational fishing while preserving populations of fish and other marine life. Developing conservation and management measures requires collecting, analyzing, and reporting demographic information about fish populations via stock assessments. NOAA continues to face challenges to ensuring timely and accurate stock assessments and providing what is often controversial consultation to its stakeholders.

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

The Department produces large amounts of data that are vital in the 21st century information-driven economy, benefitting businesses, governments, and the public. A major data source of the Department, the Census Bureau, faces challenges as it prepares for the 2020 decennial census. Also, the Digital Accountability and Transparency Act of 2014 (DATA Act) compels federal departments and agencies to expand data capabilities and support a data-enabled economy. Our FY 2017 *Top Management and Performance Challenges* report focuses on the following:

**2020 Census quality and cost.** On October 1, 2015—after conducting FYs 2013, 2014, and 2015 site tests—the Bureau released its 2020 *Census Operational Plan*, with a set of design decisions that drive how the 2020 Census will be conducted. The Bureau plans to conduct additional testing in order to refine the design. Its 2017 site test must be adequately planned and implemented to ensure critical information is obtained. In addition, audits continue to report deficiencies in the Bureau's cost accounting practices, which will make it difficult for the Bureau to demonstrate that cost savings were realized. Without complete cost information, it will be difficult for the Bureau to compute accurate estimates and actual costs for comparison with budget requests.

**Census enterprise data system.** The Census Enterprise Data Collection and Processing System (CEDCaP) Program aims to integrate and standardize the Bureau's systems in order to share data collection and processing across all censuses and surveys. Specifically, CEDCaP proposes to consolidate costs by retiring unique, survey-specific systems and redundant capabilities—a factor in the proposed redesign with a goal of realizing an estimated \$5 billion in costs avoidance for the 2020 decennial census. A challenge the CEDCaP faces is how to effectively integrate, test, and implement the architecture and systems to a level sufficient enough to support the 2017 Census site test, the 2018 end-to-end decennial test, and the 2020 Census itself, all within a short timeframe.

**Departmental compliance with the DATA Act.** The DATA Act requires federal agencies to make available detailed information on their spending and use of federal funds and reporting it by specific categories, such as how much funding an agency receives from Congress and how much agencies spend on specific projects and awards. Due to the Department's legacy information systems and need to use existing funding resources, providing reliable and consistent agency program information and meeting the goals of the DATA Act will be a significant challenge.

**Replacement for Commerce Business Systems (CBS).** The lack of a centralized and integrated financial management system continues to create reporting and oversight challenges for the Department—including the ability to effectively report financial data and monitor financial activity across its operating units. The Department and most of its operating units' continued reliance on CBS—with its limited functionality, high support costs, lack of system integration, and lack of centralized reporting capabilities—is an immediate high risk for the Department's compliance with current and future reporting requirements such as the DATA Act.

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

Achieving operational excellence is essential for the Department to achieve mission-focused objectives and maximize value to its customers. This objective focuses on the high-priority, cross-cutting initiatives that the Department's leadership believes are the most critical to mission success. Our FY 2017 *Top Management and Performance Challenges* report focuses on the following:

**Department-wide IT security issues.** We continue to find deficiencies in the implementation of basic security measures, such as regularly identifying vulnerabilities, expeditiously remediating security flaws, and effectively managing access controls. As a result of these deficiencies, Department systems continue to face the significant risk of cyber attacks. Also, continuing the implementation of the enterprise security operations center and enterprise cybersecurity monitoring and operations is critical to providing timely cyber situational awareness across the Department. Accordingly, the Department needs to make the required management commitment and prioritize resources to fully implement these cybersecurity initiatives.

**The Department's contracts and acquisitions.** A government-wide initiative notes that excessive reliance on sole-source and cost-reimbursement contracts creates risk of waste, inefficiency, and misuse. Our work across the Department continues to identify that, without sound procurement practices and an effective acquisition structure in place, the risk of wasted government dollars increases. During FY 2015, the Department made significant gains in managing and strengthening the acquisition workforce but still faces related challenges.

**IT controls for financial data.** The independent auditor of the Department's annual financial statements reported general IT controls as a Department-wide significant deficiency in FYs 2012–2015. Specifically, the Department's financial systems continue to have deficiencies in the areas of access controls, configuration management, and segregation of duties within their financial management system. In addition, a significant deficiency related to IT access and configuration management control weaknesses was identified in the USPTO's annual financial statement audit in FY 2015. The Department and USPTO have ongoing efforts in place to implement corrective actions for the deficiencies identified.

**Department-wide culture of accountability.** One major challenge is detecting and preventing time and attendance (T&A) abuse, which OIG has investigated at several Departmental operating units. Another challenge involves the integrity of procurement processes: over the past 3 fiscal years, OIG conducted multiple investigations into allegations of abuse in contracting matters. In addition, in FY 2016, OIG investigated alleged abuses related to official Department travel. These inquiries raised concerns about the Department's compliance with governing laws and rules, particularly the Federal Travel Regulation and the Department's travel-related policies.



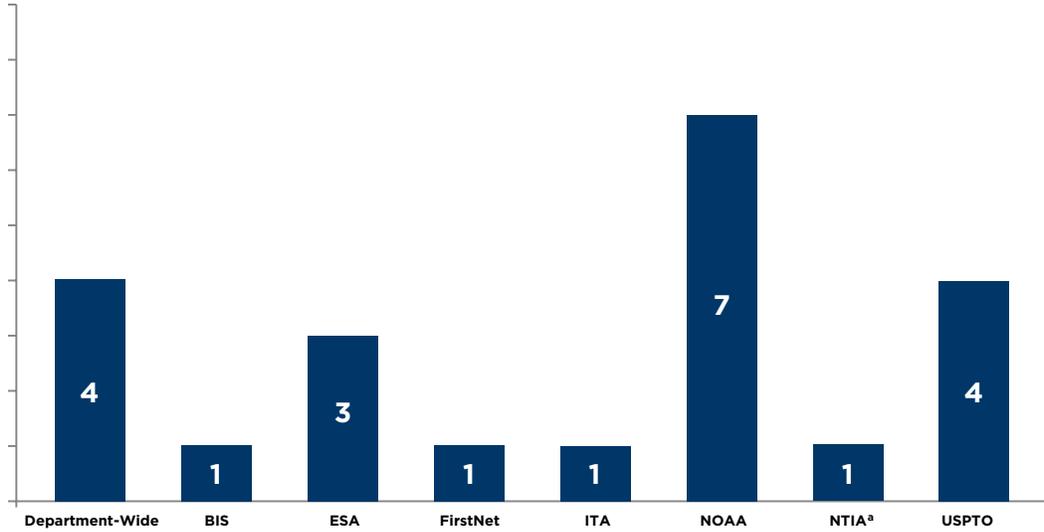
## DEPARTMENT-WIDE MANAGEMENT

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—in addition to issuing its *Top Management and Performance Challenges Facing the Department of Commerce*—OIG completed 22 audit, inspection, and public investigation reports, as well as responses to Congressional requests; in addition, OIG submitted 2 Congressional testimonies.



<sup>a</sup> Completed work concerning NTIA includes one audit report regarding the Broadband Technology Opportunities Program (BTOP).

**FY 2015 COMPLIANCE WITH IMPROPER PAYMENT REQUIREMENTS (OIG-16-027-I)**

We reviewed the Department of Commerce's compliance with the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). We also reviewed whether the Department complied with applicable provisions of OMB Circular A-136 (revised August 2015), and OMB Circular A-123, Appendix C, as amended by OMB Memorandum M-15-02. Our objectives were to (1) assess whether the Department complied with all reporting requirements and (2) evaluate reporting accuracy and performance in reducing and recapturing improper payments.

Based on our review of the results of the Department's actions to detect and prevent improper payments, as well as improper payment data reported in the *Annual Financial Report (AFR)*, we found that the Department met the OMB criteria for compliance with IPIA. However, our review also identified that the Department can further improve the accuracy and completeness of the improper payment and payment recapture data reported in the *AFR*.

We recommended that the Acting Deputy Chief Financial Officer and Director for Financial Management develop control procedures to ensure that

- the evaluation of unsupported costs identified in OIG reports and final determination of the propriety of these payments is made within a reasonable timeframe (for example, 3 months) and
- the *AFR* describes all required aspects of the Department's payment recapture audit efforts identified in OMB Circular A-136.

## REVIEW OF IT SECURITY POLICIES, PROCEDURES, PRACTICES, AND CAPABILITIES IN ACCORDANCE WITH THE CYBERSECURITY ACT OF 2015 (OIG-16-040-A)

Our audit objective was to examine the IT security policies, procedures, practices, and capabilities—as defined by the Cybersecurity Act of 2015—for national security systems and personally identifiable information (PII) systems operated by or on behalf of the Department. To conduct our work, we collected and reviewed information on the 5 areas specified in the Act from each of the 9 operating units (OUs): Bureau of Industry and Security (BIS), Census Bureau (Census), International Trade Administration (ITA), National Institute of Standards and Technology (NIST), NOAA, NTIA, National Technical Information Service (NTIS), Office of the Secretary (OS), and USPTO.

- **Logical access policies and practices and logical access controls.** The Act directs OIG to describe the logical access policies and practices used by the Department, including whether appropriate standards were followed. Further, the Act requires a description and list of the logical access controls used to govern access by privileged users. In general, logical access policies and practices used by the Department follow appropriate standards, and OUs have asserted logical access controls are in place on most systems. However, we found that NOAA and OS had outdated policies, and Census and USPTO had not fully implemented logical access controls on their systems. Census and USPTO developed plans of action and milestones to address the weaknesses identified.
- **Multi-factor authentication.** The Act directs OIG to (a) list and describe the multi-factor authentication used by the Department to govern privileged users' access to systems and (b) describe any reasons for not using multi-factor authentication. Our review identified that 5 of the 9 OUs—Census, NIST, NOAA, OS, and USPTO—have not fully implemented multi-factor authentication for privileged users on PII systems.
- **Software inventory policies and procedures.** The Act directs OIG to describe the policies and procedures followed by the Department to conduct inventories of the software present on the systems. The Department's policy requires that OUs maintain asset inventories for network-connected IT devices, including system software release information. All 9 OUs implement procedures to conduct inventories of the software present on the systems.
- **Capabilities to monitor and detect exfiltration and other threats.** The Act directs OIG to describe (a) what capabilities the Department utilizes to monitor and detect exfiltration and other threats, (b) how it is using them, and (c) any reasons for not utilizing such capabilities. We found that all 9 OUs deploy the following capabilities to monitor and detect exfiltration and other threats: external monitoring, security operations centers, intrusion detection systems/intrusion prevention systems, and event correlation tools.
- **Policies and procedures that ensure contractors' implementation of information security management practices.** The Act directs OIG to describe the policies and procedures of the Department ensuring that contractors are implementing the information security management practices. Contractors that provide IT services to the Department are required to follow the Department's IT Security Program Policy, which specifically requires information system monitoring and software management. Further, the Department requires the IT "Compliance in Acquisition Checklist" be completed for information system acquisitions.

The results, findings and recommendations of our review of the Department's national security systems in accordance with the Cybersecurity Act of 2015 were for official use only.

**FOLLOW-UP AUDIT ON RECOMMENDATIONS FROM AUDIT REPORT  
NO. OIG-13-031-A, CLASSIFIED INFORMATION POLICIES AND PRACTICES  
AT THE DEPARTMENT OF COMMERCE NEED IMPROVEMENT (OIG-16-048-A)**

The Reducing Over-Classification Act of 2010 (Public Law 111-258) mandates that each inspector general with an officer or employee authorized to make original classification decisions conduct two evaluations to promote the accurate classification of information. We reviewed progress made after the first evaluation completed on September 30, 2013, *Classified Information Policies and Practices at the Department of Commerce Need Improvement (OIG-13-031-A)*, to determine whether the Department took appropriate corrective actions on recommendations made in the report. In the 2013 report, we issued the following recommendations to the Director, Office of Security (OSY):

- Ensure that the document custodian take action to finalize the disposition of the three documents identified with expired declassification dates.
- Require container custodians to be responsible for the classified documents in the container(s) they control.
- Amend the Security Manual to align with the language in Executive Order 13526 regarding markings on derivatively classified documents, as well as update annual refresher training on classification markings for derivatively generated documents.
- Improve the process for entering accurate data into Security Manager and develop guidance addressing the processes to be followed for annual classified information inventory reviews.
- Incorporate any relevant changes made as a result of recommendations in this report as part of OSY's annual reviews of the Department's classified information.

We found that OSY satisfactorily implemented corrective actions for recommendations 3 and 5, but either did not fully implement or address recommendations 1, 2, and 4:

- Recommendation 1: We found that the NTIA custodian had not disposed of the three classified documents with expired declassification dates as OSY stated in its April 3, 2014, action plan. Instead, the document custodian destroyed the three classified documents in May 2016.
- Recommendation 2: We found that OSY partially implemented this recommendation as it related to bi-annual inspections.
- Recommendation 4: We found that the Director, OSY, partially implemented this recommendation as it related to developing guidance addressing the processes to be followed to conduct and document annual classified information inventory reviews.

We recommended that the Director, OSY, fully implement recommendations 2 and 4 as agreed to in OIG report number OIG-13-031-A—specifically,

- promote and enforce user reviews of classified documents;
- ensure custodians are trained and understand their responsibilities to account for, control, and purge classified materials; and
- establish controls to ensure that accurate data is entered into Security Manager Database system.

## **INVESTIGATION INTO TRAVEL AND OTHER IMPROPRIETIES IN THE OFFICE OF A POLITICALLY APPOINTED OFFICIAL (OIG-15-0444)**

In 2015, a confidential complainant contacted OIG alleging potential policy and regulatory violations taking place in the office of a high-ranking political appointee in an agency with the Department of Commerce. The complaint alleged that the Political Appointee

- may have improperly sought reimbursement at above-standard per diem rates for stays in premium hotel accommodations while on official travel;
- had staff who may have invented business reasons to accommodate some personal travel plans when responding to questions from Department oversight officials; and
- had his or her office renovated at a cost that might exceed what is permitted by law.

The evidence developed over the course of our inquiry established that a variety of problems arose in Political Appointee's office during his or her tenure with the Department, including the following:

- Political Appointee received unjustified reimbursements on multiple occasions for luxury hotel stays, in violation of the Federal Travel Regulation and Department policy, and a member of his or her staff received questionable reimbursements for premium car service expenses associated with Political Appointee's trips.
- A member of Political Appointee's staff provided inaccurate or knowingly false information to Department officials in response to inquiries about Political Appointee's travel arrangements.
- Political Appointee used a staff member to handle non-official personal business in a manner that was impermissible.
- Political Appointee's agency paid for potentially unauthorized or otherwise questionable expenditures related to the renovation of his or her office space.

As a result of the evidence developed during OIG's investigation, along with our findings, we recommended that the Department consider taking several actions, including

- ensuring that any employee making travel arrangements or approving travel reimbursements for politically appointed officials receives training on governing travel regulations and policies;
- providing newly appointed political officials with guidance on (a) regulations and policies governing the use of subordinates for non-official business, (b) restrictions against the use of their title or position for personal gain or creating the appearance of such use, (c) key regulations and policies governing official travel, and (d) the advisability of monitoring renovation work done to their office suites to ensure the cost of such work does not contravene Congressional budget restrictions;
- reviewing the renovations to Political Appointee's office suite to determine whether expenditures associated with those renovations exceeded the \$5,000 limit imposed by Congress and whether the expenditures there contravened the Anti-Deficiency Act; and
- implementing procedures requiring thorough documentation to support the categorization of any work performed on a politically appointed official's office suite as general or routine maintenance as opposed to renovation work subject to Congressional budget restrictions.

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## **JOINT INVESTIGATION LEADS TO A \$5.8 MILLION CIVIL SETTLEMENT**

In October 2014, OIG participated in a joint investigation with the U.S. Attorney's Office (USAO), Central District of California (CDCA), into alleged false claims by a Departmental contractor. The allegations included that the company knowingly and falsely claimed to be an 8(a) certified small business entity. Our investigation confirmed that Department of Commerce components awarded at least 33 contracts, some as 8(a) certified small business, to the company. In total, the USAO/CDCA found 133 such instances across the federal government. In July 2016, the company subsequently entered into an agreement and agreed to pay \$5.8 million to settle the case.

## **DEPARTMENTAL EMPLOYEE REMOVED FOR MISUSE OF POSITION, T&A ABUSE, AND LACK OF CANDOR**

In November 2015, OIG issued a report finding that an OS employee: (1) misused his official position for private gain; (2) engaged in T&A abuse; (3) made materially false statements to investigators in violation of 18 U.S.C. § 1001; and (4) lacked candor with OIG in violation of Department Administrative Order 207-10. OIG recommended that the Department take appropriate administrative action in light of the findings contained in its report. On July 8, 2016, the Department issued a final notice of removal removing the OS employee from federal employment, which became effective on July 11, 2016.

## **SENIOR OFFICIAL REMOVED FROM FEDERAL SERVICE FOR MISCONDUCT AND WASTE OF GOVERNMENT RESOURCES**

In August 2015, OIG released an investigative report revealing that a senior Department official misused government computer equipment, by using it to view and/or store pornographic material, among other issues. OIG's investigation revealed a troubling pattern of conduct that was abusive of government resources and evidenced a disregard for conservation of such resources, as well as misconduct by the senior official in response to OIG's investigation. In July 2016, the Department removed the senior official from federal service.



# 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 IT 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.

## **FULL TRANSITION TO THE NATION'S SINGLE EXPORT LICENSING SYSTEM IS UNCERTAIN (OIG-16-037-A)**

Our audit's objectives were to determine whether BIS was (1) effectively and efficiently managing its transition toward using the Department of Defense interagency export licensing system, U.S. Exports System (USXPORTS), to perform export licensing processing, and (2) using effective and efficient software development practices for the Commerce USXPORTS Exporter Support System (CUESS). However, during our fieldwork, we decided to forgo analysis on the second objective, as CUESS is currently in production with no plan for major development work on the system.

We found the following:

- Ineffective coordination and collaboration between BIS and the Defense Technology Security Administration (DTSA) led to project delays, including:
  - disagreements over data formats for synchronizing systems,
  - inadequate control over change requests,
  - inadequate allocation of resources,
  - inconsistent feedback during development, and
  - insufficient coordination during testing.
- BIS' unresolved issues with USXPORTS and continued use of CUESS for license processing leaves USXPORTS' transition uncertain. BIS identified numerous issues with USXPORTS during end-to-end testing and concluded that USXPORTS was unable to support its internal operational needs—but BIS and DTSA did not sufficiently resolve these issues. BIS implemented its own license processing capabilities (i.e., the Licensing Officer Access [LOA] module) within CUESS as a backup to USXPORTS. However, as CUESS is a separate system from USXPORTS, the inefficiencies identified by the Export Control Reform task force of having separate systems remain.

We recommended that the Undersecretary for Industry and Security ensure that BIS

- establish an Integrated Project Team for future systems development projects with other agencies (including DTSA), incorporating shared accountability, and
- conduct a cost/benefit analysis on using the LOA module with the Interagency Referral Sub-System versus fully transitioning to USXPORTS.

## **FORMER BIS EMPLOYEE INDICTED AND ARRESTED ON BRIBERY CHARGES**

In August 2016, Special Agents from OIG, the Federal Bureau of Investigation (FBI), and the Defense Criminal Investigative Service arrested a former BIS employee following a grand jury indictment filed in U.S. District Court for the Eastern District of Virginia. The indictment charged the former employee of one count of acceptance of bribes by a public official, as well as one count of conspiracy to commit bribery. The joint investigation found that while serving as the project manager for a BIS data migration project, the defendant solicited and received bribes from a local businessperson in return for steering a lucrative contract and subcontract to perform the data migration work to companies owned in whole or in part by the bribe payer. One of the bribe-payer's companies made \$208,000 in payments to a restaurant business owned by the former employee, and concealed many of these payments through false and fictitious invoices created by the defendant. According to the indictment, the bribe-payer's company also arranged for various subcontractors to perform over \$7,000 worth of free renovation work at the former employee's residence. The indictment included a forfeiture notice for a sum of money in excess of \$1 million. The maximum prison penalty for conviction of the conspiracy charge is 5 years and the maximum prison penalty for conviction of the bribery charge is 15 years. Trial is scheduled to begin in January 2017.





# ECONOMIC DEVELOPMENT ADMINISTRATION

The **U.S. Economic Development Administration's** mission is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. Its investment policy is designed to establish a foundation for sustainable growth and the building of durable regional economies throughout the United States. This foundation builds on two key economic drivers: innovation and regional collaboration.

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## **GUILTY PLEA FOR DEVELOPMENT DISTRICT DIRECTOR AND DEPUTY DIRECTOR FOR STEALING \$300,000 IN FEDERAL FUNDS**

A joint Departmental/OIG investigation found that both the director and the deputy director of a development district created a company in which to funnel government funds received from the Economic Development Agency's (EDA's) Revolving Loan Fund for personal gain. In August 2015, the deputy director pleaded guilty to bank fraud; however, the judge granted a motion to continue following the completion of the case involving the director, causing a delay in sentencing. In August 2016 the director pleaded guilty to two counts of theft from a federally funded entity. The director admitted she used the funds to purchase a property that was supposed to serve as an assisted living facility for senior citizens. Subsequently, she converted a portion of the property into a home for her family, which included elaborate upgrades, such as luxury showers and a double-winding staircase. The director also admitted she transferred federal funds without the approval of the board of directors; attempted to hide the unauthorized transfer of funds by instructing an employee to falsify the minutes of a board of director's meeting; and lied to the media, board of directors, and development district attorneys.



# 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.

## THE CENSUS WORKING CAPITAL FUND LACKS TRANSPARENCY (OIG-16-025-A)

Our objective was to evaluate the budgetary controls over the Census Bureau's Working Capital Fund (WCF). Specifically, we assessed the controls for building overhead rates and distributing charges to projects, reviewed the appropriateness of the level of fund balances, and evaluated compliance with appropriations laws.

We found the following:

- **The Bureau could not provide support for its overhead rates.** During the audit, we attempted to validate the Bureau's overhead cost rates by examining the underlying support for rate calculations. The Bureau could not provide this documentation for FYs 2011–2015, however, and was therefore unable to support the methodology used in developing the rates.
- **The Bureau lacks monitoring procedures to ensure WCF transparency and compliance with statutes.** The Bureau does not monitor the period of availability of Improving Operational Efficiency (IOE) program funds that are advanced to the WCF because they believe that these funds, when earned, are available without fiscal year limitation. We found that the Bureau (a) did not return unobligated balances to the originating appropriation, (b) was not able to provide documentation justifying or authorizing either the IOE program or the corporate unfunded requirements program's creation within the scope of the WCF authorizing legislation, and (c) used some funding in a manner that may not fall within the scope of the legislation establishing the Bureau's WCF.
- **The Bureau may have used FY 2010 funds to improperly augment a survey sponsor's FY 2009 appropriation.** Some transfers may have resulted in an improper augmentation of a survey sponsor's FY 2009 appropriation. The Bureau was able to process these transactions because the reimbursable agreement used the same project code for FYs 2009 and 2010, and there is no control in place to ensure that current year funds are not used to adjust the budget authority for prior year reimbursable agreements.
- **Bureau personnel have not prepared the required financial reports for the WCF.** Authorizing legislation requires that the Bureau prepare a separate schedule of expenditures and reimbursements and a statement of the current assets and liabilities of the WCF at the close of each fiscal year. Although the Bureau has been required to prepare these separate financial reports since the WCF was established in 1996, it has never produced them.
- **The Bureau lacks controls necessary to ensure that excess funds are returned to reimbursable survey sponsors promptly.** At the end of interagency agreements' period of performance, excess funds should be promptly returned to reimbursable survey sponsors. However, we found that the timing of these refunds was inconsistent.

We recommended that the Director of the Census Bureau

- Develop policies and procedures to ensure that the methodology used to develop overhead rates is documented and retained.
- Obtain an opinion from the Department of Commerce Office of General Counsel to determine whether funds from the IOE program, carried over in FY 2010 and FY 2011, are considered earned revenue and were carried over in compliance with appropriations law.
- Determine whether the projects funded through the IOE and corporate unfunded requirements programs are within the scope of the legislation authorizing the WCF.

- Develop controls related to reimbursable agreements to ensure that deficits are not created and appropriations of sponsoring agencies are not potentially improperly augmented.
- Identify the officials responsible for reviewing the schedule of expenditures and reimbursements, and the statement of current assets and liabilities of the WCF, and either (a) prepare the required annual financial reports or (b) seek to revise the requirement in the WCF's authorizing legislation.
- Develop policies and procedures that designate a time frame for refunds to be provided to reimbursable sponsors after the end of the agreement's period of performance.

### **THE U.S. CENSUS BUREAU GEOGRAPHY DIVISION LACKS COMPLETE INFORMATION FOR PROJECT COSTS AND HAS NOT FULLY MONITORED GSS-I GOALS (OIG-16-029-A)**

This report addresses the status of the Census Bureau's 2020 Decennial Program preparation and planning efforts. The Bureau maintains all known living quarters in the Master Address File (MAF). Each address in the MAF is linked to a geographic location in the Topologically Integrated Geographic Encoding and Referencing database (TIGER), to create the MAF/TIGER database (MTdb). Our audit objectives were to (1) assess the methods and costs of continuously updating the MTdb; (2) determine how efforts, such as the 2015 Address Validation Test, support the accuracy of the MAF; and (3) evaluate the preparation of the Local Update of Census Addresses (LUCA) program for the 2020 decennial census. This report focuses on risks identified for objective 1. (A report on objectives 2 and 3 was released on February 23, 2016.)

We identified concerns with (1) approving a new project without a cost estimate, (2) not tracking contractor costs to specific projects, and (3) lack of monitoring the progress of Geographic Support System Initiative (GSS-I) goals.

Additionally, in order to improve operations, we suggested that the Bureau refine the quality indicator scores to truly measure quality, or rename "quality indicators" to better describe what is being measured. Also, the Geography Budget Division should continue developing project and task codes so that fiscal year costs can be compared.

We recommended the Census Bureau Director

- Develop and include a cost estimate with existing and new work requests per Geography Division guidance.
- Track contractor costs to specific projects.
- Assess, monitor, and document all GSS-I program goals.

### **2020 CENSUS: THE BUREAU HAS NOT REPORTED TEST RESULTS AND EXECUTED AN INADEQUATELY DESIGNED 2015 TEST (OIG-16-032-A)**

We audited the 2015 Census Test to evaluate whether changes to the Bureau's 2020 Census research and testing (R&T) strategy, along with R&T delays, increases the risk that the Bureau will not be able to achieve its estimated cost savings goal while maintaining the quality of the 2020 Census.

Our objectives were to assess (1) whether the Bureau's reengineered and automated operational control system for managing fieldwork functioned as expected, and (2) the Bureau's progress toward determining whether enumerators are able to use employee-owned mobile devices

(referred to as “bring your own device” [BYOD]) to collect household data, as well as the status of the Bureau’s efforts to overcome policy and legal issues associated with the use of those devices.

With respect to our first objective, we noted that enumerators were able to collect household data and supervisors and managers were able to use many features of the operational control system to manage and monitor workload and enumerators during the 2015 Census Test. However, we continue to identify R&T activity delays, such as the lack of finalized reports for previous decennial census tests, which may negatively impact subsequent tests and the overall assessment of the R&T program. Additionally, the Bureau did not design the 2015 Census Test in a manner that allowed it to answer its research questions by isolating the effect of specific new nonresponse follow up design options. Finally, as noted during previous audits, the Bureau did not charge costs accurately to the 2015 Test project code, so we were unable to identify the test’s significant contracts. These findings may hinder the Bureau’s ability to achieve 2020 Census cost and quality goals.

Regarding the second objective: in January 2016, the Bureau decided to eliminate BYOD as an option for providing enumerators with devices or smartphones. Instead, the Bureau decided to implement the Device as a Service strategy for providing enumerators with equipment during the 2020 Census. Our test of the BYOD objective was complete and we identified two potential issues. However, we chose not to report any findings on this issue because the Bureau will not be pursuing a BYOD strategy.

Finally, in the “Other Matters” section, we brought additional observations to the Bureau’s attention.

We recommended that the Director of the U.S. Census Bureau

- Analyze and document test results in a timely manner, to inform subsequent tests and ensure transparency.
- Utilize existing controls, such as oversight by the Research and Methodology Directorate, or implement new controls, to ensure that projects and tests are designed to enable the Bureau to answer research questions using test results.
- Analyze internal control weaknesses and performance limitations of operational control system features, and make improvements during remaining 2020 Census testing activities.
- Ensure that all contract costs are charged in accordance with cost accounting requirements, so all test costs can be correctly reported.

#### **OIG TESTIMONY ON THE CENSUS BUREAU’S MODERNIZATION EFFORTS AND OVERALL PREPAREDNESS FOR THE 2020 CENSUS (OIG-16-038-T)**

On June 9, 2016, the Assistant Inspector General (AIG) for Economic and Statistical Program Assessment, Carol Rice, testified before a hearing of the Committee on Oversight and Government Reform, U.S. House of Representatives, focusing on “The Census Bureau’s Modernization Efforts and Overall Preparedness for the 2020 Census.”

The AIG testified on the accounting for and estimating 2020 Census costs; containing costs while maintaining accuracy through an innovative decennial design; and ensuring preparedness through project planning and risk management.

**Accurately accounting for and estimating 2020 Census costs.** Over the last 3 years, OIG has issued a number of findings and recommendations to the Bureau related to 2020 Census cost accounting and estimates, with which the Census Bureau has concurred. Some recurring themes in the reports include recommendations to improve controls over cost monitoring and budget development.

**Containing costs while maintaining accuracy through an innovative decennial design.** For the 2020 Census, the Census Bureau is expected to conduct a decennial census at a lower cost per household (adjusted for inflation) than it did during the 2010 Census—and maintain or improve the quality of the data it collects during the 2020 Census.

To accomplish its 2020 Census goals and overcome challenges—which include constrained fiscal environment, rapidly changing technology, declining public participation, growing distrust in government, increased population diversity, complex living arrangements, and increased population mobility—the Bureau focused on four key innovation areas:

- reengineering address canvassing;
- optimizing self-response;
- utilizing administrative records and third-party data; and
- reengineering field operations.

**Ensuring preparedness through project planning and risk management.** After several attempts to conduct its research and testing phase (the Decennial Program R&T activity schedule was revised four times and activities were delayed with each revision), many R&T projects lacked success criteria that established precise, predetermined, and quantifiable benchmarks against which to

- measure actual test results and
- determine whether projects or tests can achieve specific goals or objectives.

Finally, the AIG testified that the lack of appropriate success criteria for research and training projects—as well as the lack of corresponding cost estimates—restricts the Bureau's ability to base decisions on actual results, as well as inhibits its ability to demonstrate that expenditures produced quantifiable results to help the Bureau conduct a cost-effective and quality 2020 Census.





## FIRST RESPONDER NETWORK AUTHORITY

The **First Responder Network Authority** mission is to build, operate, and maintain the first high-speed, nationwide wireless broadband network dedicated to public safety, providing a single interoperable platform for emergency and daily public safety communications.

## **FIRSTNET CAN STRENGTHEN ITS CONTROLS BY DOCUMENTING PROCEDURES TO CLOSE AND TRACK INTERAGENCY AGREEMENTS (OIG-16-035-A)**

We reviewed relevant policies and procedures, assessed documentation of interagency agreements (IAAs), and interviewed FirstNet and Departmental officials involved in initiating, monitoring, or closing IAAs. This report provides the results of our most recent audit.

We found FirstNet's process for managing IAAs to be reasonable in regards to the process of entering into and monitoring IAAs. We examined a non-statistical sample of eight IAAs and did not detect any material errors or issues in FirstNet's process to

- ensure agreements contained the necessary elements;
- obtain proper approval and signatures prior to obligating funds; and
- monitor IAAs to ensure delivery of services.

Although we found FirstNet's processes to be reasonable for entering into and monitoring agreements, we identified opportunities to strengthen controls in their process for closing IAAs. In addition, FirstNet can improve the controls associated with tracking IAAs and timely providing documentation to support monitoring efforts.

We recommended that the FirstNet Chief Executive Officer

- develop and document procedures to explain the roles and responsibilities of FirstNet offices involved in the IAA closeout process and identify internal standards for initiating and executing closeouts;
- document procedures to explain the steps that are needed to effectively track FirstNet IAAs; and
- train responsible FirstNet personnel on documenting IAA monitoring efforts to ensure timely provision of documentation.

## **OIG TESTIMONY ON ONGOING ACTIVITIES AND CHALLENGES FACING THE FIRST RESPONDER NETWORK AUTHORITY IN THEIR ESTABLISHMENT OF A NATIONWIDE PUBLIC SAFETY BROADBAND NETWORK (OIG-16-034-T)**

On June 21, 2016, the Principal Assistant Inspector General (PAIG) for Audit and Evaluation, Andrew Katsaros, testified before a hearing of the Committee on Commerce, Science, and Transportation Subcommittee on Communications, Technology, Innovation and the Internet focusing on "The Ongoing Activities and Challenges Facing the First Responder Network Authority in their Establishment of a Nationwide Public Safety Broadband Network (NPSBN)."

The PAIG testified about the current status of, and challenges encountered by, FirstNet, which included

- the history of the organization and its work to date;
- OIG's oversight efforts; and
- ongoing risks FirstNet faces in their efforts to ensure implementation of a nationwide, interoperable, wireless broadband network for the public safety community.

More than 4 years after the passage of the Middle Class Tax Relief and Job Creation Act of 2012 that established FirstNet, the program faces a wide range of short- and long-term risks. OIG has identified areas for improvement, citing FirstNet's need to

- have an effective approach to evaluate proposals received in response to the January 2016 Request for Proposals—which seeks a vendor to build and operate the NPSBN—including identifying qualified personnel to evaluate the proposals and ensuring that these personnel do not have conflicts of interest; and
- leverage existing infrastructure, obtain optimal value for excess network capacity, and optimize its pricing structure in order to deliver a high-quality, self-sustaining, affordable broadband network and services to the nation's first responders.

The testimony highlighted that FirstNet is a nationwide network with geographical challenges. FirstNet has identified what it refers to as “the coverage challenge” (i.e., the geography of the 56 jurisdictions is varied, with the bulk of the population residing in about 5 percent of the U.S. land mass). The 3.8 million square miles to be covered by the network will include urban, suburban, rural, and wilderness areas, as well as islands. Recommendations for successful coverage include the following:

- FirstNet must offer public safety grade services at a cost that is competitive to all users and pay particular attention to coverage of rural areas, a subject specifically prioritized by the Act.
- Multiple federal government stakeholders must effectively coordinate over the 25-year term of the complex contract.

The PAIG also testified that the effective consultation with states and localities is critical to FirstNet's success. FirstNet established a state consultation process, completed initial consultation visits with 55 states and territories, and has begun to hold follow-up meetings. FirstNet received data from 54 states and territories to better understand their network public safety needs, including data on (1) network coverage, (2) users and operational areas, (3) network capacity, and (4) current services and procurement.

Lastly, the PAIG testified that the FirstNet must continue to strengthen its internal control. FirstNet continues to implement internal controls throughout the organization; however, opportunities for improvement remain.





# INTERNATIONAL TRADE 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 governmental procurements, and attracting inward investment.

## **CS CHINA OPERATIONS HIGHLIGHT NEED TO STRENGTHEN ITA MANAGEMENT CONTROLS (OIG-16-041-A)**

We conducted an audit of the U.S. & Foreign Commercial Service in China (CS China) operations as part of our FY 2015 audit plan given the level of Departmental resources dedicated to this important post. Our objectives were to (1) assess the roles and responsibilities of Departmental staff components in China and the adequacy of cost-sharing agreements; (2) assess the adequacy of controls over personal property inventory at CS China's six offices; and (3) review the responsiveness of U.S. & Foreign Commercial Service (USFCS) staff with respect to client service delivery. We reviewed memorandums of understanding (MOUs) between ITA and two other Departmental bureaus (BIS and USPTO), existing internal control over personal property, and relevant documents and policies.

As a result of our fieldwork, we identified ITA management control issues highlighted by CS China operations. Compliance with the terms of the memorandums between ITA and with BIS and USPTO varied. While BIS and USPTO roles and responsibilities were clearly stated, the payment and recovery of certain costs did not fully adhere to the terms of the agreements. With respect to personal property, we found problems with property acquisitions, procedures for disposing of obsolete property, and outdated USFCS policies. Finally, we compared CS China's client service delivery with that of other comparable posts and found that CS China's performance in this regard was low in comparison. However, because data was unavailable, we were unable to clearly identify the causes that resulted in late or canceled client services.

We recommended that the Assistant Secretary for Global Markets and Director General of the U.S. & Foreign Commercial Service

- revise the MOUs with BIS and USPTO for posting staff in China and at other applicable overseas posts to clarify each bureau's responsibilities regarding the payment of Capital Security Cost Sharing Program charges;
- apply a 12 percent overhead rate for BIS' program in China and at other applicable overseas posts or work with BIS to negotiate and document an exemption or an overhead rate that reasonably approximates costs and is reviewed periodically;
- provide training and information to BIS and USPTO overseas program officials on the International Cooperative Administrative Support Services (ICASS) program and help them develop ICASS-specific policies;
- update USFCS' policy manuals related to property and provide property custodians at CS China with refresher training on their procedural responsibilities;
- ensure there is an adequate separation of duties and management accountability when conducting the annual physical inventory at CS China and other posts as applicable; and
- ensure that reasons for service delivery delays and cancellations are documented in the eMenu system by USFCS staff at CS China and other overseas posts.

## **INDICTMENT IN ANTITRUST CASE**

In June 2016, a federal grand jury in the U.S. District Court for the Southern District of Ohio returned an indictment charging a Japanese automotive parts company, its U.S. subsidiary, and four executives for their alleged participation in an international conspiracy to eliminate competition in the sale of automotive parts sold in the United States and elsewhere. The indictment charges that the conspirators agreed on, and exchanged information about bids, price quotations, and price adjustments for the sale of automotive parts in the U.S. and elsewhere. The conspirators concealed their conduct by using code in e-mails and instructing e-mail recipients to delete e-mails referencing coordination with competitors. The indictment also alleges that the conspirators participated in and directed subordinates to participate in meetings, conversations, and communications in which they agreed to customer allocations; and that the defendants and their conspirators employed measures to conceal their conduct, including meeting surreptitiously and adopting means and methods of communication designed to avoid detection.





# NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

The **National Institute of Standards and Technology** promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. NIST carries out its mission via three programs:

***NIST Laboratories***—Conducts research that advances the nation's technology infrastructure and is needed by U.S. industry to continually improve products and services.

***Hollings Manufacturing Extension Partnership***—Works with small- and mid-sized U.S. manufacturers through a nationwide network of 350 field offices to help them expand into new markets, develop new products, increase profits, find cost savings, and create and retain jobs.

***Baldrige Performance Excellence Program***—Promotes performance excellence among U.S. manufacturers, service companies, educational institutions, health care providers, and nonprofit organizations through outreach programs and the annual Malcolm Baldrige National Quality Award.

## **NIST CONTRACTOR DEBARRED FOR MISREPRESENTATION**

In April 2014, OIG initiated an investigation into a government contractor involving allegations of submitting false invoices and double billings on a NIST contract. During the course of the investigation, we determined that the government contractor misrepresented its company, as well as individual work history, during the application process to obtain a General Services Administration (GSA) Mission Oriented Business Integrated Services (MOBIS) contract. The GSA relied on the information provided in the contractor's application to award a GSA MOBIS contract. We found the contractor created false invoices and a task order in an effort to meet the past performance requirement. In the System for Award Management (SAM) the contractor also falsely certified that they did not have any federal tax liens, and actually had over \$25,526 in federal tax liens. In April 2016, a Department Suspension and Debarment Official debarred the contractor and the company for a period of 3 years.



# NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The **National Oceanic and Atmospheric Administration's** 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 Services***—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 atmospheres, the space environment, 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.

## **THE JOINT POLAR SATELLITE SYSTEM: FURTHER PLANNING AND EXECUTIVE DECISIONS ARE NEEDED TO ESTABLISH A LONG-TERM, ROBUST PROGRAM (OIG-16-026-I)**

As part of our FY 2014 work plan, and in accordance with our reports on the top management challenges facing the Department of Commerce, we conducted a review of the NOAA follow-on and ongoing polar satellite acquisition and development, which are managed by its JPSS program. The objectives were to (1) determine the progress of Polar Follow-On (PFO) program planning, (2) monitor ongoing JPSS acquisition and development (i.e., JPSS-1 and JPSS-2 missions), and (3) assess the extent of potential data gaps. We have conducted oversight of the JPSS program since its inception; this is our fourth report on the program and related activities.

We found that PFO plans (i.e., for JPSS-3 and JPSS-4) needed further development to support the establishment of program cost, schedule, and performance baselines. The program had to postpone and had not yet coordinated with the Department on the process and decision authority for establishing those baselines. The program also faced a challenge in planning the evolution and management transition of its JPSS common ground system contract from the National Aeronautics and Space Administration (NASA) to NOAA.

Ongoing satellite and ground system development challenges posed risk to the JPSS-1 launch schedule. Our monitoring of JPSS development efforts found that the JPSS-1 mission had maintained its schedule to meet its launch commitment date of no later than March 2017. However, there is risk to the mission schedule that requires the continued attention of senior management.

Likewise, the potential for polar satellite data gaps requires leadership's sustained attention. Until JPSS-1 is operational, NOAA will not have full backup capabilities for those provided by Suomi National Polar-orbiting Partnership (NPP) and is therefore at risk of a data gap. We found that the long-term plans for the JPSS program (including PFO) would notionally meet NOAA's criteria for a robust satellite architecture for only a 10-year period within its life cycle, which extends to 2038. However, the program's ability to launch a satellite within 1 year of an on-orbit failure is uncertain. Further, NOAA lacks plans for managing the development of, and integrating, new satellite technology.

We made the following recommendations to NOAA leadership

- coordinate with the Deputy Secretary to determine who will be Milestone Decision Authority for establishing PFO program cost, schedule and performance baselines, and plan activities supporting a PFO baseline establishment key decision point;
- ensure the program's transition plan framework is subjected to expert, independent review;
- direct the JPSS program, on a regular basis, to report trends of schedule metrics for ground system development and JPSS-1 mission preparations to provide insight into issues, sufficiency of resources, and mission readiness;
- direct the completion of a study of JPSS Block 2.0 common ground system development to capture lessons learned and apply them to plans for the Segment 3.0/Block 3.0 system and NOAA's Ground Enterprise Architecture System development;
- ensure that the National Weather Service (NWS) completes its contingency plan for JPSS-1 data assimilation and communicates it to users and stakeholders by end of the third quarter of FY 2016;

- provide Department, OMB, and Congressional stakeholders with a list of key activities for operationalizing JPSS-1 data that NOAA will undertake during the potential data gap;
- provide stakeholders with the results of its study of launch-on-need versus launch-on-schedule strategies, as well as the implications for PFO plans;
- incorporate NOAA's robust architecture criteria into formal NOAA policy; and
- include new satellite technology insertion as part of NOAA's strategic and tactical plans.

#### **NOAA FISHERIES' ALASKA REGIONAL OFFICE USE OF CONTRACT RAISES ISSUES REGARDING PERSONAL SERVICES (OIG-16-030-I)**

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

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

We recommended the Assistant Administrator for Fisheries

- develop a control process that restricts future awards from being managed as personal service contracts; and
- distribute guidance to NOAA Fisheries program staff on statutory restrictions and limitations relating to personal services contracts.

#### **REVIEW OF NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION'S SOLE-SOURCE CONTRACT AWARDED TO INDUSTRIAL ECONOMICS, INC. REGARDING GULF OIL SPILL EXPERT SERVICE (OIG-16-036-I)**

We reviewed a NOAA sole-source contract—awarded to Industrial Economics, Incorporated, to provide oil spill expert services after the April 2010 British Petroleum Deepwater Horizon oil well explosion in the Gulf of Mexico—with the objective of determining whether NOAA properly documented the justification of awarding the September 2011 sole-source contract to Industrial Economics, Incorporated.

In 2006, NOAA awarded a contract to Industrial Economics, Incorporated, for natural resource damage assessment support capacity. As a result of the oil spill and other actions outlined above, near the end of FY 2011 NOAA undertook to award a contract to support a lawsuit and to maintain the continuity of work. After reviewing all capability statements, NOAA determined that it was crucial to have Industrial Economics, Incorporated, continue to provide the expert services. We concluded that the September 2011 contract documentation of the sole-source justification appeared reasonable, given the situation NOAA was in at the time of the contracting need.

## **SUCCESSFUL CYBER ATTACK HIGHLIGHTS LONGSTANDING DEFICIENCIES IN NOAA'S IT SECURITY PROGRAM (OIG-16-043-A)**

In early September 2014, NOAA experienced a significant cyber attack. An attacker exploited vulnerabilities in Internet accessible web applications and eventually compromised important internal NOAA systems operated by the National Environmental Satellite, Data, and Information Service (NESDIS). The attacker compromised three NESDIS systems and gained complete control of system components within one of them. The attacker was also able to use usernames and passwords gathered from one of these systems to obtain unauthorized access to another three NOAA systems.

We conducted this audit to (1) determine the significant factors that contributed to the successful cyber attack on NOAA information systems and (2) evaluate NOAA's handling of the detection, analysis, eradication, and reporting of the attack, as well as recovery from it.

Regarding our first objective, we found that NESDIS systems were vulnerable because the office had not addressed weaknesses in the information security practices applied to the compromised system components. Specifically, we found that (1) deficiencies in risk management left an application exposed to attack, (2) practices for detecting web application vulnerabilities were inadequate, and (3) the attacker obtained unauthorized access to additional systems because NOAA deferred implementation of additional access controls which had been required since 2006.

We limited our review of the second objective to NOAA's containment and recovery efforts, specifically focusing on the issues that prolonged the disruption of disseminating weather satellite data. We focused on these issues because they resulted in the greatest impact to NESDIS operations. We found that inadequate firewall management practices prolonged the disruption.

We recommended that NESDIS' Assistant Administrator do the following:

- Improve risk management practices to reduce the exposure of web application vulnerabilities when decisions are made to not remediate known issues.
- Formally review Internet exposed web applications and determine if access from the Internet is justified.
- Deploy the specialized web application vulnerability scanning tool and an updated assessment process that requires more than one assessment tool; especially on web applications.
- Ensure that all web applications are scanned for vulnerabilities on a quarterly basis.
- Ensure that the same methodology used to identify a vulnerability is also used to validate its remediation.
- Establish and implement procedures to periodically review firewall rules.
- Develop an improved practice for managing plans of action and milestones (POA&Ms) to ensure that evidence showing actual remediation of a weakness identified in the POA&M is submitted, reviewed, and approved before the POA&M is closed.

We recommended that NOAA's Chief Information Officer do the following:

- Ensure that adequate measures are taken to implement mechanisms for multifactor authentication in a timely manner for all applicable users and applications.

## **RESPONSE TO SENATOR MARCO RUBIO LETTER REGARDING RED SNAPPER IN SOUTH ATLANTIC FEDERAL WATERS (OIG-16-044-M)**

On August 29, 2016, OIG responded to a request made by Senator Marco Rubio for a review of NOAA's decisions and assessment modeling, specifically the Beaufort Assessment Model, as it relates to the South Atlantic red snapper fishery.

After OIG reached out to NOAA for information on its process, we shared with the Senator details about the agency's protracted benchmark stock assessment for red snapper and gray triggerfish, and various public meetings informing the decisions made with respect to these species, including the use of the Beaufort Assessment Model. Concerns related to stock assessment have been raised with other species and in other regions. To address these concerns, OIG is planning an FY 2017 project to inventory the science that NOAA Fisheries' Office of Science and Technology has used to estimate the population of various fish stocks. OIG is also planning to conduct, beginning in FY 2017, an audit of the NOAA grant to the Gulf States Marine Fisheries Commission/National Marine Fisheries Service Stock Assessment Enhancement, whose purpose included conducting enhanced stock assessments of the fisheries in the Gulf of Mexico.

## **RESPONSE TO LETTER FROM SENATOR BLUMENTHAL, SENATOR MURPHY, AND REPRESENTATIVE COURTNEY REGARDING FISHING MANAGEMENT ACROSS THE NORTHEAST AND MID-ATLANTIC (OIG-16-045-M)**

On September 14, 2016, OIG responded to Senator Richard Blumenthal, Senator Christopher Murphy, and Representative Joe Courtney, who requested information about fishing management across the Northeast and mid-Atlantic. Specifically, they raised issues related to

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

OIG replied that the Fisheries Management Councils (Councils) have the authority under the Magnuson-Stevens Fishery Conservation and Management Act (MSA) to conduct any activities that are necessary and appropriate to carrying out its functions. With respect to issues managing fish stock and quota share transfer, NOAA and the Councils also have the expertise needed to address concerns related to the science used in NOAA's decisions. With respect to issues with the current management structure and liaison model, OIG requested NOAA address the raised concerns.

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

OIG is planning an FY 2017 project to inventory the science that NOAA Fisheries' Office of Science and Technology has used to estimate the population of various fish stocks.

### **DELINQUENCY FOLLOW-UP PROCEDURES AND SYSTEM SHORTCOMINGS POSE RISKS FOR FISHERIES FINANCE PROGRAM (OIG-16-046-A)**

We evaluated NOAA Fisheries Finance Program (the Program) management's controls over its loan approval, monitoring, and debt collection processes. Specifically, our objectives were to determine whether (1) loan application and approval processes comply with Program regulations, including whether loan approval decisions are supported and the status of affected fisheries are considered; (2) processes such as periodic review of borrowers' financial records and other loan monitoring activities are performed in compliance with federal policies; and (3) management and collection of delinquent loan accounts comply with federal policies and department procedures.

After accessing the program's loan management system, reviewing loan files and supporting records, and interviewing program managers and staff, we found the following:

- Application fee processes and procedures for retaining documents received with applications do not ensure compliance with Program regulations.
  - Program regulations were not consistently followed for the receipt or return of application fees.
  - Supporting documentation is missing in certain loan files.
- Current procedures limit NOAA's ability to effectively monitor loan payments and the financial condition of borrowers.
  - The Program does not consistently apply late payment penalties.
  - Alternative payment arrangements are not properly identified in the Program's loan management system.
  - Program aging reports do not identify all missed loan payments.
  - The Program does not hold borrowers accountable for noncompliance with financial disclosure requirements.
  - Program staff does not always enforce loan payment instructions given to borrowers.
- Some of the Program's delinquency follow-up practices do not comply with federal policies and Department procedures.
  - The Program does not prepare delinquent debt follow-up plans and monthly status reports.
  - At least one loan was not referred to the Department of the Treasury within 180 days of delinquency and to the Department of Justice within 1 year of delinquency.

## **MEMBER OF CONGRESS AND ASSOCIATES CONVICTED OF RACKETEERING, BRIBERY, MONEY LAUNDERING, BANK FRAUD, AND FALSE STATEMENTS TO A FINANCIAL INSTITUTION**

As we reported in our September 2015 *Semiannual Report to Congress* (on page 32), a joint investigation resulted in the indictment of a member of Congress and four of his associates for participating in a racketeering conspiracy. The U.S. Attorney's Office for the Eastern District of Pennsylvania indicted the Congressman and four others on 29 counts including bribery, money laundering, bank fraud, and false statements to a financial institution. The indictment alleged that the individuals perpetuated several schemes to extinguish campaign debts by issuing sham contracts and grants. One scenario included \$130,000 owed to a political consultant whom the Congressman and his associates allegedly arranged an award of federal grant funds in return. According to the allegations in the indictment, the Congressman directed the consultant to apply for a \$15 million grant (which ultimately the consultant did not receive) on behalf of a then non-existent nonprofit entity. In exchange for the Congressman's efforts to arrange the award of NOAA funds to the nonprofit, the consultant allegedly agreed to forgive the debt owed by the campaign. Another of the five schemes was one that OIG discovered and investigated, related to grant fraud involving a recipient of a NOAA grant. The indictment alleged that the recipient obtained \$50,000 in federal grant funds to support a conference on higher education, but the conference never took place. Instead, they used the grant funds to pay \$20,000 to a political consultant, \$10,000 to an attorney, and converted other funds for personal use. The FBI, Internal Revenue Service, Department of Justice OIG, NASA OIG, and Department of Commerce OIG investigated this matter. In June 2016, all of the defendants were convicted of all of the counts charged in the indictment, including racketeering. Sentencing is still pending. Additionally, the consultant who applied for the \$15 million grant pleaded guilty in November 2014 to one count of conspiring to commit wire fraud and was sentenced in August 2016 to 4 years of probation and ordered to pay a \$5,000 fine.

## **NOAA EMPLOYEE INDICTED AND ARRESTED IN CHILD PORNOGRAPHY CASE**

In April 2016, a federal grand jury in the U.S. District Court for the District of South Carolina returned a one-count indictment charging a NOAA employee with possession of child pornography as a result of an OIG investigation. The investigation established that the employee, an IT specialist assigned to a NOAA ship, accessed illicit images via the Internet while aboard ship in the South Pacific. When the ship docked at a reachable port, OIG special agents expended a significant amount of time and effort interviewing the subject and identifying, locating, and obtaining the computer and portable media devices containing the illicit images. The complex analysis conducted on the computer and devices were especially laborious since the subject had taken steps to conceal the illegal activity. The subject failed to appear for arraignment, and the court issued an arrest warrant. The subject was eventually arrested and taken into custody. The case is pending at this time.

## **INVESTIGATION INTO ALLEGED CONTRACTING MISCONDUCT AND EXERTION OF IMPROPER INFLUENCE INVOLVING A SENIOR NWS OFFICIAL RESULTS IN ADMINISTRATIVE AGREEMENTS**

In June 2015, OIG issued a report that found a former senior NWS official participated in the creation of his own post-retirement contractor position, while still employed at NWS, and attempted to influence NWS officials to secure a contract position for an immediate family member once he became a contractor. The report garnered significant media attention and an OIG official testified in a Congressional hearing on the matter. In February 2016, the Department issued a notice of proposed debarment for both the subject of this investigation as well as his former supervisor at the time. In July 2016, both individuals entered into administrative agreements with the Department regarding their eligibility requirements to receive any future federal awards.





# NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

The **National Telecommunications and Information Administration** serves as the executive branch's principal adviser to the President on domestic and international telecommunications and information policy issues. NTIA manages the federal use of the electromagnetic spectrum, provides grants for national information and public broadcasting infrastructure projects, and performs telecommunications research and engineering. It works to enhance citizens' access to cable television, telephone, and other telecommunications services, and educates state and local governments and other entities on ways to use information technology and telecommunications more effectively.

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## **REVIEW OF THE SUSTAINABILITY OF BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM COMPREHENSIVE COMMUNITY INFRASTRUCTURE AWARDS FINAL REPORT (OIG-16-047-I)**

The objective of the review was to acquire an understanding of various indicators associated with the sustainability of Broadband Technology Opportunities Program (BTOP) Infrastructure grantees. The review consisted of a series of questions developed by OIG and responses obtained by BCA Watson Rice LLP (BCA). The questions assessed the status of awards and BTOP Infrastructure grantee efforts to promote the sustainability of the funded projects after the grant program concluded. This review was designed to compile information and report on the indicators of sustainability with respect to BTOP grantees. OIG developed a sample of 51 of 123 Infrastructure grantees; BCA conducted an onsite review at 49. Forty-eight of the grantees operated broadband networks at the time of the review. Across all of the grantees in the sample, and for each type of grantee, we found that there was no correlation between grant size and results of the review.



# 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.

## **AWARDING OF U.S. PATENT AND TRADEMARK OFFICE NONCOMPETITIVE CONTRACTS DID NOT CONSISTENTLY FOLLOW GUIDELINES AND BEST PRACTICES (OIG-16-033-A)**

Our objective was to determine whether USPTO's noncompetitive contract awards were properly justified. From FY 2014 to the first quarter of FY 2015, USPTO awarded 104 noncompetitive contracts with a total obligated value of approximately \$51.6 million.

We found that contracting and program officials did not consistently follow USPTO policies and best practices for justifying and awarding noncompetitive contracts and task orders. We also found that contract files were not properly maintained. We determined that USPTO did not have adequate acquisition planning processes in place, both to leverage competition and to assure that it received fair and reasonable prices. Specifically, we found the following:

- Market research was not sufficient to support sole-source justifications, and that using competitive rather than noncompetitive procedures could have potentially saved approximately \$23.2 million in acquisition costs.
- Appropriate signature authorities were not obtained to approve the use of noncompetitive contracts.
- USPTO does not follow federal best practices defining the competition advocate's role in reviewing noncompetitive contract justifications.
- Price reasonableness determination documentation was missing or lacked rationale for price reasonableness resulting in \$108 million in determination decisions that could not be verified.
- The Office of Procurement is not used as a strategic partner with other organizational components.

We recommended that Deputy Under Secretary of Commerce for Intellectual Property and the Deputy Director of USPTO

- require that the competition advocate and program offices are actively involved in highlighting opportunities to increase competition; and
- require program offices to coordinate with the Office of Procurement throughout the strategic planning process to develop efficient, effective, and economical acquisition strategies to include opportunities to promote competition.

We also recommended that the Director of Office of Procurement

- require contracting officers to maintain supporting documentation in the contract file describing the specific steps taken and the results of the market research conducted;
- require contracting officers to examine opportunities to expand the vendor competition base in which vendors are chosen when only one responsible source and no other supplies or services will satisfy agency requirements;
- enforce current approval authorities for all contracts as defined in USPTO Policy Memorandum 2014-02 (Revision 3);
- include documentation and approval authority requirements in future training sessions for acquisition workforce staff;

- establish guidance to require that the competition advocate review and approve noncompetitive contracts over a certain dollar threshold;
- establish guidance to reflect best practices for retaining, as part of the contract file, the supporting documentation used to make price reasonableness determinations; and
- improve controls to properly maintain and safeguard contract files.

#### **USPTO SHOULD IMPROVE CONTROLS RELATED TO EQUIPMENT USED BY FULL-TIME TELEWORKERS (OIG-16-039-A)**

We reviewed the effectiveness of USPTO's controls over IT equipment issued to employees participating in the Patents Hoteling Program (PHP). This program allows eligible employees to perform officially assigned duties at an alternate work site, such as the employee's home or another location approved by USPTO on a full-time basis.

We found that, generally, USPTO offices (Office of Administrative Services, Office of the Chief Administrative Officer, Office of Finance, and Office of the Chief Information Officer) had controls in place over the safeguarding of laptops and other accountable equipment. But we also noted that improvements could be made to enhance effectiveness. Specifically, we found that USPTO was not conducting physical inventories of hoteling employees' equipment, and was not consistently ensuring

- adequate segregation of duties over the quarterly inventory certification process; and
- required "Separation Clearance Forms" were completed properly.

We recommended that the Under Secretary of Commerce for Intellectual Property and Director of USPTO

- improve the inventory certification process by conducting a physical inventory or equivalent alternative procedure of hoteling equipment, at least annually;
- improve the process for analyzing equipment assigned to each hoteling employee, and facilitate the return of all unnecessary equipment;
- install practices that ensure compliance with Department of Commerce's *Personal Property Management Manual* procedures when adding responsibilities to employees to ensure adequate segregation of key duties and responsibilities within the property system; and
- improve the process for completing "Separation Clearance Forms" to adequately track and validate that USPTO property was returned by the employee prior to leaving the bureau.

#### **USPTO NEEDS TO IMPROVE ASSESSMENT OF ATTACHÉ PROGRAM PERFORMANCE (OIG-16-042-A)**

USPTO advises the President, through the Secretary of Commerce, and all federal agencies on national and international intellectual property (IP) policy issues—and is authorized to provide guidance, conduct programs and studies, and interact with foreign governments and international intergovernmental organizations on IP matters. In 2006, USPTO formally established the Attaché Program to promote international IP protection and enforcement for U.S. foreign, economic, and political interests. Within USPTO, the Office of Policy and International Affairs (OPIA) is responsible for oversight of the Attaché Program. During FYs 2012–2015, OPIA obligated \$37 million for the program.

In August 2015, we initiated an audit with the objective to assess management controls over the Attaché Program. As a result of that audit, we found that USPTO needs to improve management controls over the Attaché Program. Specifically, we found that USPTO did not adequately assess Attaché Program performance because it did not establish baselines and targets to evaluate program performance.

We recommended that the Under Secretary of Commerce for Intellectual Property and Director of USPTO

- establish baselines and targets for each of the quantifiable performance measures to assess the effectiveness and efficiency of the Attaché Program.

#### **ANALYSIS OF PATENT EXAMINERS' TIME AND ATTENDANCE (OIG-14-0990)**

OIG's findings in its August 2015 investigative report (OIG-15-0076) on a USPTO employee who falsely claimed hours, along with other related matters and Congressional interest, suggested the need to determine whether T&A abuse is a prevalent and persistent problem within USPTO. OIG reviewed data related to more than 8,400 of USPTO's patent examiners who worked at any point during the scope of the investigation to determine the overall level of unsupported work hours.

OIG conducted a minute-by-minute review of the claimed work hours for 94 percent of USPTO patent examiners to determine whether the evidence supported work performance. We looked at two overlapping periods, which involved comparing hours that patent examiners claimed to work over both 9- and 15-month periods, on the one hand, with multiple datasets that provided evidence of actual work, on the other. We found the following:

- Over a 9-month period (February 22, 2015, through November 28, 2015), approximately 8,100 examiners claimed 137,622 unsupported hours, which equates to nearly \$8.8 million in potential waste. These unsupported hours could have reduced the patent application backlog by 7,530 cases.
- Over a 15-month period (August 10, 2014, through November 28, 2015), approximately 8,400 examiners claimed 288,479 unsupported hours, which equates to over \$18.3 million in potential waste. These unsupported hours could have reduced the patent application backlog by 15,990 cases.

OIG adopted conservative assumptions in analyzing the evidence. These considerations resulted in excluding a significant amount of unsupported hours in order to ensure that the methodology did not assume unfairly that a particular examiner was not working. Based on certain examiner records, however, we found that the total unsupported hours over the 9- and 15-month periods could be twice as high as reported in this investigation. Additional findings show that USPTO policies limit the agency's ability to prevent and detect T&A abuse.

In light of the findings contained in this report, OIG recommended USPTO should

- reevaluate its examiner production goals for each art unit and revise them, to the extent necessary, to reflect efficiencies in work processes from automation and other enhancements;
- require all examiners to provide supervisors with their work schedules, regardless of performance and ratings;
- reinstate the USPTO requirement that employees use their USPTO-issued ID badges to exit the USPTO facilities through the controlled-access turnstiles during weekday working hours;

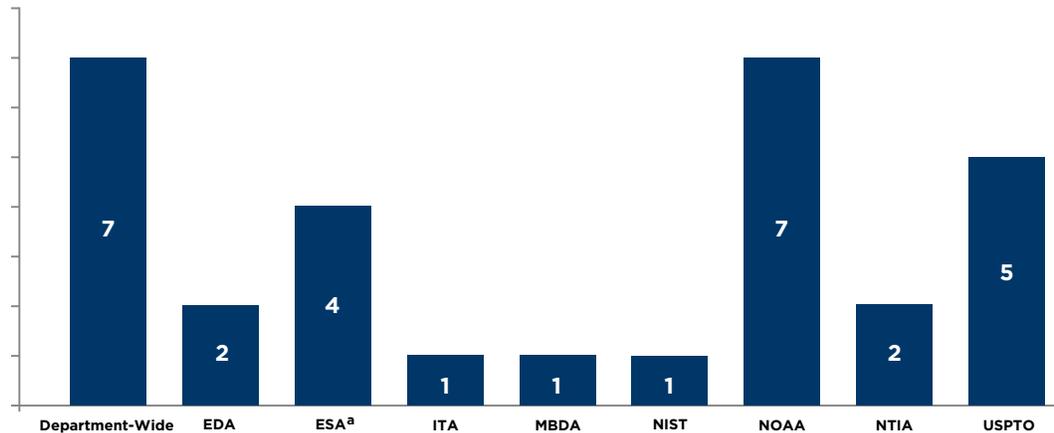
- require all teleworkers to remain logged into the USPTO network during their working hours when the network is available to the teleworker;
- review its policies, procedures, and practices pertaining to overtime hours to identify and eliminate the areas susceptible to abuse; and
- consider deploying small office home office routers to all teleworkers.



# WORK IN PROGRESS

## WORK IN PROGRESS (BY OVERSIGHT AREA)

During this reporting period, 30 OIG audit and evaluation projects were initiated or underway.



<sup>a</sup> All four ESA works in progress concern the Census Bureau.

## DEPARTMENT-WIDE

### Audit of Department's FY 2016 Consolidated Financial Statements (to include 3 separate reports)

To determine whether the 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 test compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

### Audit of Fiscal Year 2016 FISMA Compliance

To assess the effectiveness of the Department's information security program and practices—specifically, the Department's and selected bureaus' policies and procedures and selected IT systems.

### Review of Department's DATA Act Implementation Readiness

To determine how prepared the Department is to implement DATA Act requirements.

### Audit of Departmental Bureaus' Unliquidated Obligations

To evaluate the effectiveness of each operating unit's obligation and de-obligation review policies and procedures implemented since 2013's *Monitoring of Obligation Balances Needs Strengthening* (OIG-13-026-A).

### **Review of Biweekly Reporting on Conference Spending by the Department of Commerce**

We will provide recommendations in connection with our recent analysis of biweekly conference spending reports required to be provided by the Department of Commerce to the OIG.

## **ECONOMIC DEVELOPMENT ADMINISTRATION**

### **Audit of EDA Public Works & Economic Adjustment Assistance Grants Awarding Process**

To evaluate EDA's FY 2014 and FY 2015 solicitation, evaluation, and selection processes to ensure the Public Works & Economic Adjustment Assistance grant recipient selections were made competitively and based on merit.

### **Audit of EDA Unliquidated Obligations**

To assess the effectiveness of EDA's unliquidated obligation (ULO) review policies and procedures implemented since 2013's *Monitoring of Obligation Balances Needs Strengthening* (OIG-13-026-A).

## **ECONOMICS AND STATISTICS ADMINISTRATION**

### **Audit of Census Bureau Noncompetitive Contracts**

To determine whether Census Bureau's contracting officials properly awarded noncompetitive contracts.

### **Review of 2016 Census Test (Los Angeles County, CA, and Harris County, TX)**

To evaluate the effectiveness of the Enhanced Operational Control System to support operations and the new management structure.

### **Audit of the Census Bureau's Address Canvassing Test**

To assess the risks associated with the Census Bureau's Address Canvassing Test.

### **Audit of the Census Bureau's Controls on Use of Administrative Records and Third-Party Data**

To assess the Bureau's controls for obtaining, using, retaining, and disposing of administrative records and third-party data from governmental and nongovernmental sources as part of its planning for the 2020 decennial census.

## **INTERNATIONAL TRADE ADMINISTRATION**

### **Audit of ITA Enforcement and Compliance Processes**

To assess and evaluate internal processes that help ensure the timeliness and accuracy of preliminary and final duty rates for antidumping/countervailing duty investigations and administrative reviews.

## **MINORITY BUSINESS DEVELOPMENT AGENCY**

### **Audit of MBDA's Management of Grant Programs**

To review the adequacy of MBDA's management of its grant programs.

## **NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY**

### **Review of NIST Security and Foreign National Access**

To review NIST compliance with foreign national access policies and procedures.

## **NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION**

### **Audit of GOES-R Integration and Test Activities**

To assess the adequacy of NOAA's GOES-R integration and test activities in preparation for launch and data distribution, per NOAA and NASA standards. We will also monitor the program's progress in developing and reporting on flight and ground segment contracting actions and changes to minimize cost increases.

### **Audit of NOAA's Use of Blanket Purchase Agreements**

To determine whether NOAA established and administered blanket purchase agreements in accordance with laws, regulations, and agency guidance.

### **Audit of Controls over Contractor Services Used to Support NWS Workforce**

To evaluate whether NWS has adequate controls in place to ensure compliance with applicable laws and regulations for personnel support acquired through service contracts.

### **Audit of NOAA Real Property Management**

To assess whether NOAA is effectively managing its portfolio of real property, by reviewing management's monitoring of deferred maintenance and real property utilization.

### **Audit of NOAA's Ship Fleet Maintenance Repair**

To determine whether the NOAA Office of Marine and Aviation coordinates ship maintenance and repairs of its fleet using the Shipboard Automated Maintenance Management system.

### **Audit of NOAA's Unliquidated Obligations**

To evaluate the effectiveness of NOAA's ULO review policies and procedures implemented since our 2013 report *Monitoring of Obligation Balances Needs Strengthening* (OIG-13-026-A).

### **Audit of Coastal Protection and Restoration Authority**

To determine whether Louisiana's Office of Coastal Protection and Restoration Authority (CPRA) complied with award terms and conditions and applicable laws and regulations, met the 15.12 percent matching share requirements, and claimed reasonable and allowable costs under the award.

## **NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION**

### **Audit of NTIA's Management of the State and Local Implementation Grant Program**

To evaluate NTIA's management of the State and Local Implementation Grant Program (SLIGP).

### **Audit of NTIA's Unliquidated Obligations**

To evaluate the effectiveness of NTIA's ULO review policies and procedures implemented since our 2013 report *Monitoring of Obligation Balances Needs Strengthening* (OIG-13-026-A).

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## **U.S. PATENT AND TRADEMARK OFFICE**

### **Audit of USPTO's FY 2016 Financial Statements (to include 2 separate reports)**

To determine whether the financial statements are presented fairly, in all material respects, 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 laws, regulations, and contracts that could have a direct and material effect on the financial statements.

### **Audit of USPTO's IT Security Posture**

To determine whether key security measures are in place to adequately protect USPTO systems that utilize databases to store business information.

### **Audit of PTAB Trial and Appeal Pendencies**

To evaluate USPTO's process to measure and report Patent Trial and Appeal Board trial and appeal pendencies.

### **Audit of USPTO's Performance Indicators for Prioritized Countries**

To assess USPTO's process to select prioritized countries of interest in need of improved intellectual property protection and enforcement, and to determine whether USPTO's performance indicators for selected prioritized countries are measured and reported appropriately.

# STATISTICAL DATA

The Inspector General Act Amendments of 1988 require us to present the statistical data contained in tables 1–6-c.

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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** present 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.

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**Allegations Received<sup>a</sup>**


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Total hotline contacts	2,831
Of which, are complaints related to Commerce programs	268
Number of hotline referrals to Commerce management	183

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**Investigative Caseload**


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Investigations opened this period	40
Investigations closed this period	35
Investigations completed this period	40
Investigations in progress as of September 30, 2016	71

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**Prosecutive Actions and Monetary Results**


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Indictments/Informations	8
Arrests	2 <sup>b</sup>
Convictions	5 <sup>c</sup>
Monetary Issues Identified (waste, questioned costs, recoveries, and fines)	\$7,606,100 <sup>d</sup>

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**Administrative Actions**


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Suspension/Debarment	4
Disciplinary action	5 <sup>e</sup>

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<sup>a</sup> All figures contained in this table were tabulated manually and could not be verified by OIG's electronic case management system, due to a system failure in August 2016. OIG is actively working on recovery efforts for this system.

<sup>b</sup> Individuals arrested as part of on-going joint investigations with other federal agencies.

<sup>c</sup> One of the five convictions actually occurred in the previous reporting period but was not reported in the March 2016 *Semiannual Report to Congress*. We are counting the conviction in the current period's total to accurately reflect our annual investigative statistics.

<sup>d</sup> A portion of this total is derived from our participation in federal multiagency investigations. It also includes a plea agreement and settlement that actually occurred in the previous reporting period but was not reported in the March 2016 *Semiannual Report to Congress*. We are including these figures in the current period's total to accurately reflect our annual investigative statistics. This figure does not reflect actual monetary recoveries for the Department. In addition, OI's investigative work identified an additional \$18 million in potential waste and abuse to the federal government at USPTO.

<sup>e</sup> One disciplinary action actually occurred in the previous reporting period but was not reported in the March 2016 *Semiannual Report to Congress*. We are counting this action in the current period's total to accurately reflect our annual investigative statistics.

## 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, 2016) for which no management decision had been made by the end of the period (September 30, 2016). No audit reports remain unresolved for more than 6 months for this reporting period.

**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 and Evaluation 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. There was no modification and appeal activity during the 6-month period ending September 30, 2016. The following table summarizes modification and appeal activity during the reporting period.

Report Category	Modifications	Appeals
Actions pending (April 1, 2016)	0	0
Submissions	0	0
Decisions	0	0
Actions pending (September 30, 2016)	0	0

## 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 <sup>a</sup>	\$23,179,969
Value of audit recommendations that funds be put to better use <sup>b</sup>	\$18,128
Value of audit recommendations agreed to by management <sup>c</sup>	\$28,727,044

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

<sup>a</sup> **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.

<sup>b</sup> **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) de-obligation 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 pre-award reviews of contracts or grant agreements; or (6) any other savings specifically identified.

<sup>c</sup> **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	0	0	0
B. Reports issued during the reporting period	1	23,179,969	0
Total reports (A+B) requiring a management decision during the period	1	23,179,969	0
C. Reports for which a management decision was made during the reporting period <sup>a</sup>	5 <sup>b</sup>	23,179,969	0
i. Value of disallowed costs		25,167,794	1,987,825
ii. Value of costs not disallowed		0	0
D. Reports for which no management decision had been made by the end of the reporting period	1	0	0

<sup>a</sup> 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.

<sup>b</sup> Questioned costs were identified for 4 non-federal audits during audit resolution. Prior to audit resolution, the 4 non-federal audits had no questioned costs.

**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	2	3,569,250
B. Reports issued during the reporting period	1	18,128
Total reports (A+B) requiring a management decision during the period	3	3,587,378
C. Reports for which a management decision was made during the reporting period <sup>a</sup>	2	3,569,250
i. Value of recommendations agreed to by management	2	3,569,250
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	1	18,128

<sup>a</sup> 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.

Type	Number of Reports	Table Number
Performance audits	13	Table 6-a
Evaluations and inspections	8	Table 6-b
Published investigative reports	2	Table 6-c
<b>Total</b>	<b>23</b>	

**TABLE 6-A. PERFORMANCE AUDITS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds to Be Put to Better Use (\$)</b>	<b>Amount Questioned (\$)</b>	<b>Amount Unsupported (\$)</b>
<b>Bureau of Industry and Security</b>					
Full Transition to the Nation's Single Export Licensing System Is Uncertain	OIG-16-037-A	07.05.2016	0	0	0
<b>Economics and Statistics Administration</b>					
The Census Working Capital Fund Lacks Transparency	OIG-16-025-A	04.18.2016	0	0	0
The U.S. Census Bureau Geography Division Lacks Complete Information for Project Costs and Has Not Fully Monitored GSS-I Goals	OIG-16-029-A	05.23.2016	0	0	0
2020 Census: The Bureau Has Not Reported Test Results and Executed an Inadequately Designed 2015 Test	OIG-16-032-A	06.07.2016	0	0	0
<b>First Responder Network Authority</b>					
FirstNet Can Strengthen Its Controls by Documenting Procedures to Close and Track Interagency Agreements	OIG-16-035-A	06.29.2016	0	0	0
<b>International Trade Administration</b>					
CS China Operations Highlight Need to Strengthen ITA Management Controls	OIG-16-041-A	08.09.2016	0	0	0
<b>National Oceanic and Atmospheric Administration</b>					
Successful Cyber Attack Highlights Longstanding Deficiencies in NOAA's IT Security Program	OIG-16-043-A	08.26.2016	0	0	0
Delinquency Follow-Up Procedures and System Shortcomings Pose Risks for Fisheries Finance Program	OIG-16-046-A	09.26.2016	\$18,128	0	0
<b>Office of the Secretary</b>					
Review of IT Security Policies, Procedures, Practices, and Capabilities in Accordance with the Cybersecurity Act of 2015	OIG-16-040-A	08.04.2016	0	0	0
Follow-up Audit on Recommendations from Audit Report No. OIG-13-031-A, <i>Classified Information Policies and Practices at the Department of Commerce Need Improvement</i>	OIG-16-048-A	09.30.2016	0	0	0

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds to Be Put to Better Use (\$)</b>	<b>Amount Questioned (\$)</b>	<b>Amount Unsupported (\$)</b>
<b>U.S. Patent and Trademark Office</b>					
Awarding of U.S. Patent and Trademark Office Noncompetitive Contracts Did Not Consistently Follow Guidelines and Best Practices	OIG-16-033-A	06.16.2016	0	\$23,179,969	0
USPTO Should Improve Controls Related to Equipment Used by Full-Time Teleworkers	OIG-16-039-A	08.02.2016	0	0	0
USPTO Needs to Improve Assessment of Attaché Program Performance	OIG-16-042-A	08.23.2016	0	0	0

**TABLE 6-B. EVALUATIONS AND INSPECTIONS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Funds to Be Put to Better Use (\$)</b>	<b>Amount Questioned (\$)</b>	<b>Amount Unsupported (\$)</b>
<b>National Oceanic and Atmospheric Administration</b>					
The Joint Polar Satellite System: Further Planning and Executive Decisions Are Needed to Establish a Long-term, Robust Program	OIG-16-026-I	04.26.2016	0	0	0
NOAA Fisheries' Alaska Regional Office Use of Contract Raises Issues Regarding Personal Services	OIG-16-030-I	06.01.2016	0	0	0
Review of National Oceanic and Atmospheric Administration's Sole-Source Contract Awarded to Industrial Economics, Inc. Regarding Gulf Oil Spill Expert Services	OIG-16-036-I	07.05.2016	0	0	0
Deputy IG Letter to Senator Rubio re: Red Snapper in South Atlantic Federal Waters	OIG-16-044-M	08.29.2016	0	0	0
Deputy IG Letter to Senator Blumenthal, Senator Murphy, and Representative Courtney re: Fishing Management Across the Northeast and Mid-Atlantic	OIG-16-045-M	09.14.2016	0	0	0
<b>National Telecommunications and Information Administration</b>					
Review of the Sustainability of Broadband Technology Opportunities Program Comprehensive Community Infrastructure Awards	OIG-16-047-I	09.29.2016	0	0	0
<b>Office of the Secretary</b>					
FY 2015 Compliance with Improper Payment Requirements	OIG-16-027-I	05.11.2016	0	0	0
Top Management and Performance Challenges Facing the Department of Commerce	OIG-16-049	09.30.2016	0	0	0

**TABLE 6-C. PUBLISHED INVESTIGATIVE REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
Analysis of Patent Examiners' Time and Attendance	14-0990	08.31.2016
Investigation into Travel & Other Improprieties in the Office of a Politically Appointed Official	15-0444	09.08.2016

# 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	62
5(a)(1)	Significant Problems, Abuses, and Deficiencies	6–48
5(a)(2)	Significant Recommendations for Corrective Action	6–48
5(a)(3)	Prior Significant Recommendations Unimplemented	62
5(a)(4)	Matters Referred to Prosecutorial Authorities	54–55
5(a)(5) and 6(b)(2)	Information or Assistance Refused	63
5(a)(6)	Listing of Audit Reports	59–60
5(a)(7)	Summary of Significant Reports	6–48
5(a)(8)	Audit Reports—Questioned Costs	57
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	57
5(a)(10)	Prior Audit Reports Unresolved	63
5(a)(11)	Significant Revised Management Decisions	63
5(a)(12)	Significant Management Decisions with Which OIG Disagreed	63
5(a)(14)	Results of Peer Review	64

## 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. 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.

Upon OIG's re-start of its audit of ITA Enforcement and Compliance's (E&C's) efforts to ensure quality and timely trade remedy determinations, the Department of Commerce again refused to provide OIG access to ITA records.

Our original audit, initiated in February 2015, resulted in a June 2015 termination. On March 14, 2016, OIG notified ITA of OIG's intent to re-start the audit of E&C and on March 17, 2016, an entrance conference was held between OIG and ITA counterparts. At that meeting, ITA did not raise objections when informed that the OIG would require access to records containing business proprietary information (BPI). OIG submitted to ITA staff a written request for access to BPI on March 23, 2016. On March 30, 2016, the Department's Office of General Counsel informed OIG that the Department had advised ITA staff not to provide OIG with the requested records, claiming ITA is prevented from disclosing documents with BPI to OIG under the Trade Secrets Act, 18 U.S.C. §1905, and section 777 of the Tariff Act of 1930, as amended, 19 U.S.C. §1677f. As required by the 2016 Consolidated Appropriations Act, Division B, Title V, section 540, we reported this matter to the Congressional appropriations committees.

On April 27, 2016, Office of General Counsel advised ITA to grant OIG access to BPI data. OIG re-started the audit on May 9, 2016.

On a semiannual basis, we report on unimplemented recommendations and issues related to information access, in response to a joint request from the chairs of the United States Senate Committee on Homeland Security and Governmental Affairs and the Committee on the Judiciary.

## **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 no audit reports that are more than 6 months old for which no management decision has been made.

## **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 and Evaluation 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 no 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 2015 by the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB OIG). FRB 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 FRB OIG's recommendations for process and policy improvements.

In March 2016, we completed our peer review of the audit operations of the Office of Inspector General for the U.S. Department of State and the Broadcasting Board of Governors (DOS OIG). DOS OIG has informed us that it is implementing the recommendations that we made in our review.

On March 2, 2015, OIG's Office of Investigations received official notification that the system of internal safeguards and management procedures for our investigative function was in compliance with the quality standards established by CIGIE and the applicable Attorney General Guidelines. The peer review was conducted by the Federal Reserve Board OIG.

# ACRONYMS AND ABBREVIATIONS

<b>AFR</b>	Annual Financial Report	<b>FBI</b>	Federal Bureau of Investigation
<b>AIG</b>	Assistant Inspector General	<b>FirstNet</b>	First Responder Network Authority
<b>BIS</b>	Bureau of Industry and Security	<b>FISMA</b>	Federal Information Security Management Act
<b>BPI</b>	business proprietary information	<b>FY</b>	fiscal year
<b>BTOP</b>	Broadband Technology Opportunities Program	<b>GOES-R</b>	Geostationary Operational Environmental Satellite-R
<b>BYOD</b>	bring your own device	<b>GSA</b>	General Services Administration
<b>CBS</b>	Commerce Business Systems	<b>GSS-I</b>	Geographic Support System Initiative
<b>CDCA</b>	Central District of California	<b>IAA</b>	interagency agreement
<b>CEDCaP</b>	Census Enterprise Data Collection and Processing System	<b>ICASS</b>	International Cooperative Administrative Support Services
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency	<b>ID</b>	identification
<b>CPRA</b>	Coastal Protection and Restoration Authority	<b>IOE</b>	Improving Operational Efficiency
<b>CS China</b>	U.S. & Foreign Commercial Service in China	<b>IP</b>	intellectual property
<b>CUESS</b>	Commerce USXPORTS Exporter Support System	<b>IPERA</b>	Improper Payments Elimination and Recovery Act of 2010
<b>DATA Act</b>	Digital Accountability and Transparency Act of 2014	<b>IPERIA</b>	Improper Payments Elimination and Recovery Improvement Act of 2012
<b>DTSA</b>	Defense Technology Security Administration	<b>IPIA</b>	Improper Payments Information Act of 2002
<b>E&amp;C</b>	Enforcement and Compliance	<b>IT</b>	information technology
<b>EDA</b>	Economic Development Agency	<b>ITA</b>	International Trade Administration
<b>ESA</b>	Economics and Statistics Administration	<b>JPSS</b>	Joint Polar Satellite System

<b>LOA</b>	Licensing Officer Access	<b>OPIA</b>	Office of Policy and International Affairs
<b>LUCA</b>	Local Update of Census Addresses	<b>OS</b>	Office of the Secretary
<b>MAF</b>	Master Address File	<b>OSY</b>	Office of Security
<b>MBDA</b>	Minority Business Development Agency	<b>OU</b>	operating unit
<b>MOBIS</b>	Mission Oriented Business Integrated Services	<b>PAIG</b>	Principal Assistant Inspector General
<b>MOU</b>	memorandum of understanding	<b>PFO</b>	Polar Follow-On
<b>MSA</b>	Magnuson-Stevens Fishery Conservation and Management Act	<b>PHP</b>	Patents Hoteling Program
<b>MTdb</b>	MAF/TIGER database	<b>PII</b>	personally identifiable information
<b>NASA</b>	National Aeronautics and Space Administration	<b>POA&amp;M</b>	plan of action and milestone
<b>NESDIS</b>	National Environmental Satellite, Data, and Information Service	<b>PTAB</b>	Patent Trial and Appeal Board
<b>NIST</b>	National Institute of Standards and Technology	<b>R&amp;T</b>	research and testing
<b>NOAA</b>	National Oceanic and Atmospheric Administration	<b>SAM</b>	System for Award Management
<b>NOAA Fisheries</b>	National Marine Fisheries Service	<b>SLIGP</b>	State and Local Implementation Grant Program
<b>NPP</b>	National Polar-orbiting Partnership	<b>T&amp;A</b>	time and attendance
<b>NPSBN</b>	Nationwide Public Safety Broadband Network	<b>TIGER</b>	Topologically Integrated Geographic Encoding and Referencing database
<b>NTIA</b>	National Telecommunications and Information Administration	<b>U.S.</b>	United States
<b>NTIS</b>	National Technical Information Service	<b>U.S.C.</b>	United States Code
<b>NWS</b>	National Weather Service	<b>ULO</b>	unliquidated obligation
<b>OIG</b>	Office of Inspector General	<b>USAO</b>	U.S. Attorney's Office
<b>OMB</b>	Office of Management and Budget	<b>USFCS</b>	U.S. & Foreign Commercial Service
		<b>USPTO</b>	U.S. Patent and Trademark Office
		<b>USXPORTS</b>	U.S. Exports System
		<b>WCF</b>	working capital fund



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