OFFICE OF THE SECRETARY

Top Management Challenges Facing the Department of Commerce

FINAL REPORT NO. OIG-13-003
NOVEMBER 9, 2012

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Office of Inspector General
Office of Audit and Evaluation

FOR PUBLIC RELEASE

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

November 9, 2012

MEMORANDUM TO THE ACTING SECRETARY

FROM: Todd J. Zinser

SUBJECT: Top Management Challenges Facing the Department of Commerce in Fiscal Year 2013

Enclosed is our final report on the Department of Commerce's top management challenges for fiscal year (FY) 2013. The Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation and, like other federal agencies, faces significant financial uncertainties in the upcoming year. The report identifies what we consider, from our oversight perspective, to be the most significant management and performance challenges facing the Department.

The five top challenges we reported last year have been updated for FY 2013, to reflect progress made as well as current events.

- ***Stimulate economic growth in key industries, increase exports, and enhance stewardship of marine fisheries.*** The Department has engaged in multiple government-wide initiatives to implement the President's priorities. Successful implementation of these initiatives could have a profound impact on the nation's economy; however, it requires focused attention by senior management, close coordination with the private sector and other federal agencies, and sustained congressional support.

- ***Increase oversight of resources entrusted by the public and invest for long-term benefits.*** In an era of constrained budgets, there is a greater risk that management will take shortcuts, loosen internal controls, and deemphasize oversight, in order to devote resources to other requirements. Recent concerns over conference spending and unauthorized reprogramming of funds have highlighted the need for more effective oversight. Also, several planned modernization efforts, including redesign of the 2020 decennial, could provide significant long-term benefits but require increased management attention.

- ***Strengthen security and investments in information technology.*** Recent cyberattacks on bureau systems confirm the urgent need to fix the Department's persistent security weaknesses. While we support senior management's recent actions to strengthen the departmental Chief Information Officer's governance, it is too early to judge their effectiveness.

- ***Implement framework for acquisition project management and improve contracts oversight.*** The Department has recently issued an Acquisition Project Management Framework/Guidebook in response to a special study mandated by former secretary Locke. The new guidance provides more comprehensive coverage of acquisition life-cycle activities and, if implemented consistently, should help mitigate risks of cost overruns and schedule delays. Incorporating the new framework into the Department's acquisition policy and exercising relentless departmental oversight will be critical to the implementation's success.

- ***Reduce risks of cost overruns, schedule delays, and coverage gaps for NOAA's satellite programs.*** Satellite programs remain the largest investment in the Department, comprising nearly 20 percent of the Commerce budget. Preventing significant cost overruns and minimizing the impact of satellite coverage gaps will continue to require top-level management attention.

Over the past several years, the Department has experienced many problems—such as inappropriate acquisition and contracting practices, improper accounting of millions of dollars in reimbursable agreement services, and unjustified use of forfeited assets—due to lapsed internal controls. Recent incidents involving unauthorized reprogramming of funds and cyberattacks on bureau systems are the latest in a series of wake-up calls. To its credit, Department top-level management has issued directives requiring immediate and across-the-board corrective actions when becoming aware of these deficiencies. The Offices of the Chief Financial Officer and Chief Information Officer also took actions to strengthen Department oversight and promulgate consistent practices among bureaus. Commerce leadership must continue showing the way forward to establish an accountability culture with increased transparency, readily available support, and independent validation. This is perhaps the Department's biggest challenge of all.

We remain committed to keeping the Department's decision makers informed of long-standing, as well as emerging, problems identified through our audits and investigations, so that timely corrective actions can be taken. This final report and the Department's response to it (which appears as an appendix) will be included in the Department's *Performance and Accountability Report*, as required by law.[1]

We appreciate the cooperation received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions concerning this report, please contact me at (202) 482-4661.

cc: Cameron Kerry, General Counsel
Scott Quehl, Chief Financial Officer and Assistant Secretary for Administration
Simon Szykman, Chief Information Officer
Bruce Andrews, Chief of Staff to the Secretary
Justin Ehrenwerth, Chief of Staff to the Deputy Secretary
Ellen Herbst, Senior Advisor to the Deputy Secretary
Operating Unit Heads
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[1] 31 U.S.C. §3516(d).

Contents

Challenge 1:

Stimulate Economic Growth in Key Industries, Increase Exports, and Enhance Stewardship of Marine Fisheries

The Department is at the center of the federal government's efforts to stimulate economic and job growth in key industries and promote exports, while at the same time regulating exports and maintaining the delicate balance between promoting and regulating the commercial use of marine fisheries. These efforts require the Department to work effectively with interagency partners and the private sector as well as to marshal and integrate Commerce resources. We have identified three areas for management attention:

- Stimulate economic growth in manufacturing, intellectual property, and wireless industries
- Promote and regulate exports
- Protect and promote marine fisheries

Stimulate Economic Growth in Manufacturing, Intellectual Property, and Wireless Industries

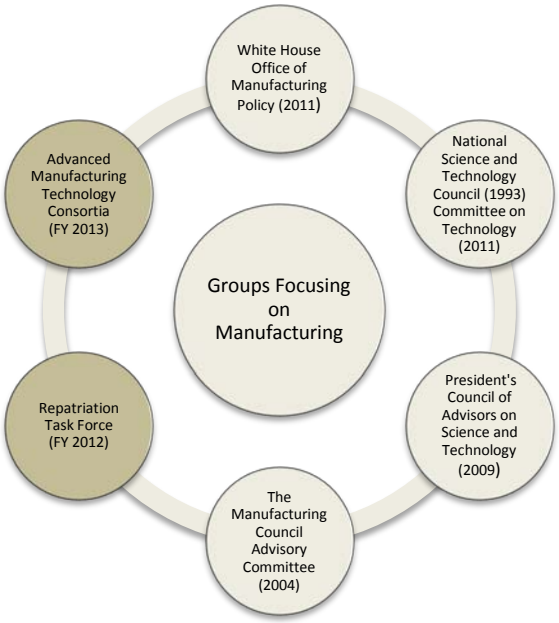
In early FY 2011, the Department laid out its vision to support manufacturing jobs in America by implementing the President's Advanced Manufacturing Partnership—a nationwide effort that brings together industry, universities, and the federal government to invest in the emerging technologies and strengthen intellectual property protection. Further, to support the explosive growth in wireless industries and foster job creation, the President has tasked the Department to make more spectrum available for commercial use. Successful implementation of these initiatives could have a profound impact on the nation's economy; however, it will require focused attention by senior management, close coordination with the private sector and other federal agencies, and sustained congressional support.

Support Job Insourcing and Manufacturing Initiatives

Recent reports[2] emphasize the role of manufacturing in creating high-paying jobs, providing U.S. exports, and spurring innovation. The President's Council of Advisors on Science and Technology's July 2012 report cites three keys to strengthening U.S. manufacturing: innovation, a skilled workforce, and a business climate that "spurs investment and fosters partnerships between government, academia, and industry" through the development of policies in the areas of tax, regulation, trade, and energy. Many offices, task forces, and councils are involved with

[2] U.S. Department of Commerce, in consultation with the National Economic Council, January 2012. *The Competitiveness and Innovative Capacity of the United States.* http://www.commerce.gov/sites/default/files/documents/2012/january/competes_010511_0.pdf; President's Council of Advisors on Science and Technology, July 2012. *Report to the President on Capturing Domestic Competitive Advantage in Advanced Manufacturing.* Washington, D.C.: Executive Office of the President.

Figure 1. Sample of Groups Focused on Manufacturing



Source: OIG analysis of departmental data

studying and establishing manufacturing initiatives. A sample of these groups is presented in figure 1.

The two dark circles represent recent initiatives led by the Department of Commerce. Last year, in response to a requirement in its FY 2012 appropriation, the Department established the Repatriation Task Force—chaired by a representative of the Secretary's Office of Policy and Strategic Planning and including officials from the International Trade Administration, the Economic Development Administration, the Minority Business Development Agency, and the National Institute of Standards and Technology—and issued a report that identified incentives to repatriate jobs that had moved abroad back to America (job insourcing).

A second departmental program, the Advanced Manufacturing Technology Consortia (AMTech) program, is supported in NIST's FY 2013 budget. AMTech will provide cost-shared funding to consortia focused on developing advanced technologies to spur manufacturing in the United States. In addition, the President's FY 2013 budget proposed $1 billion of mandatory spending to establish a National Network for Manufacturing Innovation grants program—which requires collaboration among the Department of Commerce, Defense, Energy, and the National Science Foundation. Since this program requires congressional authorization, the administration needs to work with Congress to develop a legislative solution.

In conclusion, while the goal is clear—support job creation by bringing manufacturing jobs back to the United States—the departmental challenge is to implement new initiatives with coordinated policy guidance while avoiding duplicative efforts with its partners.

Reduce the Patent Backlog, Improve Processing Times, and Effectively Implement Patent Reform

The U.S. Patent and Trademark Office (USPTO) fosters innovation and protects inventors' intellectual property rights by registering trademarks and granting patents, which support $5 trillion of the U.S. economy. Long waits for application decisions could adversely affect innovation, economic development, and job growth, inhibiting U.S. companies from exporting until they procure the appropriate patents for their products.

- Over the past decade, the patent backlog has almost doubled, and the completion of patent reviews takes almost 3 years. While USPTO has reduced the backlog from more than

700,000 in FY 2010, it remains above 600,000 at the end of FY 2012.[3] Initially, the Under Secretary of Commerce for Intellectual Property set forth the goals of reducing the backlog of applications awaiting examiner action to a 10-month inventory (approximately 350,000 applications[4]) through decreasing the total processing time for patent applications to 10 months for the first office action by FY 2014 and 20 months total by FY 2015. USPTO later postponed these target dates to FY 2015 and FY 2016, and again to FY 2016 and FY 2017.[5] To reduce the long waits for patent application decisions, it is imperative that USPTO maintain its focus and increase its efforts to address these challenges.

- USPTO also has the challenge of reducing a second backlog: ex parte appeals for rejected patent applications. As the number of patent examiners has grown, the number of new ex parte appeals has grown significantly. Although it is difficult to estimate the exact increase in the number of new appeals before FY 2010 because of inaccuracies in the appeal data, new ex parte appeals have averaged nearly 12,800 between FY 2010 and FY 2012. The time it takes an appellant to receive a decision on an ex parte appeal has doubled in the past 2 years. Although USPTO hired additional judges in FY 2012 and enhanced their performance benchmarks, continued management attention will be needed.[6]

In addition, USPTO faces new administrative and operational challenges in implementing the Leahy-Smith America Invents Act (Pub. L. No. 112-29). This act, signed into law in September 2011, contains many fundamental changes to patent laws and USPTO practices, such as moving the United States to a "first inventor-to-file" system from a "first-to-invent" system. These significant changes will require USPTO to issue new regulations. USPTO has successfully implemented new rules scheduled for September 2012 implementation and is addressing public rulemaking requirements to implement provisions scheduled to take effect next March. Significant planning, outreach, and communication with stakeholders will be needed to implement these fundamental changes.

The James Madison Building at USPTO Headquarters

Source: OIG

[3] Current indicators on patent pendency and quality are available on USPTO's Patent Dashboard: http://www.uspto.gov/dashboards/patents/main.dashxml.

[4] The exact number of applications that would comprise a 10 month inventory will vary based on the size of the patent examiner corps.

[5] Sources for USPTO target dates for decreasing patent application processing time: USPTO FYs 2010–2015 strategic plan (FYs 2014 and 2015), FY 2013 President's budget request (FYs 2015 and 2016), and USPTO's October 2012 proposal (FYs 2016 and 2017).

[6] U.S. Department of Commerce Office of Inspector General, August 2012. *USPTO's Other Backlog: Past Problems and Risks Ahead for the Board of Patent Appeals,* OIG-12-032-A. Washington, D.C.: Department of Commerce OIG.

Strengthen Spectrum Management and Public Safety

Radio frequency spectrum provides an array of wireless communications services critical to the US economy and supports a variety of government functions.[7] In June 2010, the President requested that 500 MHz of spectrum be freed up for commercial sale. The National Telecommunications and Information Administration (NTIA) announced in March 2012, that the federal government intends to repurpose 95 MHz of prime spectrum for commercial use, if certain challenges are met. However, the $18 billion price tag to relocate existing federal users could make this cost prohibitive. A July 2012 report by the President's Council of Advisors on Science and Technology recommended that up to 1000 MHz of federal spectrum be made available for a "shared use spectrum superhighway,"[8] between federal agencies and commercial providers. Recent technology advances make the shared-use architecture feasible in the near future; however, many challenges such as lack of incentive for commercial providers to bid for shared spectrum, revenue generation, and rights of use issues must be addressed to make this effort a possibility. A strong partnership between the federal government (NTIA and FCC) and commercial providers will be needed to make this program a reality.

On February 22, 2012, the President signed the Middle Class Tax Relief and Job Creation Act of 2012, which assigned the D-Block spectrum and provided $7 billion to NTIA to establish an interoperable nationwide Public Safety Broadband Network (PSBN). NTIA is required to establish an independent authority called First Responder Network Authority (FirstNet) to be the holder of the existing public safety spectrum and be responsible for the establishment and deployment of the PSBN. It is important for NTIA to take into consideration the lessons learned from earlier public safety network efforts when establishing FirstNet, such as establishing local/state governance structures in compressed timeframes.

Promote and Regulate Exports

The Department plays a critical role in the success of government-wide initiatives to promote U.S. exports and ensure an effective export control system—approximately 12 percent ($990 million) of its FY 2013 budget request is dedicated to funding international programs and activities.

Appropriately Allocate Resources and Increase Collaboration to Support the National Export Initiative

The Department's International Trade Administration (ITA) plays a leading role in supporting the National Export Initiative (NEI), which was formalized by executive order in March 2010. To support NEI, the Department proposed in its FY 2013 budget a reorganization of ITA to eliminate overlapping functions and streamline operations to enhance foreign market access and U.S. industry competitiveness. Also, in FY 2012, its U.S. and Foreign Commercial Service unit began shifting resources away from lower-priority markets to higher-priority markets, in accordance with a congressionally approved plan. According to ITA, 14 offices have been

[7] U.S. Government Accountability Office, April 2011. *Spectrum Management,* Washington, D.C.: GAO, 1

[8] President's Council of Advisors on Science and Technology, July 2012. *Realizing the Full Potential of Government-Held Spectrum to Spur Economic Growth.* Washington, D.C.: President's Council of Advisors on Science and Technology, 11.

closed, and 2 more will remain open only through FY 2014, pending State Department reviews to close them. To make this successful, the Department must continue to strategically reorganize its personnel and resources while providing seamless assistance to the public.

A secretarial-level body called the Export Promotion Cabinet is charged with implementing trade-related activities in coordination with the Trade Promotion Coordinating Committee,[9] chaired by the Secretary. The Department plays an instrumental role in carrying out these activities with external partners. As of December 2011, the value of exports had increased 33 percent in the 2 years since 2009, appearing to be on track to meet the NEI's target of doubling U.S. exports by 2014. However, U.S. export growth for the first 6 months of 2012 was only 6 percent rather than the 15 percent a year necessary to reach the doubling target. The Department reports it has responded to these economic conditions by ramping up its trade advocacy and export promotion efforts, as well as aggressively investigating unfair trade practices affecting U.S. exports or imports into the U.S. market. In addition, we have identified opportunities for ITA to improve training for trade specialists on enhancing collaboration and improving sharing with partner agencies.[10]

Combat Unfair Trade Practices and Continue Implementing the Export Control Reform Initiative

While trade promotion is an essential part of its mission, the Department must also maintain strong trade enforcement and export control programs, so that U.S. companies can thrive in the global marketplace. These key functions are carried out by both ITA and the Bureau of Industry and Security (BIS). Long-term, sustainable U.S. economic growth depends on the effective enforcement of trade agreements and export controls. Recently, for example, the Import Administration, another ITA business unit, issued a final determination that Chinese manufacturers sold at less than fair value (i.e., "dumped") solar panels in the United States and that the manufacturers received trade-distorting government subsidies. The Import Administration also issued a preliminary determination this summer that Chinese manufacturers dumped wind turbines in the U.S. market as well. These kinds of decisions are necessary to level the playing field for U.S. companies. In February 2012, the President signed Executive Order13601, creating a new Interagency Trade Enforcement Center within the Office of the U.S. Trade Representative, co-led by the Department of Commerce. This center seeks to efficiently leverage existing federal government resources, including those within ITA, in challenging unfair trade practices and foreign trade barriers by trade partners. ITA reports it has been dedicating staff and resources to the new enforcement center since its inception in February 2012. ITA's FY 2013 budget request also contains dedicated staff and resources to support this center.

[9] The TPCC was established in 1993 by Executive Order 12870 under the authority of the Export Enhancement Act of 1992 to coordinate governmental efforts to promote U.S. exports.

[10] U.S. Department of Commerce Office of Inspector General, September 2012. *U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts* [Draft report]. Washington, D.C.: Department of Commerce OIG.

The task of administering and enforcing dual-use export controls presently falls on BIS. In April 2010, the Administration proposed the Export Control Reform Initiative to streamline the country's export control system and facilitate U.S. export of high-tech goods while protecting U.S. national security interests. Over the past year, BIS has worked with its interagency partners to review the munitions and dual-use lists to assess whether changes to controls on certain products are warranted. Also in response to Executive Order 13558, BIS, along with other federal agencies, shall provide resources for a new export enforcement coordination center to collect and share information to help prosecute and deter export control violations. Commerce must ensure that it continues to support these important programs and initiatives as the effort to reorganize the Department's and the federal government's trade promotion and enforcement functions continues.

Protect and Promote Marine Fisheries

For several years, we have reported about NOAA's challenge in balancing two competing interests: promoting commercial and recreational fishing as vital elements of our national economy and preserving populations of fish and other marine life.[11] In recent years, members of the fishing industry and elected officials from the New England region have repeatedly questioned certain fishery regulations and whether NOAA has abandoned a core mission to develop the commercial fishing industry and increase industry participation.

An April 2011 independent review of the New England fishery management process[12] suggested many ways to strengthen fishery management rulemaking processes and specifically recommended increased "collection and use of socioeconomic data in fishery management plans in order to make socioeconomic analysis a more visible and meaningful part of the process." This type of analysis includes understanding the impact that fisheries management has on local economies.

As we noted last year, the Department submitted its *Plan for Retrospective Analysis of Existing Rules* in August 2011,[13] in response to Executive Order 13563, *Improving Regulation and Regulatory Review*.[14] In August 2012, the Department's General Counsel informed us that the Department had convened a "regulatory cost–benefit working group" with representatives from USPTO, BIS, and NOAA, since these bureaus engage in most of the Department's rulemaking activity. As a result of these working group meetings, the General Counsel reported that economists and social scientists from the National Marine Fisheries Service have engaged in long-term research to assess the U.S. public's willingness to pay the costs associated with conservation of protected species and marine protected areas. In its rulemaking, the

[11] The Marine Mammal Protection Act of 1972 and the Endangered Species Act of 1973 gave NOAA fisheries responsibility for preventing the extinction of marine fish and other species. The Magnuson-Stevens Fishery Conservation and Management Act of 1976 made the NOAA fisheries the primary federal agency for managing marine fisheries and established a regional fishery management system to help the agency carry out its mission.
[12] Preston Pate and SRA-Touchstone Consulting Group, April 2011. *A Review of the New England Fishery Management Process.* Washington, D.C.: Touchstone Consulting Group.
[13] U.S. Department of Commerce, August 2011. *Plan for Retrospective Analysis of Existing Rules.* Washington, D.C.: Department of Commerce.
[14] Exec. Order No. 13563, 76 Fed. Reg. 3821 (Jan. 21, 2011).

Department and NOAA will continue to be challenged in balancing the competing interests of promoting fishing and preserving populations of fish and other marine life.

We are currently reviewing NOAA's controls and processes surrounding fisheries rulemaking as the first phase of our assessment of transparency and the role of fishery management councils in rulemaking. An effective regulatory environment requires a fair and transparent rulemaking process. Our review will consider the interactions among federal officials, fishing industry members, and nongovernment organizations in the development of fishing regulations.

Challenge 2:

Increase Oversight of Resources Entrusted by the Public and Invest for Long-Term Benefits

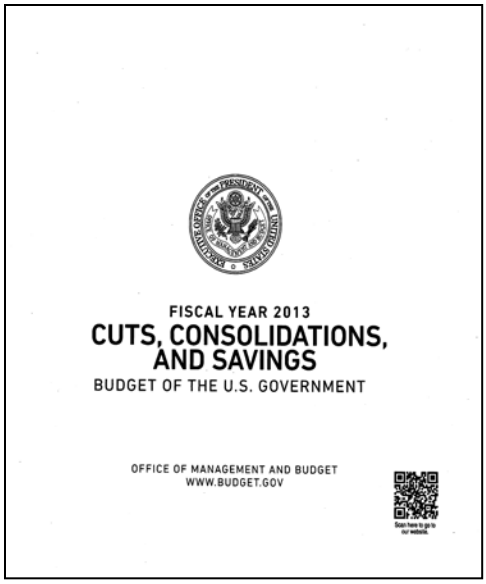
The Joint Select Committee on Deficit Reduction was tasked with seeking $1.5 trillion in government-wide savings over the next 10 years. The Committee did not agree on spending reductions, resulting in a potential sequestration that will trigger across-the-board budget cuts beginning in January 2013. Commerce programs will be deeply affected. As the Department prepares for this extended period of tighter budgets and decreased spending, it is more important than ever to understand the risks associated with making trade-offs in allocating resources between the implementation of programs and the oversight of those programs.

Also, after experiencing significant cost increases in the last decennial (from $8.2 billion to $12.8 billion between 2000 and 2010 decennials), the Census Bureau—a departmental component—has vowed to contain cost of the 2020 decennial by making critical design decisions by the end of FY 2014. However, it has already encountered significant challenges in achieving this goal. While the nation is facing significant financial hardship, the Department and Census Bureau simply cannot afford to repeat the cost growth experienced over prior decennials. We have identified three areas for management attention during a period of funding uncertainty:

- Increase internal controls and oversight of departmental operations under a constrained budget
- Invest for efficiencies and long-term benefits
- Implement bold design changes to contain 2020 decennial costs while maintaining enumeration quality

Increase Internal Controls and Oversight of Departmental Operations Under a Constrained Budget

Since FY 1999, the Department has received unqualified audit opinions on its financial statements. While this is a testimony of the health of departmental financial reporting systems, it is not an adequate benchmark for internal controls and management oversight of day-to-day operations, especially in today's constrained budget environment. In an era of constrained budgets, there is a greater risk that management will take shortcuts, loosen internal controls, and deemphasize oversight, in order to devote resources to other requirements.



Source: Office of Management and Budget

While management has increased departmental-level oversight in recent years, such as reviewing high-risk IT investments (challenge 3) and reducing use of high-risk contracts (challenge 4), more needs to be done. Recent concerns over conference spending and unauthorized reprogramming of funds have highlighted the importance of strong internal controls and the continued need for effective oversight.

National Weather Service Reprogramming

In June 2012, the Appropriations Subcommittee approved the Department's $35.6 million reprogramming request to support NOAA National Weather Service (NWS) operations. An internal inquiry report prepared by the Department highlighted mismanagement of budgetary resources and manipulation of accounting records deeply embedded in NWS. This highlights the need for increased oversight and transparency.

To its credit, the Department has issued directives requiring immediate and across-the-board corrective actions and expanded management's review of internal controls (per OMB Circular A-123[15]) in response to this incident. However, the 6-month-long investigation of this incident and subsequent development/implementation of corrective actions have diverted management attention/resources away from other critical functions. To get ahead of the curve, departmental management needs to instill an accountability culture enriched with increased transparency, readily available support, and independent validation.

Ethical Violations and Concerns of Mismanagement

Loosened internal controls and relaxed oversight can increase the misuse of federal funds and lessen public confidence in the government. The following investigative case examples underscore the need for stronger controls and more vigilant oversight to prevent fraud, waste, and abuse within the Department and among its grant recipients and contractors:

- Former executive directors of a commission that received a NOAA grant misused $575,000 in grant funds and were indicted—and plead guilty—to charges of theft, bribery, and wire fraud.

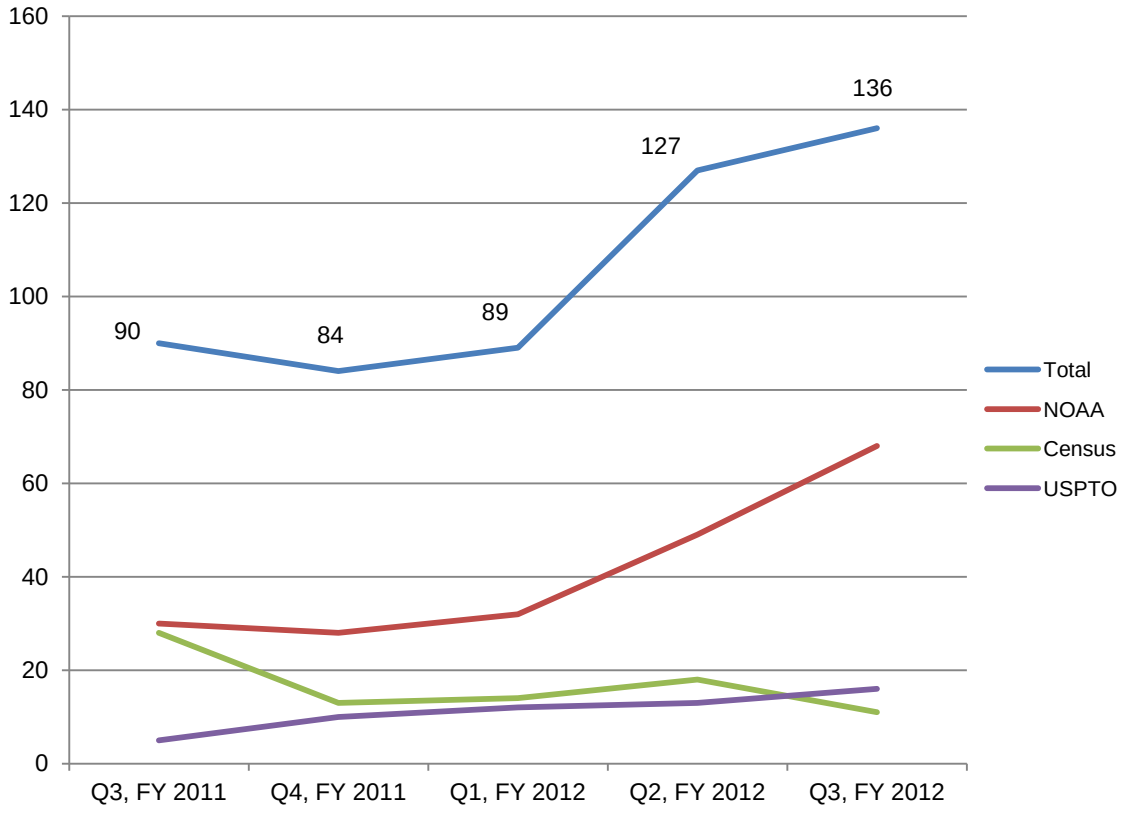
- A NIST grantee diverted more than $100,000 from a $2 million NIST grant to a related company for non-grant-related expenses.

- Several recipients of Commerce funds committed price fixing, used defective merchandise, conducted money laundering, and made false statements.

[15] Office of Management and Budget, December 21, 2004. *Management's Responsibility for Internal Control,* OMB Circular A-123. Washington, D.C.: OMB.

Over the past several quarters, complaints made to the OIG Hotline have consistently increased, driven largely by growth in complaints related to NOAA (see figure 2). While some complaints may have been caused by misunderstanding or miscommunication, they all need to be reviewed individually. OIG provides complaints related to mismanagement and minor misconduct to the responsible bureaus for proper handling. However, many cases referred to bureaus for inquiries and actions have not been reviewed sufficiently or in a timely manner. To provide effective oversight, the Department must address complaints referred by OIG promptly and work to provide effective internal controls to help prevent issues before they occur. We will continue working with the Department to enhance handling of these complaints.

Figure 2. Complaints Received by Quarter for Agencies with Highest Complaint Volume, from Third Quarter, FY 2011, Through Third Quarter, FY 2012



Source: OIG

Oversight of Use of Federal Funds Awarded to Grantees

The Department has more than 70 programs authorized to award grants. Between FYs 2009 and 2011, these programs issued almost $10 billion in American Recovery and Reinvestment Act of 2009 (ARRA) and non-ARRA awards. Ensuring timely resolution of grant audit findings and corrective actions is an essential aspect of grant oversight. In June 2012, we reported to the Department that there were 25 unresolved audits, including 14 that were past due. More than

half of those that were past due were at NIST, which was experiencing a staffing shortage in its Grants and Agreements Management Division. While we are aware that NIST has begun addressing the backlog, timely grant audit resolutions need to be a priority.

With approximately $3.8 billion in grant awards, the Broadband Technology Opportunities Program (BTOP), funded by ARRA, represents the most significant investment of federal funds in the Department. As of June 30, 2012, about 50 percent of BTOP funds remain to be disbursed. As these projects near their required 3-year completion dates (between November 2012 and September 30, 2013), the potential for fraud, waste, and abuse associated with such large-dollar-amount awards will increase as recipient spending increases. However, the uncertain funding for BTOP oversight in FY 2013 and beyond raises significant concerns about the Department's ability to adequately oversee the program in the future (e.g., closeout of projects and oversight of projects that received extensions). Management needs to remain committed to monitoring BTOP recipient compliance with grant award terms and achievement of intended benefits.

Invest for Efficiencies and Long-Term Benefits

Smart investment for long-term benefits, when combined with responsible spending, is key to success in today's constrained budget environment. The Department has endorsed several efforts to modernize its mission-support functions; for example, it has made good progress in modernizing/standardizing Human Resources–related operations by adopting a government-wide system solution offered by the Treasury Department. We have identified the following modernization efforts as requiring management attention.

Modernization of Financial Management Systems

The Department and its bureaus use multiple legacy financial management systems to support day-to-day operations, including a core accounting system developed with aging technology and augmented with in-house software that is increasingly more difficult to maintain. The multiple legacy financial systems cannot provide timely and accurate data for management decision making. In addition, interfaces, reports, and data warehouses are duplicated, leading to high maintenance costs. These limitations impede the Department's ability to oversee Department-wide financial activities.

The Department plans to replace all legacy financial systems—core financial accounting, financial management, grants management, acquisition management, and property management—with commercially available software between FYs 2014 and 2018. While modernizing legacy financial systems has to be a priority for the Department, the planned implementation represents significant challenges to the Department.

- The proposed implementation timetable is very aggressive for modernization projects of such size. However, as pointed out by the project team, this aggressive timetable is in compliance with OMB requirements of not exceeding 24 months when developing/ implementing financial systems. To meet this aggressive schedule, the project team plans to significantly limit the amount of software customization. Bureaus are expected to adjust their financial/accounting/business operations based on the functionalities established in

selected vendor software. With the diverse cultures in the Department, synchronizing bureau financial operations requires strong departmental governance.

- The Census Bureau is scheduled to be converted first by FY 2016. This timely conversion is critical to Census's 2020 decennial readiness. Any schedule slippage could complicate decennial planning and cost-containment efforts. Management needs to keep close oversight of this modernization effort.

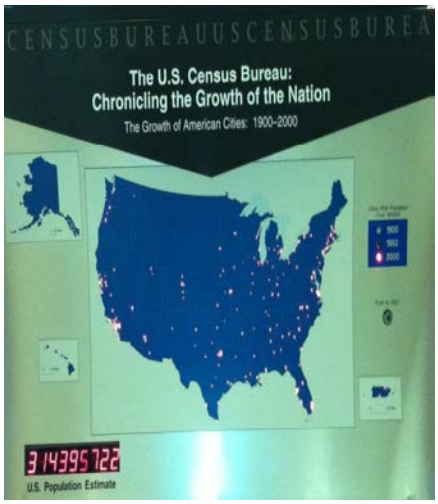
Renovation of the Herbert C. Hoover Building

For the first time in its 79-year history, the Herbert C. Hoover Building (HCHB) was scheduled to undergo a comprehensive renovation between FYs 2008 and 2021. This project is led by the U.S. General Services Administration (GSA) with a projected cost of more than $900 million, and is to be completed in eight phases. However, this project is now at risk of not being funded beyond phase 3. As a result, the building will remain noncompliant with current fire and safety codes and regulations. If renovation is interrupted at phase 3, 62 percent of the building will still contain hazardous material, 75 percent of HCHB will not have permanent fire suppression systems, 55 percent of HCHB will lack blast window protection, and the majority of HCHB will not meet the American with Disabilities Act requirements. This places building occupants at risk. The Department needs to work with GSA and Congress to secure funding for continued safety improvement in the building.

Implement Bold Design Changes to Contain 2020 Decennial Costs While Maintaining Enumeration Quality

The Census Bureau has vowed to contain the costs of the 2020 decennial to an amount close to final costs of the 2010 census. To achieve cost savings, the bureau is exploring new and innovative design alternatives. While it seems that the 2010 decennial has just completed, the Bureau is in the initial stages of 2020 census research and testing and is already encountering challenges. In addition, the recent resignation of the director raises concerns. Because the Bureau operates on long planning cycles for the decennial census, it is difficult to maintain leadership with a consistent vision—and much easier to fall back on old ways and institutional habits. We identified the following issues requiring senior management attention.

U.S. Population Estimate from U.S. Census Bureau



Source: OIG

Planning Within Constrained Budgets

Like the rest of the federal government, the Census Bureau is operating in a constrained budget environment. As a result of a reduction in its budget request for FY 2012, the Bureau canceled 20 of 109 studies to measure its performance in the 2010 decennial. Another 25 studies, to be completed in FY 2013, are contingent on funding. Canceling these studies may jeopardize the identification of lessons learned, which is critical to planning the next decennial. The Bureau must be strategic

in how it spends its available funding. Also, it must provide the Secretary and Congress reliable and transparent budget requests.

Leadership Continuity and Departmental Oversight

Leadership continuity is essential to maintain momentum as planning progresses for the 2020 decennial. Absent stable, committed leadership, any organization tends to revert to its embedded culture. A leadership void on the top adds risk to the Bureau's management of critical issues (e.g., budget, operational design, and questionnaire content). Reverting to historical practices and limited design changes experienced in recent decennial censuses will result in unsupportable cost growth for the next census. To coordinate ongoing activities leading to a cost-effective design decision, which must be made by the end of FY 2014, the appointment of a new director must be a priority.

Departmental oversight should play a key role: early in the decennial development process, it can reveal whether the Census Bureau has considered all reasonable project alternatives or if it is assuming too much risk. In this way, the Department can work with the Bureau to address problems before unnecessary costs accumulate. For example, the Department Information Technology Review Board recently examined decennial IT planning efforts. It is critical that departmental management continues close oversight to help ensure decennial cost containment and quality.

Uncertainty Surrounding Funding for the American Community Survey

The American Community Survey (ACS) infrastructure allows for the creation and testing of enterprise-wide solutions to obstacles that face all survey and decennial operations. In our final 2010 Census report to Congress,[16] we suggested that the Census Bureau use ACS to explore areas such as questionnaire content and design, response options (such as the Internet), use of administrative records, and targeted field data collection procedures and methodologies. Census's preliminary 2020 decennial cost estimates were based on the assumption that the ACS program would continue. With Congress debating the elimination of funding for this survey, management needs to factor into 2020 decennial planning efforts the significant uncertainty this would create.

Ability to Use Administrative Records

Currently, one of the focal points of the 2020 Census research and testing agenda is to use administrative records to improve the address list and reduce the number of visits to housing units that do not return the questionnaire. The use of these records could potentially save billions of dollars over the life cycle of the next census. However, obtaining access to these records can be difficult because relevant statutes governing other federal agencies do not compel them to provide their records to the Bureau. In addition, as we recently reported,[17]

[16]U.S. Department of Commerce Office of Inspector General, June 27, 2011. *Census 2010: Final Report to Congress,* OIG-11-030-I. Washington, D.C.: Department of Commerce OIG.

[17]U.S. Department of Commerce Office of Inspector General, May 10, 2012. *High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Saving Goals,* OIG-12-024-I. Washington, D.C.: Department of Commerce OIG.

although tribal, state, county, and local governments share address information with Census, Title 13 forbids Census from reciprocating with those partners and federal agencies—with a few, very narrow, exceptions, such as the once-a-decade address-updating program. According to the Bureau, it is trying to identify opportunities that will provide detailed feedback to local governments throughout the decade for address list improvements. However, to facilitate a wide-ranging use of administrative records—key to containing 2020 decennial costs—management needs to seek congressional guidance.

Challenge 3:

Strengthen Security and Investments in Information Technology

In FY 2012, the Department planned to invest $2.4 billion in IT. This is about 25 percent of its annual budget and one of the highest percentages devoted to IT among all civilian agencies. The Department and its constituent bureaus rely on IT to support major mission activities, such as producing the constitutionally mandated decennial census; releasing vital economic statistics (e.g., the gross domestic product and consumer spending); granting patents and trademarks; issuing severe weather alerts; and operating weather satellites. However, we have identified major concerns in the Department's IT security posture and fragmented IT governance. While the Department's Chief Information Officer (CIO) has taken steps to strengthen IT governance, we continue to find significant security vulnerabilities in bureau systems, which could lead, and already have led, to service disruptions and loss of sensitive information. We have identified four areas for management attention:

- Continue improving Commerce's IT security posture by addressing persistent security weaknesses
- Develop resilient incident response and recovery capabilities with increased monitoring of Internet traffic
- Manage Commerce's IT portfolio with enhanced governance structure
- Strengthen oversight of IT investments

Continue Improving Commerce's IT Security Posture by Addressing Persistent Security Weaknesses

Government agencies, Internet commerce, and vital business sectors are all affected by the rapid increase in the number of cyberattacks. The Department is under constant threat because of its reliance on Internet-based technologies, which interconnect its IT systems and facilitate business with the public. In fact, several of the Department's bureaus fell victim to significant cyber intrusions in recent years. For example, in January 2012, as a result of a malware infection, the Economic Development Administration (EDA) disconnected its systems from the Internet, greatly affecting its ability to maintain normal business operations. Also, hackers successfully penetrated two other bureaus' networks during FY 2012, resulting in exfiltration[18] of user account information. Hackers could have gained unauthorized access to the bureaus' sensitive information. These incidents resulted from a persistent lack of basic security controls.

We conducted security assessments on a targeted selection of 18 systems from six bureaus in FY 2010 and 10 systems from three bureaus in FY 2011. We also assessed the security posture

[18] Exfiltration, in the context of this report, refers to the unauthorized transfer of information from an organization to external entities.

of 15 Web application systems from eight bureaus. In FY 2012, we assessed the effectiveness of four bureaus' information security programs by evaluating key security measures in place to protect mission-critical information that is processed, stored, or transmitted by 17 information systems within these bureaus.

Over the years, we have repeatedly identified significant flaws in basic security measures protecting IT systems and information. We have continually called for greater attention and stronger commitment from the Department's senior management to the basic security practices, which, if properly implemented, can effectively minimize or stop cyberattacks before a serious compromise occurs. In response to our FYs 2010 and 2011 recommendations, the Department has updated its IT security policy for vulnerability scanning, secure configurations, and management of plans of action and milestones. However, the Department needs to enforce these polices because we continue to find similar security weaknesses in department-wide and bureau systems. For example, we reported the following persistent security weaknesses in FYs 2010, 2011, and 2012:[19]

- High-risk vulnerabilities
- Deficient patch management
- Inadequate secure configuration settings
- Ineffective vulnerability scanning
- Security weaknesses not tracked or remediated expeditiously

Last year, we reported that the Department had taken the significant step of including information security measures in the Deputy Secretary's quarterly balanced scorecard review with bureau heads, to help institutionalize good security practices. However, we found that those measures were inconsistently reported across the Department. For example, bureaus chose different security controls as their reporting measures. Such reporting makes it harder to assess overall performance of the Department's IT security program. To correct this inconsistency, the Office of the Chief Information Officer, after collaborating with the bureaus, issued guidance in July 2012 to help bureaus consistently and accurately report their IT security performance in future balanced scorecards. With this renewed focus on using consistent and accurate security measures for balanced scorecard review, the Department should require bureaus to demonstrate progress in correcting persistent security weaknesses.

[19] U.S. Department of Commerce Office of Inspector General, November 2010. *Federal Information Security Management Audit Identified Significant Issues Requiring Management Attention,* OIG-11-012-A. Washington, D.C.: Department of Commerce OIG; U.S. Department of Commerce Office of Inspector General, November 2011. *FY 2011 Federal Information Security Management Act Audit: More Work Needed to Strengthen IT Security Department-Wide,* OIG-12-007-A. Washington, D.C.: Department of Commerce OIG.

Develop Resilient Incident Response and Recovery Capabilities with Increased Monitoring of Internet Traffic

EDA (at the time of the cyber incident) and several other bureaus located in the main Commerce building rely on the Department's Computer Incident Response Team (DOC CIRT) to provide forensic analysis when a cyber event occurs. However, while investigating EDA's cyber incident, DOC CIRT faced technical challenges and had to depend heavily on several internal and external groups, such as NIST, the Department of Energy, and other federal agencies for assistance. The Department needs to strengthen its incident response capabilities to effectively deal with ever-increasing cyber events.

In addition, this cyber incident exposed a weakness in EDA's continuity of operations planning. For example, due to malware infection on its systems, which may have existed on the systems for several years, EDA could not assure that information stored on its electronic backup media was not contaminated. As a result, EDA had to "clean" the information before using it to reconstitute its systems, which significantly extended the reconstitution time. As a lesson learned from the EDA incident, the Department should ensure that bureaus consider the potential effects of corrupted information from cyberattacks when planning continuity of operations.

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The Department has made a concerted effort to implement OMB's Trusted Internet Connection (TIC) initiative, which should better monitor cyber threats from the Internet. All bureaus, except the Census Bureau and NOAA, will acquire TIC service by December 2012. NOAA is planning to be its own TIC access provider by 2014. However, the Census Bureau raised concern over TIC's inspection process, which could allow third parties, such as the Department of Homeland Security, to access sensitive information that must be protected against disclosure by Title 13 of the United States Code.[20] As a result, the Census Bureau has no definite timeline for TIC implementation but continues to work with the Department of Homeland Security to achieve a mutually acceptable solution. The Department needs to assign a high priority to helping Census resolve the concern about potential violation of Title 13 requirements.

Manage Commerce's IT Portfolio with Enhanced Governance Structure

We previously attributed the Department's long-standing information security weaknesses to its fragmented CIO governance. In addition to the Department's CIO, there have been 18 CIOs in Commerce's bureaus, including 7 within NOAA. The Department's CIO had little oversight of bureau budget submission and performance evaluation of key bureau IT management. This weak central governance resulted in stovepipes in IT investments and difficulties in fixing persistent security weaknesses.

[20] Title 13 is the law under which the Census Bureau operates. The law guarantees the confidentiality of census information and establishes penalties for disclosing this information.

In June 2012, the Acting Secretary issued the "Department IT Portfolio Management Strategy,"[21] which expanded the role of the Commerce CIO. Previously limited to policymaking and infrastructure maintenance, the Commerce CIO now implements Department-wide IT shared commodity services, approves bureaus' IT investments, and provides at least 25 percent of performance appraisals of individuals responsible for IT commodity services. Under the new strategy, there will be only one CIO per bureau for better accountability.

This new strategy is an important step. However, it is too early to judge its effectiveness for two reasons. First, historically, bureaus have functioned independently on IT matters with little departmental direction. Second, the new strategy focused on increasing the Department CIO's influence on "IT shared commodity services," such as networks, data centers, and e-mails, which account for only about 25 percent of the Department's total IT investments. Senior management should consider further enhancing the IT governance structure to help ensure the Department's success with several major IT investments on the horizon—supporting 2020 Decennial operations, implementing patent reform, modernizing weather-related information in Next Generation Air Traffic Control Systems, and replacing all departmental legacy financial systems. Further, to meet OMB's directive to reduce FY 2014 IT spending by 10 percent (a reduction of $226 million for the Department), the CIO needs to leverage newly enhanced authority to turn around at-risk projects and to eliminate duplicative IT assets, contracts, and services.

Strengthen Oversight of IT Investments

The Department's IT review board, led by the CIO and Chief Financial Officer (CFO), reviews major IT investments for status updates and requests for additional spending authority[22] and conducts TechStat reviews, which focus on putting troubled investments back on track. In calendar years 2011 and 2012, the IT review board has held 20 major IT investment reviews, seven TechStat reviews, and two special risk reviews on NOAA's satellite programs and the Bureau of Industry and Security's USXPORTS Exporter Support System. Also, as part of the budget process, agencies are required to submit IT capital asset summaries, which specify the cost, schedule, and performance baselines for major IT investments. The Office of the CIO collects this information, as well as monthly updates; evaluates investment risk; and submits this information to the OMB Federal IT dashboard.

The Department's CIO has taken steps to improve the IT investment review process, such as having bureaus submit project information to the CIO's subject matter experts for analysis before the review meeting. Such improvements, in conjunction with TechStat reviews and the increased visibility provided by the federal IT dashboard, have contributed to improving the likelihood of investment success. However, three of six troubled IT investments have remained at high risk for more than 12 months (see table 1), and according to information on the OMB Federal IT dashboard, about 25 percent of Commerce's major IT investments are 30 percent or more behind schedule.

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[21] U.S. Department of Commerce, Acting Secretary. June 21, 2012. *Department IT Portfolio Management Strategy.* Washington, D.C.: Department of Commerce.

[22] Departmental officials also conduct reviews of non-IT acquisition projects. See challenge 4: Implement Framework for Acquisition Project Management and Improve Contract Oversight.

Table 1. High-Risk Commerce IT Investments

Bureau	Investment	Total FY 2012 Spending ($ Million)	Months at High Risk 2010 2012
Census	American Community Survey	39	2
	Decennial 2010 systems design, integration, and evaluation	24	9
	IT infrastructure	130	1
NOAA	Joint Polar Satellite System ground system	154	15
	National Weather Service telecommunication gateway	21	20
	Weather Radio Improvement Project	5	18

The CIO and CFO, in conjunction with bureau heads, need to ensure that program management is more aggressively addressing investments with a history of high risk. For example, bureaus should be required to bring in outside experts to quickly assess root causes and provide remedies for failing investments, as was done for the National Telecommunications and Information Administration's Federal Spectrum Management System. The CIO should terminate IT investments that cannot be turned around and find alternative approaches for acquiring needed services.

Challenge 4:

Implement Framework for Acquisition Project Management and Improve Contracts Oversight

In FY 2011, the Department obligated approximately $2.4 billion on contracts for goods and services, including satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. Table 2 illustrates the dollar amounts that Commerce's operating units have obligated through contracts in recent years.

To maximize these funds, the Department needs to strengthen its acquisition and contract management practices. While it has made some progress—such as reorganizing the Office of Acquisition Management to more directly address major acquisition initiatives and implementing an Acquisition Center of Excellence, which will consolidate acquisition support for the Department's smaller bureaus, our audits continue to find weaknesses in how the Department plans, administers, and oversees its contracts and acquisition programs. We have identified four areas for management attention:

- Implement the planned framework for acquisition project management
- Oversee high-risk contracts
- Maintain an acquisition workforce that holds bureau officials accountable
- Implement an effective suspension and debarment program

Table 2. Dollar Amounts Obligated by Commerce's Operating Units

	FY 2009		FY 2010		FY 2011	
Commerce Acquisition Office	Contract Actions[23]	Dollars (in millions)	Contract Actions	Dollars (in millions)	Contract actions	Dollars (in millions)
NOAA	16,831	$1,159	16,087	$1,624	14,159	$1,160
Census	3,332	1,308	3,187	1,312	1,849	522
USPTO	1,776	384	1,619	431	2,134	388
NIST	4,768	286	4,992	505	5,224	253
Office of the Secretary	768	63	870	53	1,161	44
Total	27,475	$3,200	26,755	$3,925	24,527	$2,367

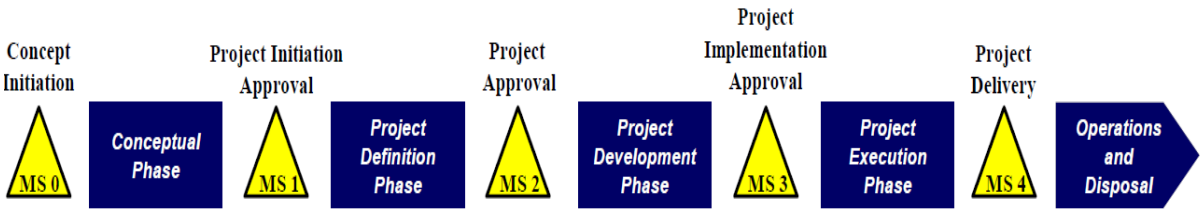
Source: Department of Commerce Office of Acquisition Management

[23] Contract actions include contracts, delivery orders, task orders, and contract modifications.

Implement the Planned Framework for Acquisition Project Management

The Office of Acquisition Management developed a framework, which described the minimum standard of processes required of high-profile projects, including capital investments such as satellites, information technology, facilities, and ships and aircraft.

Because of challenges the Department encountered in earlier acquisitions, in June 2010, the former secretary mandated a study be conducted on ways to improve the acquisition process. The resulting study identified several problems with the system—including requirements, cost analysis, and oversight of major projects. To address these concerns, the Office of Acquisition Management developed an Acquisition Project Management Framework/Guidebook (see figure 3), which described the minimum standard of processes and major milestone reviews required of high-profile projects—including capital investments such as satellites, information technology,[24] facilities, and ships and aircraft—throughout multiple acquisition phases: conceptual development, project definition, and project development (including procurement/contracting).[25] The framework also highlights the importance of independent reviews and reliable cost estimation, among other things. This is a significant improvement when compared with the previous departmental framework, which focused largely on procurement/contracting–related activities.



Note: MS = milestone.
Source: Department of Commerce Office of Acquisition Management.

The new framework, if implemented consistently, should increase the transparency of bureau acquisition programs and help mitigate risks of cost overruns, schedule delays, and performance shortfalls commonly experienced by major acquisitions. Based on dollar thresholds, risks, and specific designation, Departmental management has selected a group of current bureau acquisition programs for review, in accordance with the new framework. Through programs such as NOAA's acquisition of new and improved satellites and Census's preparations for the 2020 decennial census, the Department will have many opportunities to practice the framework.

However, incorporating the framework into the Department's acquisition policy will require management attention. The Department has not used such a detailed process to program, plan,

[24] See also challenge 3: Strengthen Security and Investments in Information Technology.
[25] The Department also drafted an interim policy for applying the framework pending for signature.

and budget for new acquisitions. In addition, bureaus such as NOAA question its need because they use their own detailed acquisition policies. The Department needs to ensure that the departmental policy requiring the use of the acquisition framework is issued and followed by all bureau officials to timely achieve its mission requirements.

Implementing the Acquisition Project Management Framework (when expanded to cover the asset disposal process) could also help the Department ensure timely replacement of aging equipment. For example, aircraft used to conduct hurricane surveillance are all nearing the end of their useful life, and more modern versions are needed. However, planning efforts to replace aged aircraft have not yet started despite the bureau's knowledge of the need.

Oversee High-Risk Contracts

In FY 2011, the Department reported progress in reducing dollar amounts of high-risk contract awards. Despite this progress, overseeing existing high-risk contracts remains a challenge to management. We continue to find weaknesses in the use of cost-plus-award-fee (CPAF) and cost-plus-award-term (CPAT) contracts, which put the Department's contract dollars at risk. CPAF and CPAT contracts can encourage excellence by providing financial incentives based on performance, but they require effective monitoring to ensure contract dollars are spent wisely and award fees and terms are justified. In May 2012, we reported that NOAA did not use measurable evaluation criteria or payment structures to motivate exceptional performance. Ultimately, NOAA consistently gave contractors high ratings and substantial award fees and contract extensions, despite lacking adequate support for their actual performance, as measured by evaluation criteria and required by the Office of Management and Budget. Based on our audit, we found that more than $40 million was paid in award fees or approved for contract extensions without proper justification. Effective implementation of NOAA measures will be critical to ensuring it does not pay improper award fees and extend contract terms.

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Poor data systems could also undermine the Department's efforts in managing its high-risk contracts. Our audits have found that Commerce acquisition information reported in the Federal Procurement Data System–Next Generation (FPDS-NG) is incomplete and inaccurate. For example, in May 2012, we reported that the complete picture of NOAA's use of CPAF and CPAT contracts was unclear. Data reported in FPDS-NG and records maintained by NOAA on the use of CPAF and CPAT contracts were also inaccurate and incomplete. NOAA is the largest of all of the Department's procurement offices, obligating approximately 49 percent of the funding in FY 2011.

Management needs to focus on developing reliable information, and data management systems will position the Department to conduct more strategic acquisitions. This focus should begin with the Department implementing our May 2012 recommendation to adhere to Commerce policy to validate data to more accurately reflect the contract types. [26]

Maintain an Acquisition Workforce That Holds Bureau Officials Accountable

In a March 2009 memorandum, the President acknowledged that the government needs to ensure that it has the workforce needed to carry out robust and thorough oversight of contracts to help program management achieve goals, avoid significant overcharges, and curb wasteful spending.[27] However, the capacity and the capability of Commerce's acquisition workforce to oversee and manage contracts face major challenges due to high turnover and employee retirement, coupled with a significantly reduced budget, gaps in key competency areas, and expanded workload. Like many federal agencies, the Department is faced with the major challenge of replacing existing talent because of a large number of retirements expected over the next several years. Of the approximately 200 contracting officers and specialists that Commerce employs, more than half can retire within 10 years. In addition, 14 percent of them are already eligible for immediate retirement. Replacing these employees represents a significant challenge since many possess unique skills and institutional knowledge that will be difficult to replace.

Additionally, 36 contracting officers and specialists left the Department in FY 2011—an attrition rate of 18 percent compared with the Department's overall attrition rate of 3 percent.[28] While the DOC has taken some actions to improve its ability to recruit qualified candidates, such as increasing the number of entry-level contracting job series from 24 in FY 2010 to 28 in FY 2011, improving recruiting activities will require a long-term commitment and focus. The Department needs to continue its recruitment efforts at the entry levels and focus on retention of that staff to maintain corporate knowledge about the respective bureau processes within the Department. This knowledge will provide a long-term assurance that the Department's future missions can be accomplished.

Also, our investigations have continuously identified the need for more vigilant oversight and stronger process controls to detect and prevent procurement fraud, waste, and abuse within the Department and among its fund recipients and contractors. The following examples of OIG investigative findings illustrate the need for Commerce's continued attention to procurement integrity issues:

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[26] U.S. Department of Commerce Office of Inspector General, May 2012. *NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions,* OIG-12-027-A. Washington, D.C.: Department of Commerce OIG.

[27] President's Memorandum, March 4, 2009. *Government Contracting.*

[28] According to Commerce Office of Acquisition Management, the attrition rate of 18 percent was calculated based on 36 positions, NOAA: 16, NIST: 9, OS: 6, Census: 4, USPTO: 1, divided by 200 positions onboard at the end of FY 2011. The 3 percent was calculated based on the total of employees in any series that separated from Commerce in FY 2011 (1,536) divided by the number on board at the end of FY 2011 (47,626).

- Misuse of government credit cards, including falsification of purchase card records

- Conflicts of interest due to personal relationships between grant awarding officials and grant recipients, to include familial, marital (in-law) and former employer/employee relationships

- Misuse of public position for private gain—for instance, Commerce employees acquiring property or services through the Department's funds under the premise of fulfilling a bureau function but then diverting the property or service for their personal use

- Misuse of items purchased with Commerce funds, such as a NOAA boat that was used recreationally by NOAA officials

Finally, in the light of the known issues concerning GSA's misuse of resources for agency conferences, we have seen an increase in attention related to spending on conferences. The Department has implemented new procedures to review conference spending. Bureau heads should now be more sensitive to the public perception of conference spending and inclined to make better spending decisions related to conferences.

Implement an Effective Suspension and Debarment Program

We previously reported on the challenges facing the Department in ensuring that it contracts with and provides funding assistance only to responsible parties.[29] Since finalizing its first suspension or debarment action in over 15 years, in April 2011, the Department has made progress toward establishing an efficient and durable suspension and debarment program. OIG has referred nine matters, including five since September 2011, to the Department's Suspending and Debarring Official (SDO). Based on these referrals, the SDO has taken 37 total actions and declined one referral.

The SDO continues efforts toward establishing a strong program, including regular attendance at monthly meetings of the Interagency Suspension and Debarment Committee; designation of a Suspension and Debarment Coordinator, who serves as a focal point for the program; preliminary planning for routine intradepartmental training on suspension and debarment; and establishment of regular meetings with the Office of General Counsel and OIG's Office of Counsel. However, certain issues present ongoing challenges. Although the SDO's office has begun drafting policy documents to institutionalize processes and procedures regarding the referral, review, and issuance of suspension and debarment matters, the adoption process needs to be finalized. Also, even though the SDO's processing efficiency has increased over the past year, there is room for improvement regarding the prompt review of referrals; and the program lacks a clear delineation of roles and responsibilities in such important areas as revising and adapting draft documents prepared by OIG for possible use in suspension and debarment actions and appropriately following up on actions once taken.

[29] U.S. Department of Commerce Office of Inspector General, October 2011. *Top Management Challenges Facing the Department of Commerce,* OIG-12-003. Washington, D.C.: Department of Commerce OIG.

Challenge 5:

Reduce Risks of Cost Overruns, Schedule Delays, and Coverage Gaps for NOAA's Satellite Programs

Managing risks in the acquisition and development of the next generation of environmental satellites is a continuing challenge for the Department. The two most prominent programs,[30] the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R series (GOES-R), together account for one-third of NOAA's FY 2013 budget request. They are also the largest investments in the Department, comprising nearly 20 percent of the Commerce budget. The satellites will provide data and imagery for weather forecasting—including severe-storm tracking and alerting—and the study of climate change. Operating environmental satellites and weather forecasting are designated as primary mission-essential functions of the Department because they help lead and sustain the nation in the event of a catastrophe. Yet, because of cost overruns, schedule delays, and the aging of NOAA's current constellation of satellites, NOAA is confronting coverage gaps for these critical assets.

Strong program management and close oversight of these programs are needed, to manage risks that inevitably lead to cost overruns, schedule delays, and coverage gaps for the critical capabilities these programs will provide. Based on our work with these programs, we have identified four areas for management attention:

- Communicate with stakeholders to define JPSS capabilities, schedule, and cost baselines
- Ensure adequate leadership and governance structure over JPSS development
- Develop a plan to support NOAA weather forecasting capabilities during coverage gaps
- Reduce program risks associated with GOES-R development

Communicate with Stakeholders to Define JPSS Capabilities, Schedule, and Cost Baselines

In our September 2011 audit report,[31] we recommended that NOAA develop a mechanism to provide executive and legislative decision makers, on a recurring basis, with complete, objective, and understandable information that illustrates the consequences of limiting satellite observational capabilities. This was driven, in part, from congressional concerns regarding NOAA's limited communication of plans for its satellite programs. Recently, the Senate Committee on Appropriations expressed frustration with NOAA's "inability to control

[30] Other satellite acquisitions include Jason-3, which will measure sea surface height, and Deep Space Climate Observatory, which will provide advance warnings of solar storms affecting earth.

[31] U.S. Department of Commerce, Office of Inspector General, September 30, 2011. *Audit of the Joint Polar Satellite System: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data* (OIG-11-034-A). Washington, D.C.: Department of Commerce OIG.

procurement costs or articulate reliable funding profiles."[32] This resulted in the Senate Committee losing confidence in NOAA's ability to manage its portfolio of satellite acquisitions. The Committee's appropriations bill, if enacted, would transition NOAA's satellite acquisitions entirely to NASA. As such, it's clear that NOAA must do more to improve communication with stakeholders.

NOAA's JPSS program uses NASA as its acquisition agent, leveraging that agency's procurement and system engineering expertise—an arrangement based on previous partnerships between the two agencies. In its FY 2011 budget submission, NOAA reported that the two-satellite JPSS program, running through 2024, would cost $11.9 billion. Requirements changes and an extended life cycle through 2028 resulted in a revised cost estimate of $14.7 billion. In its FY 2013 budget submission, however, NOAA committed to capping the cost of the program at $12.9 billion and submitted a nearly flat-line annual budget estimate of $900 million, plus the cost of climate sensors previously budgeted under a different NOAA program, from FY 2013 to FY 2017. Although the program has since constructed a cost estimate to support the $12.9 billion cost cap, its high-level requirements were recently finalized in October 2012. Pending decisions on lower-level requirements, acquisition strategies, and system design—particularly for the ground system and "free-flyer" satellites (which will host search-and-rescue and data collection instruments, separate from the program's primary satellites)—could have ramifications for launch schedules and cost:

- The ground segment project recently completed its requirements review in August; it was originally scheduled to precede the program-level review in May. Program officials have told us that there is a need to rethink legacy requirements[33] in the light of current needs and technology options.

- There is a significant amount of uncertainty in requirements for free-flyer satellites. For the free flyers, information security requirements had to be analyzed and ground support options determined. This uncertainty in requirements translates to uncertainty in the program's life-cycle cost estimate.

During FY 2012, NOAA has made progress in prioritizing JPSS requirements to support its commitment to capping the life-cycle costs at $12.9 billion. While this approach shows serious management commitment, fitting requirements into a previously authorized budget increases the risk that requirements will be dropped or launches delayed in order to remain within the budget. NOAA needs to revisit the life-cycle cost estimates after finalizing JPSS requirements and work with the Department and congressional representatives in adjusting its budget estimates.

[32] Senate Report 112-158 (discussing Committee rationale for transfer to NASA); Commerce, Justice, Science, and Related Agencies Appropriations Act, 2013, S. 2323, 112th Cong. (2012).

[33] Requirements were transferred from JPSS' predecessor system, the tri-agency National Polar-orbiting Operational Environmental Satellite System, which undertook development of next-generation polar satellites from 1995 until early 2010, when the White House Office of Science and Technology Policy restructured it into separate military and civilian (JPSS) programs.

Ensure Adequate Leadership and Governance Structure over JPSS Development

More progress defining JPSS capabilities, schedule, and cost may have been possible if not for delays defining the program's governance structure and staffing key program and NOAA positions. NOAA and NASA finally agreed to a management control plan for JPSS in February 2012, nearly 2 years after the program was started. Further, NOAA and its JPSS program have had key staff in acting, rather than permanently filled, capacities for extended periods of time (see table 3). Only the Under Secretary of Commerce for Oceans and Atmosphere and the Assistant Administrator, National Environmental Satellite, Data, and Information Service (NESDIS), positions have been permanently filled since the program's inception.

Table 3. NOAA JPSS Program Authorities

Position	Status at Program Start (Feb 2010)	Current Status
Under Secretary of Commerce for Oceans and Atmosphere/ NOAA Administrator	Filled	Filled
Assistant Secretary for Environmental Observation and Prediction/Deputy Administrator	**Vacant**	Filled (May 2011)
Deputy Under Secretary for Operations	Filled	**Acting** (January–June 2012) Filled (July 2012)
Assistant Administrator, NESDIS	Filled	Filled
NESDIS Deputy Assistant Administrator for Systems	Filled	**Acting** (February 2010–May 2012) **Currently vacant**
JPSS Director	**Acting**	Filled (September 2011)

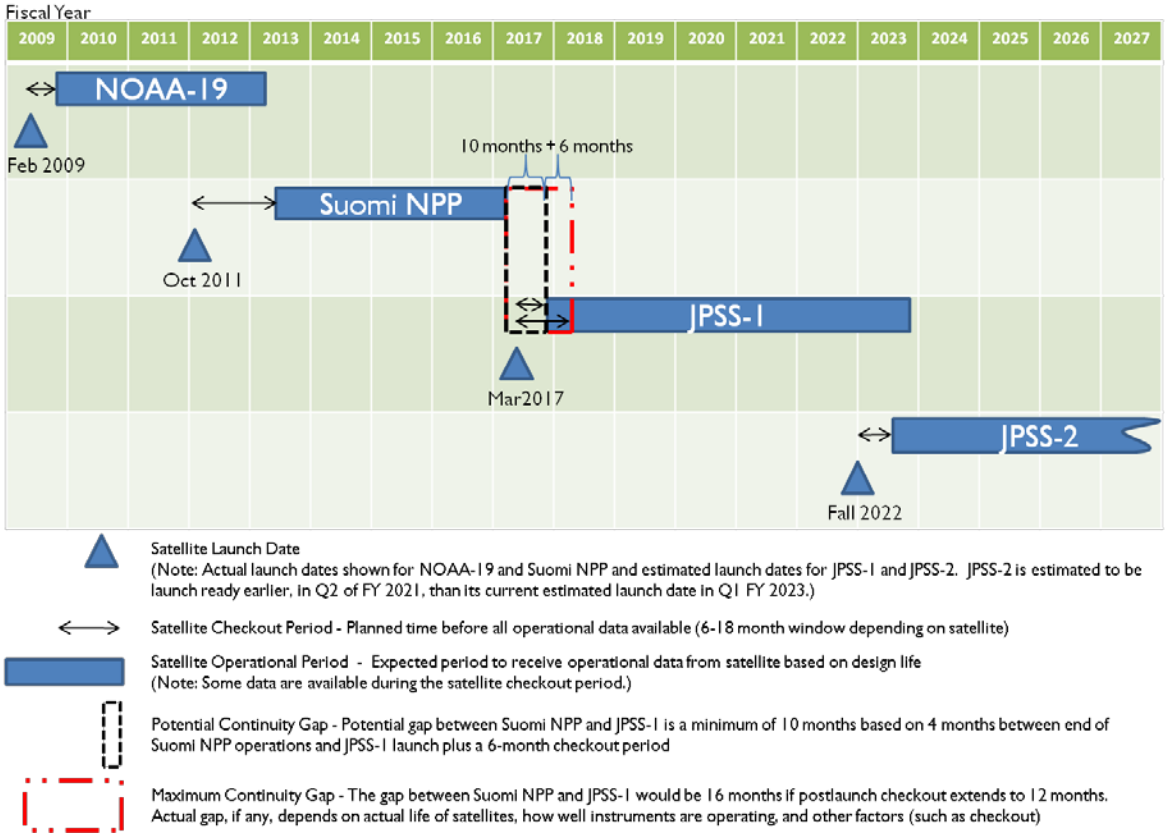
Source: OIG analysis of NOAA information

Qualified officials, who can make timely decisions and take management action, are essential to the success of JPSS development. For example, NOAA's Deputy Under Secretary for Operations is deemed the final authority for the program's high-level requirements, schedule, and budget submissions. The former official retired in January 2012 and was not permanently replaced until July 2012, even though the interim period included the FY 2013 President's Budget submission and other decisions on high-level requirements. Currently, the NESDIS Deputy Assistant Administrator for Systems position, which serves as NOAA's single source of programmatic direction and guidance to NASA for NOAA programs, is vacant. Previously, this position was staffed in an acting capacity. Detailed employees, in acting capacities, occupy several other key positions within NESDIS and the program. NOAA needs to fill open positions overseeing JPSS development and govern the program according to the management plan accepted by NASA.

Develop a Plan to Support NOAA Weather Forecasting Capabilities During Coverage Gaps

Over the course of the program to date, we have analyzed Suomi National Polar-orbiting Partnership (Suomi NPP, a recently launched, risk-reduction satellite that is flying the first versions of JPSS sensors) and JPSS schedules to assess expected gaps in weather forecast data. Currently, we project a 10–16-month gap between Suomi NPP's end of design life and when JPSS-1 data become available for operational use—a refinement from last year's estimate of 9–21 months (see figure 4). NOAA's medium-range weather forecasting (3–7 days) could still be significantly degraded during the period of time JPSS data are unavailable.

Figure 4. Potential Continuity Gaps for Polar-Satellite Operational Forecast Data



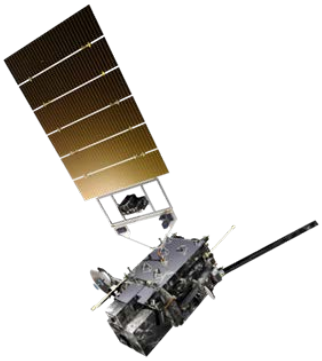
Source: OIG analysis of JPSS program data

In our September 2011 report, we reported on activities within NOAA to use other sources of data to mitigate gaps and recommended NOAA coordinate efforts from across its line offices to minimize the degradation of weather and climate forecasting. In response, NOAA indicated that it was looking at both foreign and commercial sources of data. However, NOAA has not fully developed a strategy for evaluating and selecting foreign data sources. Nor has it completed a comprehensive mitigation plan for polar satellite coverage gaps. Obtaining support from other reliable sources could be time consuming. NOAA needs to develop a timetable to measure its progress towards having a mitigation plan in place before Suomi NPP's end of design life: November 2016.

The risk of a near-term gap between NOAA-19 (NOAA's primary operational polar-orbiting satellite) and Suomi NPP has been largely mitigated. Suomi NPP launched October 28, 2011, and within 7 months, NOAA supercomputers began assimilating data from the Advanced Technology Microwave Sounder (ATMS) in numerical weather prediction models. Other issues will result in delaying the use of data from the Cross-track Infrared Sounder (CrIS), which complements those from ATMS, until December 2013—after NOAA-19's end of design life. However, NOAA forecast models currently use data from NASA's Aqua satellite, which are similar to CrIS data.[34]

Reduce Program Risks Associated with GOES-R Development

GOES-R (see figure 5) is also a NOAA/NASA partnership, with NOAA having overall program responsibility. Unlike JPSS, however, NOAA is solely managing the acquisition and development of the GOES-R ground system while NASA is primarily directing the flight segment (spacecraft, instruments, launch vehicle and services). The GOES-R series of satellites will provide uninterrupted short-range severe weather warning and "now-casting" capabilities through 2036. With four satellites (the GOES-R, -S, -T, and -U), the program is estimated to cost $10.9 billion over the course of its life cycle.



Source: NOAA

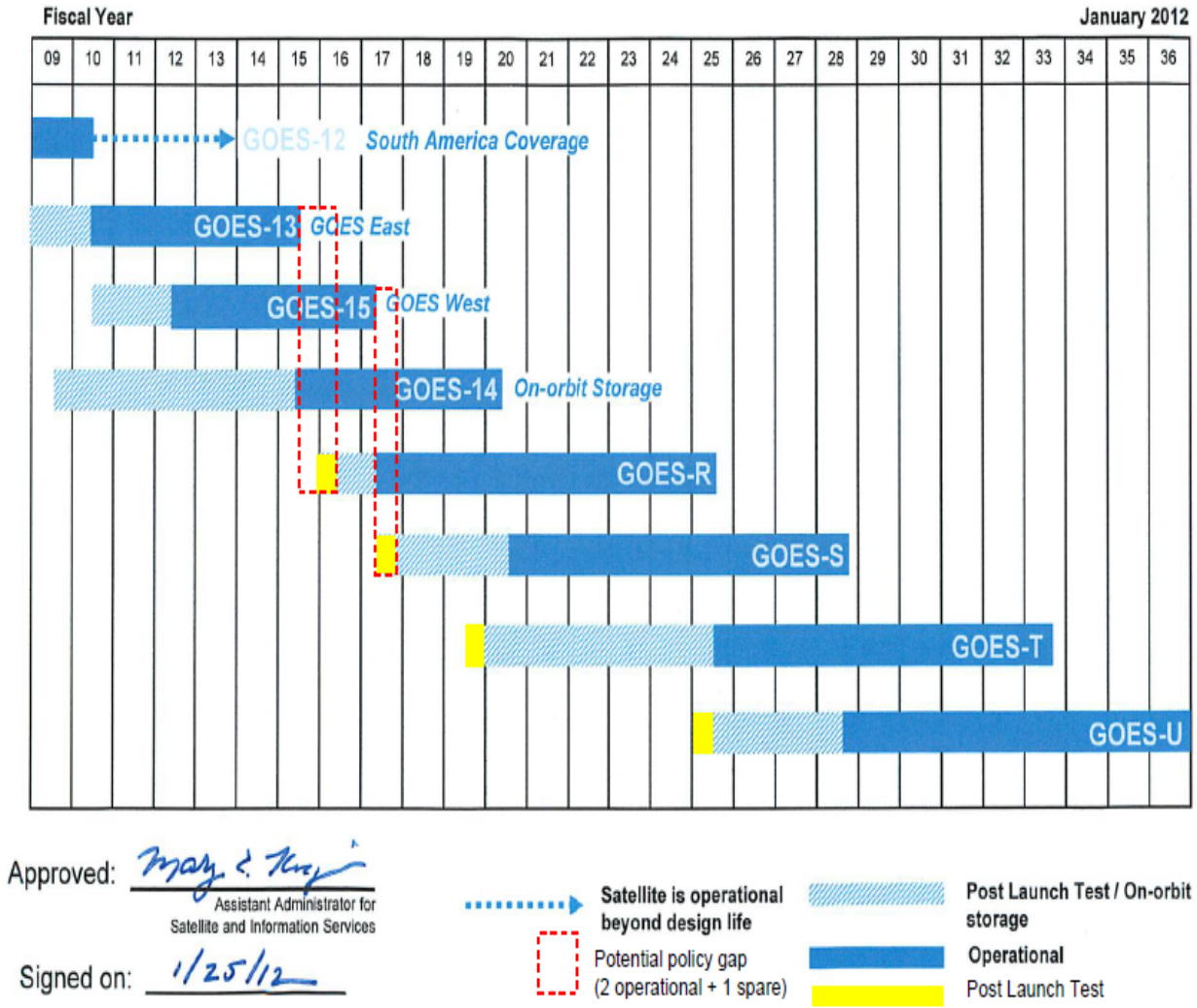
The GOES-R program recently held a key technical milestone review (critical design) in August 2012. Subsequently, the program downgraded, from green to yellow, its assessment of schedule and technical development because of various issues with the spacecraft and instruments and the need to aggressively manage dependencies with the ground project's development. The ground segment's schedule has become more incremental—which will increase schedule flexibility, as well as better align the delivery schedule for GOES-R spacecraft, instruments, and documentation. Despite progress made, there is less than a 50 percent chance the GOES-R satellite will be launched on schedule, in October 2015, based on the program's own models used to assess GOES-R development. NOAA must implement solid program management and system engineering principles to control costs, keep schedules on track, and maintain required technical performance.

The program's standing review board has also warned that should the program's request in the President's FY 2013 budget submission (an increase of nearly $200 million, or 30 percent, from FY 2012) not be realized, a launch delay is *nearly certain*, which could significantly limit NOAA's capability of providing short-range severe weather warning. NOAA's policy for its geostationary satellites is to have three satellites in orbit—two operational satellites with overlapping coverage and one spare for backup (see figure 6). As we reported last year, NOAA may not be able to meet its policy of having an on-orbit spare even without a GOES-R launch delay, because of retirement of current GOES series satellites. A launch delay beyond October 2015 increases the risk that just one geostationary imager will be on orbit, a scenario in which

[34] Aqua is an aging satellite. Launched in 2002, its original mission life was 6 years.

NOAA's capability to visualize and track severe weather events would be severely limited. NOAA needs to adequately communicate to decision makers its justification for the significant funding increase for FY 2013, citing such reasons as to order items that require long manufacturing lead times or to hire qualified engineers, technicians, and so on.

Figure 6. Continuity of Geostationary Operational Satellites



Source: OIG adapted from NOAA geostationary satellite schedules

Acronym List

ACS	American Community Survey
AMTech	Advanced Manufacturing Technology Consortia
ARRA	American Recovery and Reinvestment Act of 2009
ATMS	Advanced Technology Microwave Sounder
BIS	Bureau of Industry and Security
BTOP	Broadband Technology Opportunities Program
CFO	Chief Financial Officer
CIO	Chief Information Officer
CPAF	cost-plus-award-fee
CPAT	cost-plus-award-term
CrIS	Cross-track Infrared Sounder
DOC CIRT	Department's Computer Incident Response Team
EDA	Economic Development Administration
FirstNet	First Responder Network Authority
FPDS-NG	Federal Procurement Data System–Next Generation
FY	fiscal year
GAO	U.S. Government Accountability Office
GOES-R	Geostationary Operational Environmental Satellite-R series
GSA	U.S. General Services Administration
HCHB	Herbert C. Hoover Building
IT	information technology
ITA	International Trade Administration
JPSS	Joint Polar Satellite System
NEI	National Export Initiative
NESDIS	National Environmental Satellite, Data and Information Service
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NPP	National Polar-orbiting Partnership
NTIA	National Telecommunications and Information Administration

NWS	National Weather Service
OIG	Office of Inspector General
OMB	Office of Management and Budget
PSBN	Public Safety Broadband Network
SDO	Suspending and Debarring Official
TIC	Trusted Internet Connection
USPTO	U.S. Patent and Trademark Office

Appendix A: Related OIG Publications

This list presents OIG's past and current work related to FY 2013's top management challenges. These products can be viewed at www.oig.doc.gov. If the product contains information that cannot be released publicly, a redacted version or an abstract will be available on the website.

Challenge 1: Trade and Export Promotion

- USPTO's Other Backlog: Past Problems and Risks Ahead for the Board of Patent Appeals (OIG-12-032-A, August 10, 2012)
- More Action Needed to Improve Controls in Asset Forfeiture Fund (OIG-12-019-I, February 8, 2012)
- The Patent Hoteling Program Is Succeeding as a Business Strategy (OIG-12-018-A, February 1, 2012)
- Follow-up Review of NOAA Fisheries Enforcement Programs and Operations (OIG-12-017-I, January 31, 2012)
- Letters to Congress re: Status of NOAA's Implementation of OIG's Asset Forfeiture Fund Recommendations (OIG-11-012-M, December 12, 2011)
- Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A, September 29, 2011)
- Status of USPTO Initiatives to Improve Patent Timeliness and Quality (OIG-11-032-I, September 29, 2011)

Challenge 2: Oversight of Resources and Investment for Long-Term Benefits

- IG's Testimony on Mismanagement of Funds at the National Weather Service and the Impact on the Future of Weather Forecasting (OIG-12-036-T, September 12, 2012)
- Review of NTIA's Oversight of the Booz Allen Hamilton Contract Supporting the Broadband Technology Opportunities Program (OIG-12-031-M, August 9, 2012)
- IG's Testimony on Planning for the 2020 Census: Senate Homeland Security and Governmental Affairs Committee (OIG-12-030-T, July 18, 2012)
- NTIA Needs Stronger Monitoring of BTOP Grant Recipients' Match (OIG-12-029-A, June 18, 2012)
- IG's Testimony on Broadband Loans and Grants: House Energy and Commerce Committee (OIG-12-026-T, May 16, 2012)

- High-Quality Maps and Accurate Addresses Are Needed to Achieve Census 2020 Cost-Savings Goals (OIG-12-024-I, May 10, 2012)
- 2020 Census Planning: Delays with 2010 Census Research Studies May Adversely Impact the 2020 Decennial Census (OIG-12-023-I, April 5, 2012)
- OIG-Census Letter to Law Enforcement Professionals Regarding Assaults on Census Workers (March 30, 2012)
- FY 2011 Compliance with Improper Payment Requirements (OIG-12-022-I, March 15, 2012)
- Oversight Activities of NIST's Recovery Act Construction Grant Awards Are Generally Effective but Need Improvements (OIG-12-020-A, February 14, 2012)
- Single Audit Results for the 12-Month Period Ending December 31, 2011 (OIG-12-021-M, February 13, 2012)
- Misrepresentations Regarding Project Readiness, Governance Structure Put at Risk the Success of the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project (OIG-12-016-M, January 10, 2012)
- IG's Testimony on Stimulus Oversight: House Committee on Science, Space, and Technology (OIG-12-012-T, November 30, 2011)
- NTIA Has an Established Foundation to Oversee BTOP Awards, but Better Execution Is Needed (OIG-12-013-A, November 17, 2011)

Challenge 3: IT Security

- Improvements Are Needed to Strengthen ITA's Information Technology Security Program (OIG-12-037-A, September27, 2012)
- Significant IT Security Program Improvements Are Needed to Adequately Security NTIA's Systems (OIG-12-035-A, September 7, 2012)
- FY 2011 Federal Information Security Management Act Audit: More Work Needed to Strengthen IT Security Department-Wide (OIG-12-007-A, November 10, 2011)
- Improvements Are Needed For Effective Web Security Management (OIG-12-002-A, October 21, 2011)
- Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A, September 29, 2011)
- Federal Information Management Act Audit Identified Significant Issues Requiring Management Attention (OIG-11-012, November 15, 2010)
- Respondent Data Safeguards in the Decennial Response Integration System (DRIS) (OAE-19888, September 24, 2010)

- FY 2009 FISMA Assessment of the Environmental Satellite Processing Center (OAE-19730, January 11, 2010)
- FY 2009 FISMA Assessment of the Enterprise UNIX Services System (OAE-19729, November 20, 2009)
- FY 2009 FISMA Assessment of the Field Data Collection Automation System (OAE-19728, November 20, 2009)
- FY 2009 FISMA Assessment of the Patent Cooperation Treaty Search Recordation System (OAE-19731, November 20, 2009)

Challenge 4: Contracts and Acquisitions

- Quarterly Conference Reporting Processes Need Improvement (OIG-13-001-I, October 17, 2012)
- Oversight Activities of NIST's Recovery Act Construction Contracts Need Improvement (OIG-12-28-A, June 1, 2012)
- NOAA's Cost-Plus-Award-Fee and Award-Term Processes Need to Support Fees and Extensions (OIG-12-027-A, May 18, 2012)
- Further Actions Needed to Enhance Commerce's Acquisition Human Capital Plan (OIG-12-15-A, December 21, 2011)
- Commerce's Office of Acquisition Management Must Continue to Improve Its Ongoing Oversight of Acquisition Savings Initiatives (OIG-12-001-A, October 6, 2011)

Challenge 5: Satellites

- Audit of the Joint Polar Satellite System: Continuing Progress in Establishing Capabilities, Schedules, and Costs Is Needed to Mitigate Data Gaps (OIG-12-038-A, September 27, 2012)
- IG's Testimony on Need for Continued Innovation in Weather Forecasting and Prediction: Senate Committee on Commerce, Science, and Transportation (OIG-12-011-T, November 16, 2011)
- Audit of the Joint Polar Satellite System: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data (OIG-11-034-A, September 30, 2011)
- Memorandum to the Under Secretary of Commerce for Oceans and Atmosphere and NOAA Administrator: NOAA's Joint Polar Satellite System Audit Observations (OIG-11-029-M, June 10, 2011)

Appendix B: Comparison Between FY 2012 and FY 2013 Challenges

FY 2013	FY 2012
Stimulate economic growth in key industries, increase exports, and enhance stewardship of marine fisheries: • *Growth in manufacturing, intellectual property, and wireless industries* • *Export promotion and regulation* • *Protection and promotion of marine fisheries*	Effectively promote exports, stimulate economic growth, and create jobs: • *Effective interagency partnerships* • *Enhancement of Commerce unit operations* • *Trade enforcement* • *Regulatory review improvement*
Increase oversight of resources entrusted by the public and invest for long-term benefits: • *Internal controls and oversight* • *Investment for long-term benefits* • *Design changes to contain 2020 decennial costs*	Reduce costs and improve operations to optimize resources for a decade of constrained budgets: • *Operational efficiency* • *Oversight of improper payments* • *Reduction of risks of misuse, abuse, or waste of federal grant funds awarded to grantees* • *Oversight of the Broadband Technology Opportunities Program* • *Application of lessons learned from 2010 decennial* • *Headquarters renovation costs and schedule*
Strengthen security and investments in information technology (IT): • *Addressing persistent IT security weaknesses* • *Incident response and recovery capabilities* • *IT governance for portfolio management* • *Oversight of IT investments*	Strengthen department-wide information security to protect critical information systems and data: • *Reduce ongoing security weaknesses* • *Implement security policy*
Implement framework for acquisition project management and improve contract oversight: • *Planned framework for acquisition management* • *Oversight of high-risk contracts* • *Acquisition workforce maintenance* • *Implementation of suspension and debarment program*	Manage acquisition and contract operations more effectively to obtain quality goods and services in a manner most beneficial to taxpayers • *Qualified acquisition workforce* • *Ethical standards in procurement practices* • *Use of high-risk contracts and maximizing competition* • *Tracking of contract savings* • *Delivery of major IT investments*
Reduce risks of cost overruns, schedule delays, and coverage gaps for NOAA's satellite programs: • *JPSS capabilities, schedule, and costs* • *Leadership and governance structure over JPSS* • *Weather forecasting during JPSS coverage gaps* • *Risks associated with GOES-R development*	Manage the development and acquisition of NOAA's environmental satellite systems to avoid launch delays and coverage gaps: • *Avoid near-term polar satellite coverage gaps* • *Manage polar satellites* • *Manage geostationary satellites*

Appendix C: Management Response to OIG Draft Report

UNITED STATES DEPARTMENT OF COMMERCE
The Secretary of Commerce
Washington, D.C. 20230

November 9, 2012

MEMORANDUM FOR: Todd J. Zinser
Inspector General

FROM: Rebecca M. Blank
Acting Secretary of Commerce

SUBJECT: Response to the FY 2013 OIG Report on Top Management Challenges

Thank you for the opportunity to review the Office of Inspector General's report "Top Management Challenges Facing the Department of Commerce." Every day the Department of Commerce's (Department) bureaus work with American businesses, communities, and private citizens to promote innovation, entrepreneurship, competitiveness, and stewardship—and we want to do that in the most effective and efficient way possible.

The Department is integrating key management functions to strengthen the alignment of resources to strategic objectives, mission priorities, risk management, internal controls, and acquisition management. For example, the Acquisition Improvement Framework, which I signed on November 6, 2012, addresses issues associated with Department acquisition management and oversight. The Department has also preserved resources for program delivery and stewardship by reducing administrative expenses. I have also directed a balanced scorecard approach to establish and maintain focus on the Department's top priorities, to develop data-driven metrics of success, and to emphasize that customer service in addition to organizational and workforce excellence are prerequisites to the achievement of the Department's programmatic goals.

We are aware that we have challenges in all of the areas discussed in your report, and we realize that these areas require continued oversight, planning, and work. In this budget-constrained environment, which is likely to continue, it is imperative that we continue improving our oversight processes and internal controls. I am focused on appropriate oversight at both the bureau and Department levels on those programs, projects, and management areas that either had issues brought to light in fiscal year 2012 or are critically vital to the success or failure of our mission goals.

We look forward to working with you to address the challenges mentioned in the report and will report progress made in our Performance and Accountability Report for fiscal year 2013.