

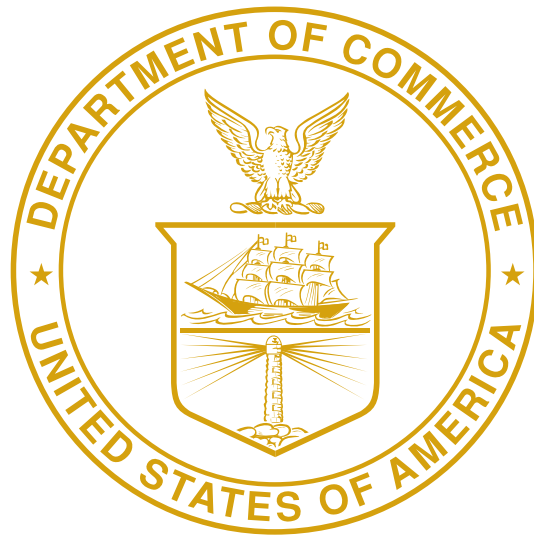


# OFFICE OF INSPECTOR GENERAL DEPARTMENT OF COMMERCE



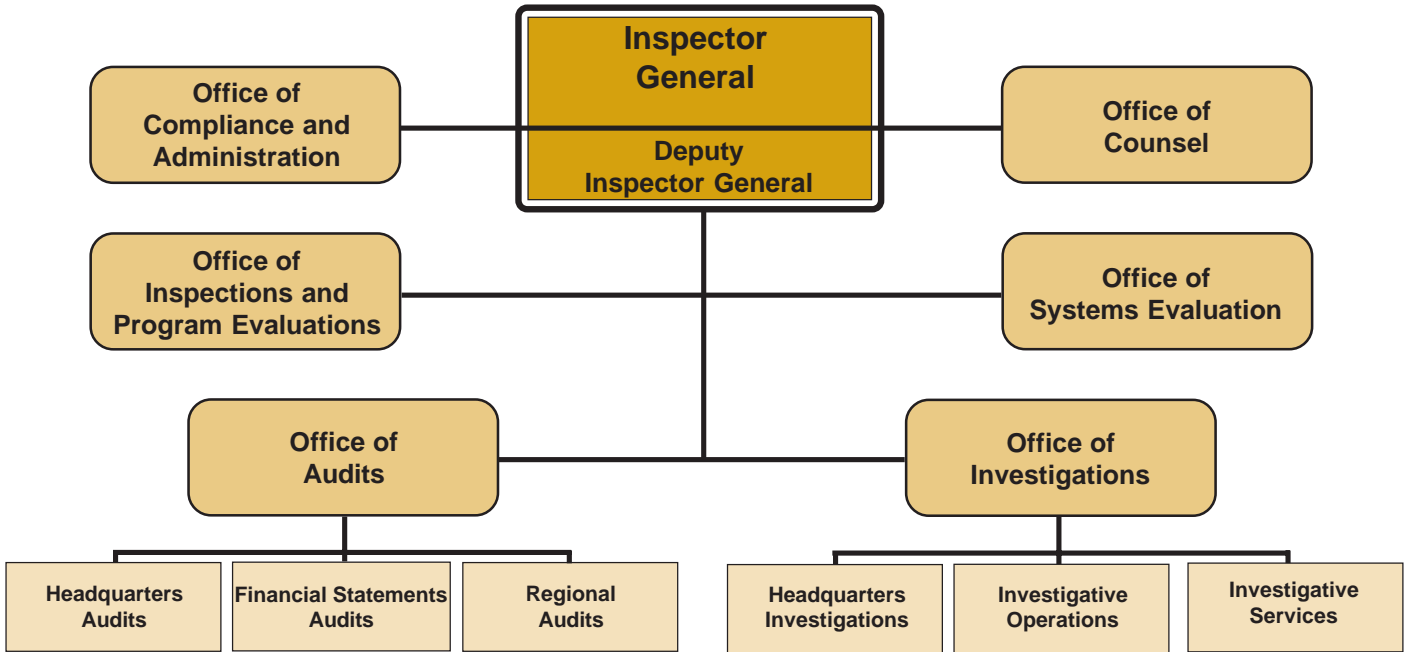
**OFFICE OF INSPECTOR GENERAL**

**WORK PLAN  
FY 2002-04**



U.S. Department of Commerce  
Office of Inspector General

# Office of Inspector General Organizational Chart



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# MESSAGE FROM THE INSPECTOR GENERAL

Public officials and others entrusted with public resources are responsible for applying those resources economically, efficiently, and effectively to achieve established goals. When those resources have been provided by the U.S. Department of Commerce, it is the responsibility of this office to ensure that government employees and others managing federal resources comply with applicable laws and regulations and actively work to prevent fraud, waste, and abuse in program operations. Through audits, inspections, evaluations, and investigations, the Office of Inspector General monitors and tracks the use of taxpayer dollars in federally funded programs. Our purpose is to keep the head of the Commerce unit, the Office of the Secretary, and Congress fully and currently informed about problems and deficiencies relating to administration of programs and operations and the need for corrective action.

In establishing a forward-looking, long-term approach to our mission, the OIG staff developed a new, structured process for mapping the labyrinth of issues, agendas, legislation, and time constraints intrinsic to our work. Work groups, consisting of staff from various OIG offices, conducted in-depth research on the state of the operating units, reviewing a wide range of materials, including budget requests, legislative documents, and GPRA-related plans and reports. While staff work groups conducted research and analysis, OIG senior managers conducted extensive outreach with departmental and operating unit officials to solicit their ideas and suggestions about potential areas for review. The *OIG Work Plan FY 2002-04* is designed around the identification of priority issues with input from OIG staff, Congress, Commerce unit officials, relevant legislation, and our OIG Hotline.

Among the many interdisciplinary, crosscutting issues that we defined, and that permeate the broad range of Commerce activities, one emerged in the final analysis as most in continuing need of assessment and resolution. That issue is security of Commerce policies, programs, and IT systems that have an impact on our nation as a whole. The events of the past year somberly underscore the urgency of our addressing security on an unremitting basis. Our commitment to security in serving the American people shows in the tasks we have set before us.

For each of the issues included in this work plan, three basic types of information are provided:

**OBJECTIVE:** What we intend to accomplish by addressing this issue.

**SIGNIFICANCE:** Why we believe OIG oversight of this issue is important to fulfilling our mission, which is to promote economy, efficiency, and effectiveness and detect and prevent waste, fraud, abuse, and mismanagement in the programs and operations of the U.S. Department of Commerce.

**REVIEW EMPHASIS:** How we plan to address issues of concern and work toward cost-effective solutions.

By developing this new way to structure our workload, we have created a framework for building a targeted and comprehensive body of work. We offer this document as a show of faith in our commitment to our mission of ensuring the continued integrity and dedication of the staff of OIG.



# TYPES OF OIG REVIEWS

For the federal government, OIGs must ascertain program viability from a variety of perspectives. The various kinds of audits, evaluations, inspections, and investigations at our disposal afford the IG's office a comprehensive view of Commerce programs and operations. Thus we are able to provide program managers with reviews and recommendations that are both objective and inclusive and can be used to aid them in ensuring the most efficient and effective use of taxpayer dollars.

## AUDITS

Performance Audits address the efficiency, effectiveness, and economy of the Department's programs, activities, and information technology systems. They may check a unit's compliance with laws and regulations, and evaluate its success in achieving program objectives.

Financial-Related Audits review the Department's contracts, grants, cooperative agreements, loans, and loan guarantees. They assess compliance with laws, regulations, and award terms; adequacy of accounting systems and internal controls; allowance of costs; and the degree to which projects achieved the intended results.

Financial Statements Audits determine whether (1) a reporting entity's financial statements are presented fairly and in accordance with generally accepted accounting principles; (2) the entity has an internal control structure that provides reasonable assurance of achieving the control objectives set forth by OMB; and (3) the entity complied with laws and regulations that could have a direct and material effect on the financial statements, the Federal Financial Management Improvement Act, and other laws and regulations.

## INSPECTIONS

Inspections are reviews of an activity, unit, or office, or a contractor or other nonfederal entity that receives funds from the Department. They focus on an organization, not a whole program, and are often designed to give agency managers timely and useful information about operations, including current and foreseeable problems.

## EVALUATIONS

Program Evaluations are in-depth reviews of specific management issues, policies, or programs.

Systems Evaluations review system development, acquisitions, operations, and policy, focusing on computer systems and other technologies.

## INVESTIGATIONS

Criminal/Civil/Administrative Investigations are conducted based on alleged or suspected wrongdoing by Department employees, contractors, recipients of financial assistance, and others responsible for handling federal resources. Investigations that expose violation of Department rules and regulations or acts of fraud committed against the U.S. government can result in administrative sanctions and/or criminal or civil prosecution.

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# INTRODUCTION

One of the primary objectives of this office is to identify and engage in tasks that hone our efforts to strengthen and reinforce the effective, efficient, and economical management of programs and operations critical to the U.S. Department of Commerce. Periodically we renew our resolve to ensure that OIG activities address Commerce's most vital issues by taking careful stock of the status of the Department's programs and functions, reassessing priorities, and thereby, precisely setting our course for the future. With this goal in mind, OIG designed and implemented an extensive survey and planning process to evaluate Department activities and determine those areas most in need of our attention.

The process was comprehensive and multifaceted. OIG interoffice work groups conducted extensive research on individual operating units—examining the state of the unit; reviewing a range of materials that included budget requests, legislative documents, GPRA-related plans and reports, and relevant congressional testimony; analyzing issues that cut across and impact the missions of several units at once; and interviewing OIG employees whose experience reviewing departmental activities was a valuable source of ideas and information.

OIG senior officials broadened the scope of the work groups' activities by holding discussions with congressional staff, departmental managers, and other stakeholders to solicit their suggestions on potential topics for review.

Following these efforts, OIG convened a planning conference at which managers and work group members presented their findings. Each work group identified 10 issue areas it deemed most significant for the Commerce units it had examined. From these discussions, senior managers developed a list of more than 40 priorities that will guide OIG activities for 2002-04 and beyond.

The Top 10 Management Challenges addressed in our semiannual reports to Congress continue to rank high on the list of priorities and have been amplified and further refined by our planning process. Other key issue areas include human capital, procurement, system/capital acquisitions, and information technology/data management.

We prepared this work plan to serve as a ready reference to focus our efforts and keep us on target, but it is a "living document" that we will periodically revisit and revise to ensure that it continues to reflect the needs of the nation and the Department's role in accommodating them.



# U.S. DEPARTMENT OF COMMERCE UNIT ACRONYMS

BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security (formerly BXA, Bureau of Export Administration)
EDA	Economic Development Administration
ESA	Economics and Statistics Administration
ITA	International Trade Administration
MBDA	Minority Business Development Agency
NESDIS	National Environmental Satellite, Data, and Information Service
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWS	National Weather Service
OIG	Office of Inspector General
TA	Technology Administration
USPTO	United States Patent and Trademark Office

# SECURITY

## THE DEPARTMENT'S EMERGENCY PREPAREDNESS AND PHYSICAL SECURITY CAPABILITIES

**Objective:** Evaluate the Department's emergency preparedness and physical security plans and procedures at sites in Washington, DC, and at other selected domestic and overseas locations.

**Significance:** The bombing of the federal building in Oklahoma City in 1995, the bombings of U.S. embassies in 1998, and the events of September 11, 2001, ushered in a new era of security concerns for the nation. For the federal government, those attacks highlighted the vulnerabilities in the security of federal facilities and in our emergency preparedness plans and procedures. Thus the heightened emphasis on physical security and emergency preparedness that has gripped all of

America is especially evident at the government's own facilities. Commerce maintains an Occupant Emergency Plan that outlines its emergency procedures, but the catastrophic events of 1995, 1998, and 2001 underscore the need to reexamine crisis strategies for all facilities occupied by Commerce employees.

Federal Property Management Regulation 101-20.103-4 and Executive Order 12656 of 1988 require federal agencies to establish protocols—including emergency evacuation plans—to safeguard life and property in federal facilities during emergencies, including attacks, bomb threats, civil disorders, fires, explosions, natural disasters, and direct threats to major computer operations that risk compromise of classified information. EO 12656 further states that all levels of government must meet “essential defense and civilian needs” during times of national emergency by implementing Continuity of Operations Plans (COOPs) that detail the orderly transition to emergency operations and maintain the agency's ability to perform missions during a crisis.



**Review Emphasis:** OIG will examine emergency preparedness plans for selected Commerce facilities to (1) determine whether the sites have viable emergency response structures in place; (2) assess the status of physical security at each location and the extent to which each conforms to Department of Justice physical security standards; and (3) identify changes in emergency planning and preparedness and physical security since September 11.



## **BIS's MANAGEMENT OF THE DUAL-USE EXPORT LICENSING PROCESS**

**Objective:** Assess the adequacy and effectiveness of the U.S. multiagency export licensing process in preventing acquisition of militarily sensitive U.S. dual-use technology and technical information by countries and entities of concern.

**Significance:** Rogue countries and terrorist groups seeking to acquire weapons of mass destruction and weapons delivery systems pose new threats to U.S. national security and foreign policy goals. The United States controls the export of certain goods and technologies for national security and foreign policy purposes under the authority of several laws, including the Export Administration Act of 1979. BIS administers the interagency licensing process for exports that have both civilian and military uses (dual-use commodities) and attempts to bring divergent policy views and information to bear on license decision making.

Striking a balance between the need to protect national security and foreign policy interests and the desire to not unduly restrict U.S. trade opportunities and competitiveness poses a problem that both OIG and GAO have identified as a major management challenge for the Department.

**Review Emphasis:** The National Defense Authorization Act for fiscal year 2000 mandates annual reviews and reports to Congress, until 2007, from the agencies responsible for dual-use and munitions export licensing. Thus, we will conduct our assessments in conjunction with Offices of Inspector General from the Departments of State, Defense, Energy, and the Treasury, and the CIA. OIG has already devoted considerable attention to BIS's efforts to control exports of dual-use commodities and technology. We also will follow up on our previous work in this area, which includes assessments of the timeliness, efficiency, and effectiveness of approvals; interagency cooperation in the review of applications; the commodity classification and appeals processes; the intelligence community's review of applications and the cumulative effect of approvals; the automated export licensing system; and exporter compliance with license conditions.

### **What Are Dual-Use Commodities?**

“Dual-use” identifies items regulated by Export Administration Regulations (EAR) that can be used in both sensitive (e.g., military or nuclear) and nonsensitive (e.g., civilian and nonnuclear) applications, as opposed to items intended specifically for weapons or military-related use or design, and are subject to (1) the controls of the Department of State or (2) the nuclear-related controls of the Department of Energy or the Nuclear Regulatory Commission. All commodities, technology, and software subject to the licensing authority of BIS are included in the Commerce Control List (found in Suppl. I to Part 774 of the Export Administration Regulations). A small percentage of commodities subject to EAR regulation require the submission of a license application to the Department of Commerce. Whether a license is required depends on an item's technical characteristics, its final destination, the end-use and end-user, and the activities of the end-user.

# SECURITY

## BIS'S EFFORTS TO HELP ENSURE U.S. COMPLIANCE WITH THE CHEMICAL WEAPONS CONVENTION TREATY

**Objective:** Assess BIS's efforts to oversee fulfillment of U.S. obligations to comply with the Chemical Weapons Convention treaty.

**Significance:** The Chemical Weapons Convention treaty (CWC), an international arms control and nonproliferation agreement, bans the development, production, stockpiling, and use of chemical weapons. The United States ratified the treaty on April 25, 1997, and enacted implementing legislation on October 21, 1998. CWC could have a significant effect on the private sector. Part of BIS's role is to collect and validate chemicals-related data from U.S. companies; assist them before and during international inspections, in an effort to help prevent unauthorized access to proprietary business information and facilities; and educate them about compliance obligations.

U.S. industries produce, process, consume, import, and export a number of dual-use chemicals that can be used to make chemical weapons; and the companies engaged in activities involving certain of these chemicals are required to submit reports to Commerce and are subject to inspection by the Organization for the Prohibition of Chemical Weapons (OPCW), the international body that administers the treaty.

BIS is responsible for helping ensure U.S. industry compliance with requirements of the treaty and for minimizing negative impacts of the international inspections process on American companies. BIS's success is critical if the United States is to meet its treaty obligations.

**Review Emphasis:** OIG will focus on evaluating BIS's CWC-related outreach to industry, assessing the bureau's efforts to identify U.S. companies that are not complying with implementation of CWC, and describing "best practices" that BIS may use during U.S. negotiations of CWC.

In fiscal year 2001, approximately 20 percent of BIS's criminal cases and Closed Export Enforcement Administration cases involved illegal export of chemicals, including alpha-toxins and mycosystins, to various countries; chlorine and sulphur dioxide gas sensors to Mideast countries; and phosphine, asine, trimethylgallium, thimethylaluminum, and trimethylindium to China.

- Thimethylaluminum, trimethylgallium, trimethylindium are metalorganic compounds that, when exposed to air or water, generate heat and exhibit some degree of spontaneous combustibility or "pyrophorocity."
- Alpha neurotoxins have curare-like action, binding postsynaptic skeletal muscle nicotinic acetylcholine receptors (important for memory and learning) and causing nausea, paralysis of the eye muscles, muscle soreness, respiratory paralysis, and death.
- Phosphine gas, when inhaled, can react with moisture in the lungs to form phosphoric acid, which can result in blistering and edema on the lungs and cause death.

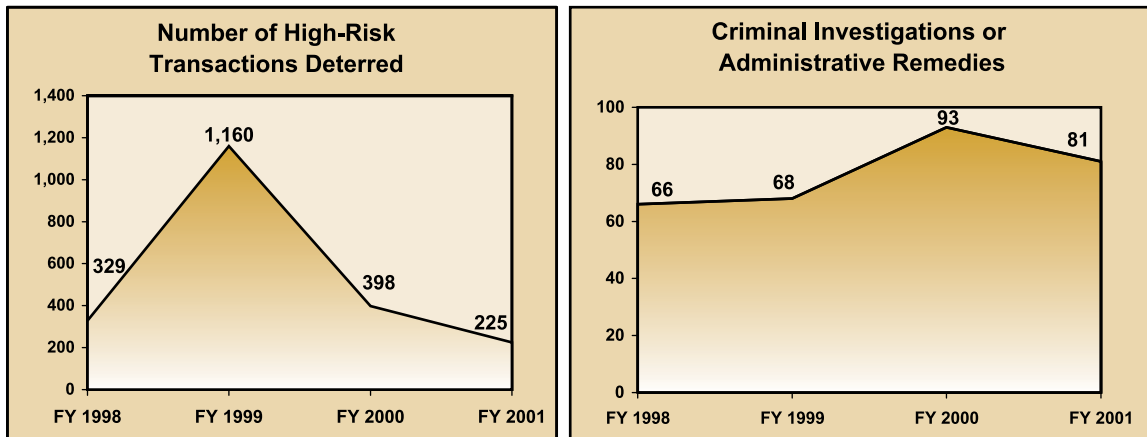
Source: U.S. Department of Commerce, 2001. *U.S. Department of Commerce FY 2001 Accountability Report: Charting Our Course for a Stronger America*. Washington, DC: U.S. Department of Commerce.



## BIS's EXPORT ENFORCEMENT ACTIVITIES

**Objective:** Evaluate the effectiveness of BIS's enforcement activities, including its efforts to prevent the illegal export of dual-use items, investigate and assist in prosecuting violators of Export Administration Regulations, and educate U.S. companies about dual-use export controls.

**Significance:** The United States controls the export of dual-use commodities for national security and foreign policy purposes under the authority of several laws, including the Export Administration Act of 1979. To be effective, export controls must be enforced and illegal exporters detected, fined, and prosecuted. Both BIS and the U.S. Customs Service have responsibility for investigating allegations of illegal exports. However, concerns have been raised in the past about the effectiveness of the nation's efforts to enforce export controls and the ability of these two agencies to work together on export enforcement matters. Both OIG and GAO have identified the need to strengthen export controls as a major management challenge facing the Department.



Numbers are of investigations accepted by the Department's Chief Counsel for Export Administration for administrative remedy and by the Department of Justice for criminal prosecution. Acceptance denotes that a specific threshold of evidence has been met to proceed with prosecution.

Source: U.S. Department of Commerce, 2001. *FY 2001 Accountability Report: Charting Our Course for a Stronger America*, p. 46.

**Review Emphasis:** Part of OIG's mandate under the National Defense Authorization Act for fiscal year 2000 is to assess how well export controls and counterintelligence succeed in preventing countries and entities of concern from acquiring sensitive U.S. technology and technical information. The interagency OIG review team selected export control automated system(s) as its topic for review in fiscal year 2002 and export enforcement for 2003. The Commerce OIG evaluation of BIS's export enforcement program will review (1) the bureau's domestic enforcement activities, including its interactions with the U.S. Customs Service, the FBI, and the intelligence community; and (2) its foreign enforcement activities such as its prelicense check and postshipment verification program, its Safeguard Verification program, and other international efforts that target countries suspected of violating U.S. export control laws and regulations, including those involved in the transshipment of illegal exports to countries of concern.



## INFORMATION SECURITY POLICIES, MANAGEMENT, AND OVERSIGHT DEPARTMENT-WIDE

**Objective:** Determine the effectiveness of information security policies, management, and oversight within selected Commerce operating units.

**Significance:** OIG has identified strengthening information security Department-wide as one of the Top 10 Management Challenges facing Commerce. As computer incidents and vulnerabilities increase in general, our reviews of the Department's information security policy and oversight found that both need to be revised and expanded and that Commerce operating units cannot rely on departmental security policy as a foundation for their own general and system-specific procedures. GAO's August 2001 report, *Information Security: Weaknesses Place Commerce Data and Operations at Serious Risk*, highlighted weaknesses in Commerce's efforts to manage its information security program, noting specifically that Commerce cannot ensure that sensitive data and critical operations are safeguarded and that it lacks a strong centralized management function to oversee and coordinate Department-wide security-related activities. The Department responded with a concerted effort to address these issues.

These actions underscore the overall importance of information security to the Department and its programs and the need for added attention. The high priority that Congress has given this issue is evidenced by passage of the Government Information Security Reform Act (GISRA), which required OIG to conduct independent annual evaluations of the Department's information security program in FY 2001 and 2002. The results of OIG's reviews of selected operating units have been reported in these annual evaluations.

**Review Emphasis:** OIG intends to continue evaluating the effectiveness of information security policy, planning, management, and oversight within selected operating units by assessing their compliance with federal laws, policies, and guidelines.

A vulnerability is a weakness in automated system security procedures, administrative controls, physical layout, internal controls, etc., that could be used to gain unauthorized access to information or disrupt critical processing. The definition of "incident," however, varies, but the following categories and examples generally apply.

- **Compromise of integrity** - a virus infects a program, or a vulnerability is introduced by other means.
- **Denial of service** - an attacker disables a system or a network worm saturates network bandwidth.
- **Misuse** - an intruder (or insider) makes unauthorized use of an account.
- **Damage** - a virus destroys data.
- **Intrusions** - an intruder penetrates system security

Sources: E. Eugene Schultz, Jr., et al. 1990. *Responding to Computer Security Incidents*. Livermore, CA: Lawrence Livermore National Laboratory; and CERT Coordination Center: Vulnerabilities, Incidents & Fixes. (<http://www.cert.org/stats/#vulnerabilities>)



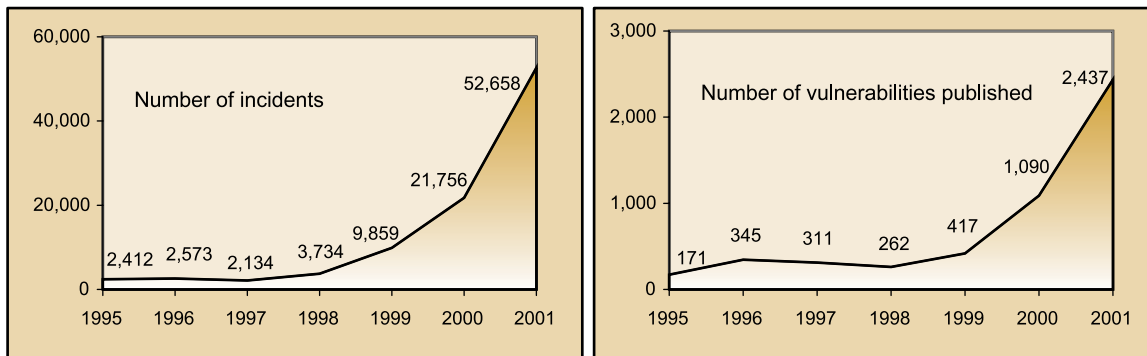
## MEASURES TO SAFEGUARD THE SECURITY OF IT SYSTEMS AND THEIR RELATED NETWORKS

**Objective:** Assess the effectiveness of information security measures in safeguarding the integrity, confidentiality, authenticity, availability, and nonrepudiation of information entrusted to the Department of Commerce.

**Significance:** The Department is responsible for numerous complex computer systems that provide essential information and services to the public and support critical mission activities. As these systems have become more visible, interconnected, and vital to the Commerce mission, inherent risks have increased.

OIG and the Department's Offices of the Chief Information Officer and the Deputy Assistant Secretary for Security, as well as GAO, have all identified major information security weaknesses within Commerce and the need to improve information security measures throughout the Department. OIG added "Strengthening Department-wide information security" as a Top 10 Management Challenge. Moreover, GISRA requires OIG to conduct independent annual evaluations of the Department's information security program.

**Review Emphasis:** OIG plans to conduct information security assessments, including penetration testing, throughout the Department. These evaluations will cover selected mission-critical IT systems, activities, and resources, including each Commerce financial management system and its related networks. Reviews of individual financial management systems and networks are conducted on a 2-year, rotating basis in conjunction with our contractor-performed audits of Commerce operating units' financial statements. The information security reviews will address the control areas identified in NIST's *Security Self-Assessment Guide for Information Technology Systems* and GAO's *Federal Information System Controls Audit Manual*.



An incident may involve one site or hundreds (or even thousands) and may involve ongoing activity for long periods of time. In 1988, 6 incidents were reported; in 2001, 52,658. For published vulnerabilities, from 1995 to 2001 the number increased more than 14 times. For both incidents and vulnerabilities, the increase after 1999 was dramatic and is not slowing.

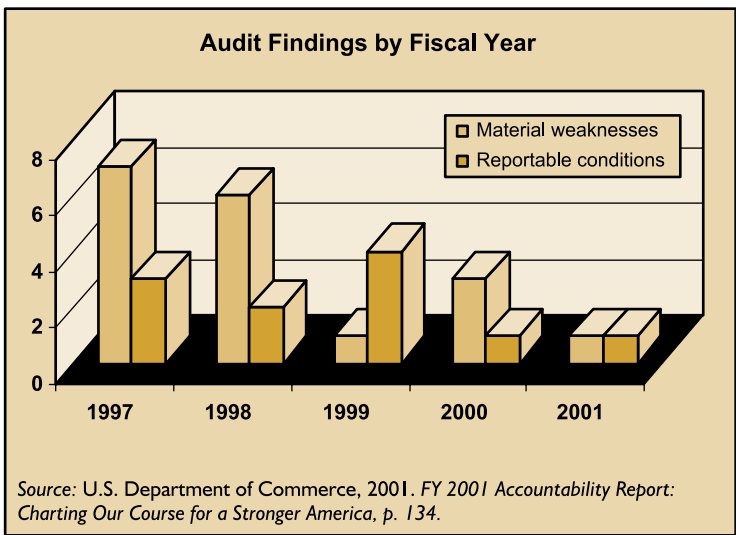
Source: CERT Coordination Center: Vulnerabilities, Incidents & Fixes. (<http://www.cert.org/stats/#vulnerabilities>) Accessed 13 Feb. 2002.

# FINANCIAL MANAGEMENT

## THE DEPARTMENT'S CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL MANAGEMENT CONTROLS

**Objective:** Determine whether the Department's financial statements are presented fairly and whether internal controls for financial reporting processes are operating effectively.

**Significance:** The Government Management Reform Act of 1994 requires annual preparation and audit of organization-wide financial statements by Commerce and 23 other executive departments and agencies. In addition, the Federal Financial Management Improvement Act (FFMIA) of 1996 mandates that the auditor report whether the agency's financial management systems comply substantially with federal requirements for such systems, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. The audit reports must state whether the Department (1) has consolidated financial statements that are presented fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) has an internal control structure that provides reasonable assurance of achieving control objectives set forth by OMB; and (3) is in compliance with laws and regulations, including FFMIA and other edicts as prescribed by OMB that could directly and/or materially affect the accuracy and reliability of its financial statements. These audit reports are issued to OMB, GAO, and Congress. An agency's financial management performance is graded annually on the basis of its audit results.



OIG's audits of FY 2001 financial statements identified a number of material weaknesses, reportable conditions, and instances of noncompliance with laws and regulations. Thus we identified "Strengthen financial management controls to maintain a clean opinion on the Department's consolidated financial statements" as one of the Top 10 Management Challenges facing the Department.

**Review Emphasis:** OIG will audit (primarily through contracts with independent certified public accounting firms) Commerce's consolidated financial statements as well as financial statements of individual operating units as deemed necessary. Where appropriate, OIG will oversee detailed reviews of an operating unit's financial management controls to improve internal controls and promote operating efficiencies in areas noted during the audit as problematic but not reportable.



# FINANCIAL MANAGEMENT

## REIMBURSABLE ACTIVITIES AND USER FEES

**Objective:** Determine whether selected Commerce operating units are properly managing their reimbursable activities, including recovering the costs of work performed under reimbursable agreements or user fee arrangements.

**Significance:** In this era of shrinking budgets and fiscal flux, the public wants assurance that user fees charged for government products and services are fairly determined. At the same time, appropriately charging for the full cost of products and services provided is essential to effective maintenance of operations. Four Commerce operating units—USPTO, NTIS, Census, and NIST—combined, collect about \$1.6 billion in revenue annually from user fees and reimbursable agreements. USPTO and NTIS are funded exclusively by user fees.

**Department of Commerce Earned Revenue, FY 2001**

Agency	Amount (in thousands)
USPTO	\$ 1,040,258
NOAA	236,550
ESA (includes BEA and Census)	202,519
TA (includes NIST and NTIS)	153,376
Other Bureaus	57,713
Departmental	195,398
Subtotal	1,883,814
Intra-Dept. Elimin.	(194,708)
<b>Total</b>	<b>\$ 1,689,106</b>

*Source:* U.S. Department of Commerce, 2001. *FY 2001 Accountability Report: Charting Our Course for a Stronger America*, p. 178.

OMB Circular A-25, User Charges, requires federal agencies to recover the full cost of providing goods and services. For special products and services, user fees, not agency appropriations, should cover the cost. The Department’s annual Accountability Report regularly includes a section on “Biennial Review of Fees.” OIG, as well as GAO, has identified cost, accountability, and compliance issues related to user fees and reimbursable costs as areas of concern.

**Review Emphasis:** OIG will assess the Department’s review, reporting, and charging of user fees and reimbursable costs. Reviews will also assess the adequacy of operating units’ systems and controls related to accounting for costs and associated revenues.

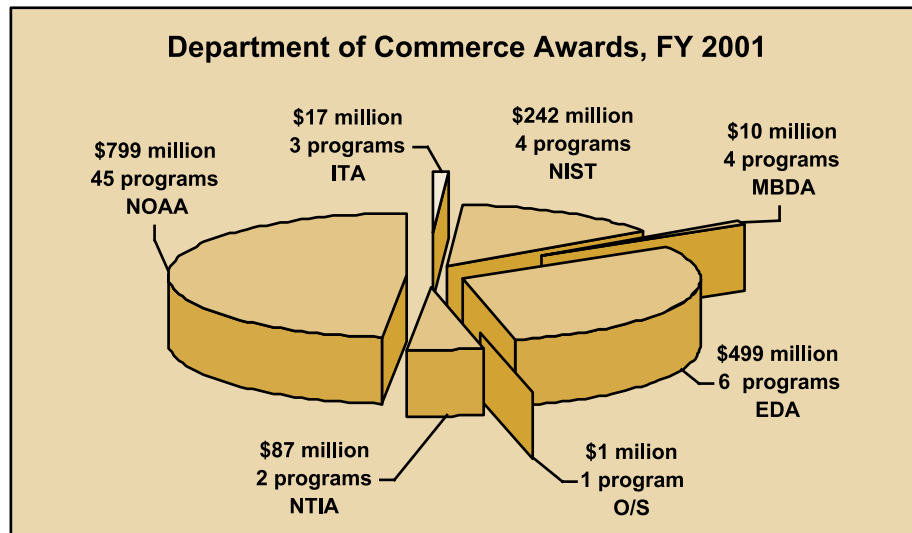
# FINANCIAL ASSISTANCE PROGRAMS

## AWARD RECIPIENTS' COMPLIANCE WITH FEDERAL FINANCIAL ACCOUNTING RESPONSIBILITIES

**Objective:** Assess financial assistance award recipients' compliance with laws, regulations, and award terms; adequacy of accounting systems and internal controls; and allowability of costs; as well as the degree to which projects achieve intended results.

**Significance:** Commerce spends about one-quarter of its annual budget on financial assistance, ranging from thousands to millions of dollars, to support specific projects and programs conducted by approximately 3,000 nonfederal entities. EDA, ITA, MBDA, NIST, NOAA, and NTIA offer financial assistance awards. Because this outlay represent a significant portion of the Department's budget and is inherently vulnerable to waste and abuse, OIG conducts cost and compliance audits of selected projects—often at the request of agency officials.

But we can audit only a small portion of the more than 3,000 awards made each year. Hence, it is crucial that we focus on those that offer the greatest potential return on investment, as measured in terms of deterrence value or actual recovery of misappropriated funds.



Source: OIG Office of Regional Audits.

**Review Emphasis:** Audits that are not prompted by requests from operating unit officials are self-initiated as a result of survey and selection techniques that identify projects susceptible to noncompliance. High-vulnerability financial assistance projects include those that have (1) never been audited, (2) previously been audited and found to have reported instances of noncompliance and questioned costs, (3) been the subject of complaints received via the OIG Hotline, or (4) shown evidence of certain financial indicators of fraud, waste, and abuse. OIG's External Audits Task Force plans and conducts all financial assistance audits and typically performs between 20 and 30 financial assistance audits per year.

# FINANCIAL ASSISTANCE PROGRAMS

## PRESCREENING OF FINANCIAL ASSISTANCE AWARD CANDIDATES

**Objective:** Undertake preventive activities to identify and screen out potentially problematic candidates for Commerce financial assistance before funding is awarded.

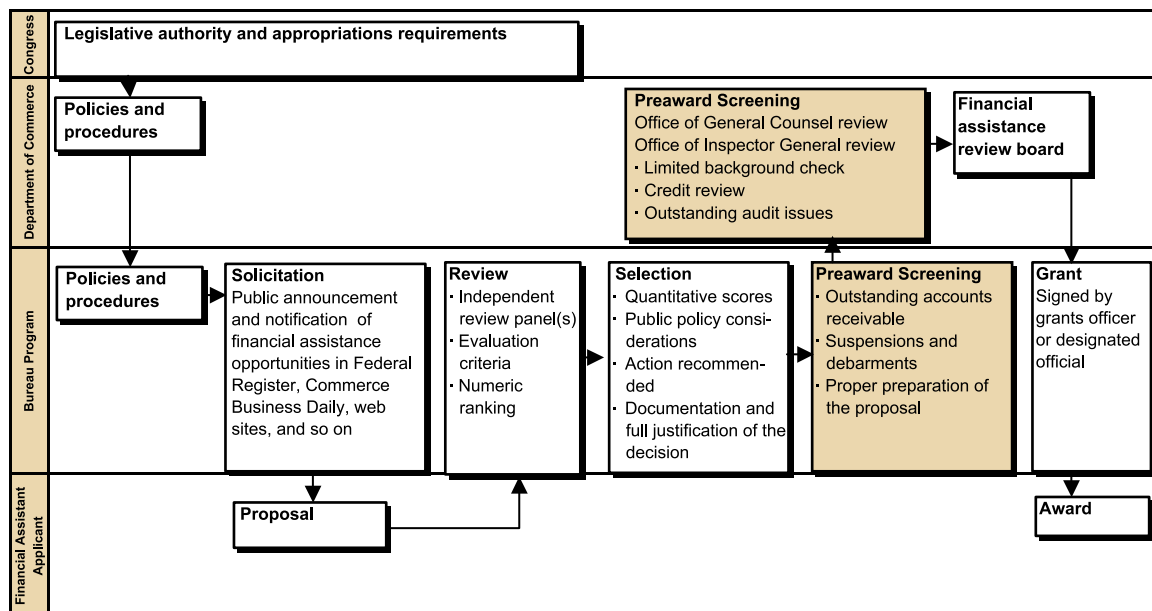
**Significance:** The Department awards more than \$1 billion per year in financial assistance to thousands of nonfederal, nonprofit, and, sometimes, for-profit organizations. OIG, in conjunction with the operating units, screens proposed recipients before awards are made. As part of this process, OIG conducts limited background checks. Prescreening provides information about whether the applicant has unresolved audit findings on earlier awards and reveals, via name check or investigation, any negative history for individuals or organizations connected with the proposed awardee. Depending on the screening results, OIG might recommend that the operating unit deny, delay, or approve an award, sometimes with special conditions to better protect the government’s financial interests.

If significant adverse information is found, OIG notifies the grants officer, who must then consult with both the program officer and OIG before making a final award decision.

**Review Emphasis:** The focus here is on prevention—identifying and avoiding as many potential problems as possible *before* funds are awarded. There is growing recognition that a proactive approach in these circumstances is beneficial to the government.

In addition to conducting preaward screening, OIG plans to review its screening process to identify procedures that should be either added to improve the quality of the reviews or eliminated because they are outdated or unproductive.

**Department of Commerce’s Financial Assistance Awards Process**



# FINANCIAL ASSISTANCE PROGRAMS

## COMPLIANCE WITH THE SINGLE AUDIT ACT

**Objective:** Meet OIG's responsibilities as a cognizant agency by ensuring that federal grant recipients comply with the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Significance:** Recipients of Commerce financial assistance awards who expend more than \$300,000 in federal funds in any year are audited by state or local government auditors or by independent public accountants. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, mandates audit requirements for most of these entities. The circular directs recipients to submit the audit reports directly to a federal clearinghouse operated by the Census Bureau. The clearinghouse, in turn, refers reports with findings to the appropriate agency for resolution.

The Department is responsible for monitoring compliance with the Single Audit Act with regard to recipients over which it has cognizance, a responsibility delegated to OIG. In addition, OIG receives copies of all audit reports that have findings related to Commerce financial assistance recipients and works with the affected operating units and recipients to resolve those findings. OIG's Office of Audits expects to receive and review about 200 audit reports referred from the federal clearinghouse annually. In compliance with the Single Audit Act, as well as with OMB and departmental requirements, we will provide technical assistance to operating unit grants officers as well as to recipients of financial assistance, and to independent public accountants conducting audits of federal financial assistance grants.

### The single audit report includes:

- the financial statements (auditee's responsibility to provide);
- a schedule of expenditures of federal awards (auditee's responsibility to provide);
- auditor's opinions on the fair presentation of the financial statements and schedule of expenditures of federal awards; auditor's report on internal control and compliance pertaining to financial reporting;
- auditor's report on internal control and opinion on compliance pertaining to major programs;
- auditor's schedule of findings and questioned costs;
- auditee's corrective action plans; and
- a summary schedule of prior audit findings which includes planned and completed corrective actions (auditee's responsibility to provide)

Source: Grants Management Committee, U.S. Government Chief Financial Officers Council, 2001. *Highlights of the Single Audit Process*. Washington, DC: U.S. Government Chief Financial Officers Council, p. 6.  
([http://www.oig.doi.gov/public/programs/oa/single\\_audit/pamphlet.pdf](http://www.oig.doi.gov/public/programs/oa/single_audit/pamphlet.pdf))

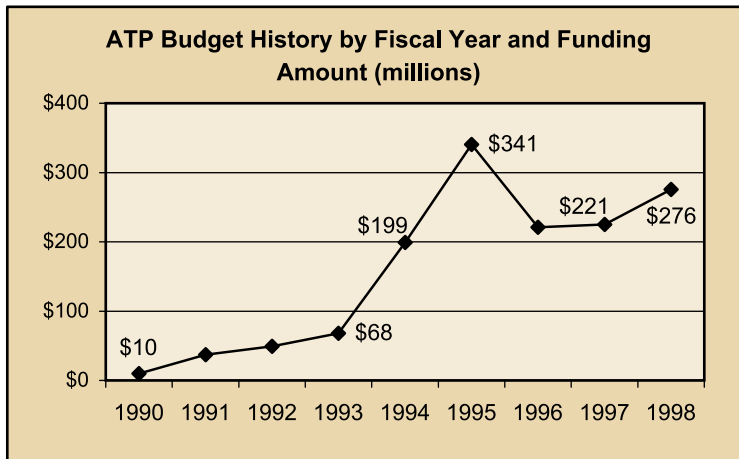
**Review Emphasis:** OIG will work to resolve audit findings, including recipients' questioned costs, with the appropriate Commerce operating units and will conduct quality control reviews of independent public accounting firms that have performed A-133 audits. At the request of OMB, OIG will also conduct a follow-up review of the accuracy of the information contained in the clearinghouse database, including an assessment of the new on-line reporting system.

# FINANCIAL ASSISTANCE PROGRAMS

## REVIEWS OF NONFEDERAL AUDITS OF NIST ATP PROJECTS

**Objective:** Review audits done by independent public accountants of ATP financial assistance agreements with for-profit organizations.

**Significance:** NIST’s Advanced Technology Program (ATP) bridges the gap between the research lab and the marketplace through partnering with the private sector. ATP’s early-stage investment, in the form of ATP cooperative agreements, helps industry accelerate development of innovative technologies that promise significant commercial payoffs and widespread benefits for the nation. ATP awards to for-profit organizations are audited by independent public accountants (IPAs), in accordance with Government Auditing Standards and NIST Program-Specific Audit Guidelines for ATP Cooperative Agreements. OIG’s Office of Audits reviews the audits conducted by IPAs to ensure that they comply with applicable standards and guidelines.



The considerable investment of taxpayer dollars in for-profit organizations receiving NIST ATP awards warrants consistent OIG monitoring and oversight.

Sources: Office of Inspector General, July 1997. *National Institute of Standards and Technology: Advanced Technology Program Can Benefit from Financial and Technology: Advanced Technology Program Can Benefit from Financial and Management Improvement*, ENT-8984-7-0001 (<http://www.oig.doc.gov/reports/1997-9/1997-9-08984-01.pdf>). Data sources: NIST, 1996. *The Advanced Technology Program: A Progress Report on the Impacts of an Industry-Government Partnership*, NIST-ATP-96-2 and NIST Budget Office.

In addition to auditing projects, OIG provides technical assistance interpreting and applying federal auditing standards and the Department’s requirements to NIST grants officers, award recipients, and the independent public accountants conducting the audits, and updates the NIST program audit guidelines as needed.

**Review Emphasis:** OIG expects to receive and review about 200 ATP project audits per year.

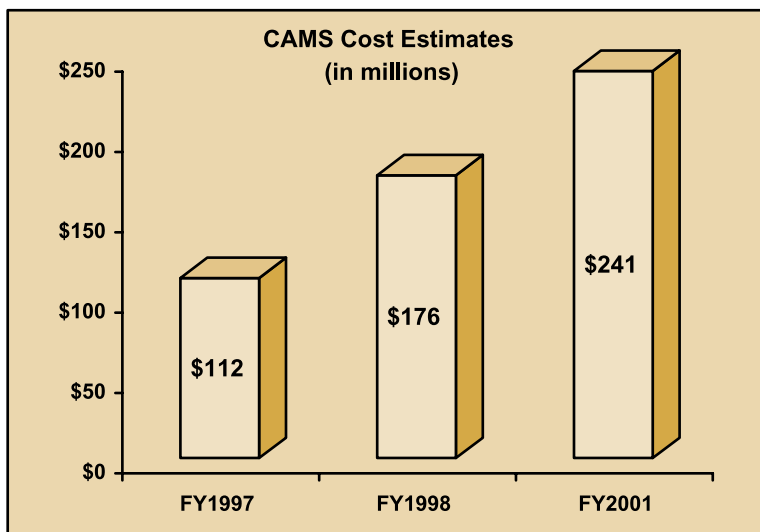
# SYSTEMS/ CAPITAL ACQUISITIONS

## THE COMMERCE ADMINISTRATIVE MANAGEMENT SYSTEM

**Objective:** Assess the risks and address the issues relevant to implementing the Commerce Administrative Management System (CAMS).

**Significance:** More than 10 years ago the Department started the CAMS program in an effort to comply with OMB Circular A-127, Financial Management Systems, which sets forth policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. The Department awarded a contract for CAMS in 1994, but the project progressed slowly and experienced significant cost increases because of management issues, strategy changes, and problems with the original accounting software package.

Pilot implementation of CAMS was completed at the Census Bureau in 1998, and it is now the bureau's official accounting system. Implementation at NOAA is scheduled for completion in 2002. By October 2003, Commerce expects all of its operating units to be using financial management systems that comply with federal requirements and integrate with the Department-wide financial database. The estimated cost of CAMS through 2003 is \$241 million, including \$110 million for operations. Because of its importance, significant cost, OMB's increasingly more stringent financial statement milestones, and implementation difficulties, OIG continues to consider CAMS's implementation to be one of the most important management challenges facing the Department.



**Review Emphasis:** OIG will monitor and, as appropriate, review aspects of CAMS during FY 2002-03 as it is brought on-line at NOAA and NIST. We will also look at CAMS's ability to provide Commerce with accurate, timely, and reliable financial management information needed for decision making.

**Estimates reflect the following:**

- FY 1997 - revision of CAMS's cost, schedule, and capabilities;
- FY 1998 - projected costs after the Census pilot was evaluated;
- FY 2001 - current projections.

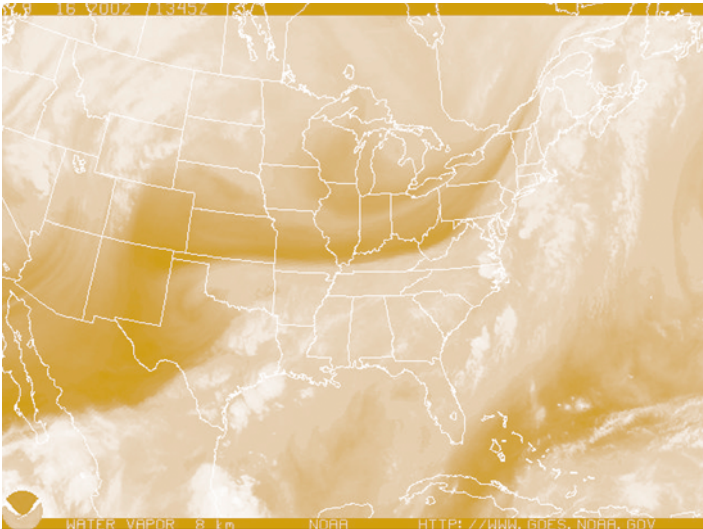
Source: OIG, 2002.

# SYSTEMS/ CAPITAL ACQUISITIONS

## NATIONAL POLAR CONVERGENCE AND GEOSTATIONARY SATELLITES

**Objective:** Determine the effectiveness of the National Environmental Satellite, Data, and Information Service's acquisition activities and management of the nation's polar and geostationary environmental satellites.

**Significance:** NESDIS's satellite systems support ongoing efforts to collect environmental data and provide continuous monitoring of short-term severe weather, such as hurricanes and thunderstorms, for the world. NESDIS's Polar Convergence Program is our government's attempt to consolidate the nation's civilian, military, and research polar satellites into one program to achieve a projected savings of \$1.3 billion. The Geostationary Satellite Program consists of sets of satellites and ground systems that are either in development, production, or operation by various contractors. NESDIS appropriations for both satellite programs were more than \$500 million in FY 2001 and 2002. The polar and geostationary satellite programs, which in turn are made up of multiple programs each, have life-cycle costs estimated in billions of dollars. Furthermore, the multiple programs individually have multiple contracts in place or planned.



Satellites provide a myriad of data. This image from a NESDIS weather satellite, accessed September 16, 2002, provides water vapor data for the eastern sector of the United States.

Source: NESDIS Geostationary Satellite Server site, <http://www.goes.noaa.gov/>

The inherent risks associated with such large procurement and operations programs make them highly visible and offer significant accountability issues. GAO noted this in 1990. More recently, both GAO and OIG reported on specific problems in the management and acquisition of NESDIS satellites. To simplify and consolidate NESDIS procurement, a single contractor has recently been selected for the Polar Convergence Program.

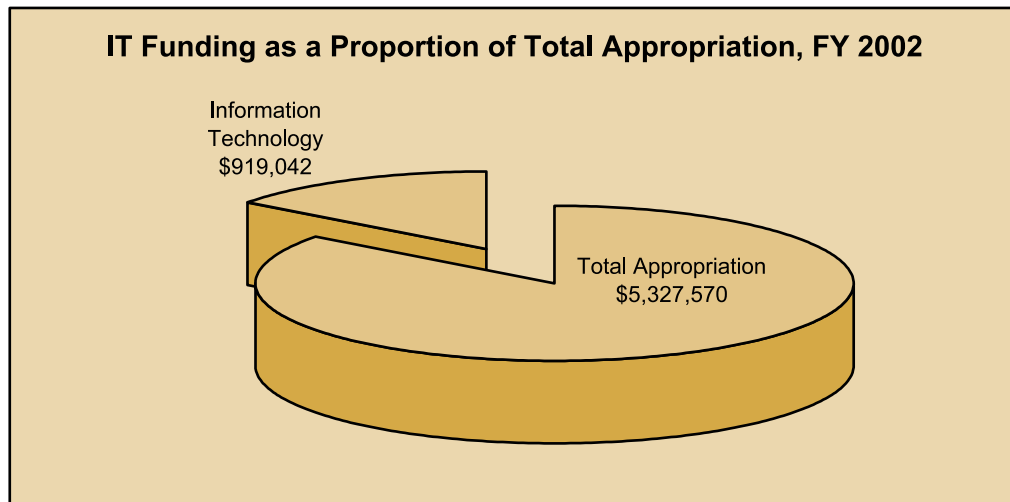
**Review Emphasis:** OIG plans to examine NESDIS satellite programs in one or more of the following areas: program management, acquisition plans and contract structures, contract administration, cost control activities, cost estimation and development, requirements development, system development and testing, ground systems operations, and satellite operational life expectancy.

# SYSTEMS/ CAPITAL ACQUISITIONS

## STRATEGIES FOR MAJOR SYSTEMS ACQUISITIONS

**Objective:** Determine the effectiveness of Department-wide acquisition strategies in obtaining major computing systems that support the efficiency, effectiveness, and quality of operations.

**Significance:** Major systems are critical to Commerce operations, and their cost represents a large portion of the Department's budget. An important aspect of successful systems acquisition is ensuring that the acquisition method is grounded in systems and software engineering principles. Successful systems acquisition requires a disciplined approach that integrates technical, management, and contractual elements of the acquisition process. The goal is to obtain the "best value" product in a timely manner, while maintaining the public's trust and fulfilling public policy objectives.



Sources: Exhibit 53: Agency IT Investment Portfolio for FY 2002 (U.S. Department of Commerce, FY03 budget submission); and Total Appropriation for FY 2002 (U.S. Department of Commerce Budget in Brief, FY 2003).

It is imperative that all appropriate parties be involved in defining and documenting requirements early in the planning stages. In addition, the contract's statement of work and technical specifications must be complete and unambiguous; cost and time estimates should provide realistic budgets and schedules; and an effective project management structure needs to be in place. Finally, agency managers responsible for overseeing the project must remain involved throughout the acquisition process, as previous OIG reports have emphasized.

**Review Emphasis:** OIG will assess the planning and management of a number of systems acquisitions. These may include the Census Bureau's Master Address File and mapping system (Topologically Integrated Geographic Encoding and Referencing, or TIGER) and USPTO's electronic patent application processing system.



# SYSTEMS/ CAPITAL ACQUISITIONS

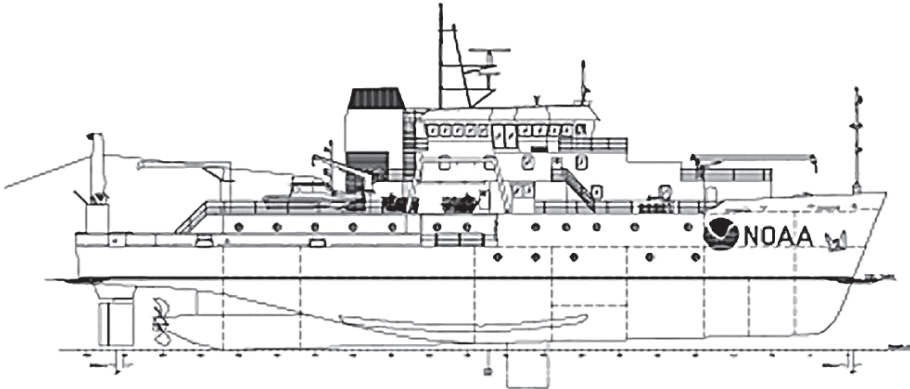
## MANAGEMENT CONTROLS GOVERNING SELECTED CAPITAL ACQUISITIONS DEPARTMENT-WIDE

**Objective:** Determine the effectiveness of management controls associated with acquiring and managing long-term investments in capital assets.

**Significance:** Commerce’s FY 2000 consolidated financial statement reports an investment of about \$7 billion in capital assets. The performance of these assets largely determines how well the Department and its operating units accomplish their missions and serve the public.

Yet a recurring theme in the acquisition of many capital assets is a lack of risk management, which is central to the entire planning, budgeting, and procurement process. Failure to analyze and manage risks inherent in the acquisitions process has too often led to cost overruns, schedule delays, and procurement of assets that do not have the desired capabilities. Both the Department and OIG have identified acquisitions reform as a critical challenge facing Commerce. Agencies need a disciplined capital assets procurement process that incorporates the key controls of planning, risk management, portfolio analysis, performance-based acquisition management, accountability for meeting goals, and cost-effective management of the asset throughout its life cycle.

**Review Emphasis:** OIG plans to conduct reviews of selected capital planning and acquisition projects such as NOAA’s acquisition of acoustically quiet, state-of-the-art fisheries research vessels.



Design drawing of one of NOAA’s new fisheries research vessels.

NOAA reports that this state-of-the-art ship will be its first acoustically quiet fisheries research vessel capable of conducting a variety of scientific missions including fisheries stock assessments, physical and biological oceanography, marine mammal research, and atmospheric and sea surface research. It will provide the best available data to rebuild and sustain our fisheries and to meet the global challenge of maintaining sustainable ecosystems and protecting the integrity of long-term research analyses.  
Source: [http://www.nmfs.noaa.gov/BudgetFactSheets/YOTO\\_FISHSHIPS.pdf](http://www.nmfs.noaa.gov/BudgetFactSheets/YOTO_FISHSHIPS.pdf)

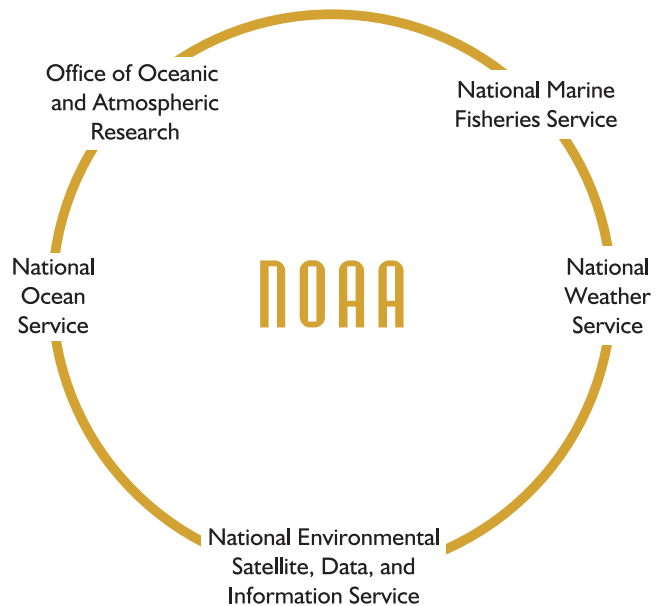
**PROGRAMS AND OPERATIONS:  
SCIENCE AND  
TECHNOLOGY**

**NOAA-WIDE RESEARCH  
COORDINATION**

**Objective:** Examine how well NOAA coordinates the planning and conduct of its scientific research and takes into consideration the input from line offices, oversight organizations, and other stakeholders (for example, states and localities).

**Significance:** NOAA conducts a variety of scientific studies to support its environmental assessment, prediction, and stewardship roles. Although the Office of Oceanic and Atmospheric Research has primary responsibility within NOAA for performing research, all NOAA line offices have some research responsibilities related to their respective disciplines.

Effective coordination of research conducted by the various NOAA line offices is necessary to avoid duplication of effort and promote effective use of resources. Coordination requires offices to communicate research priorities to, and incorporate the viewpoints of, other offices in planning and conducting their studies. It also requires striking a balance between basic, core science and applied research that can aid managerial decision making on regulatory matters. For example, are OAR's research programs aligned with and supportive of the mission and objectives of the other line offices? Do the various divisions or science laboratories incorporate the priorities of senior managers, other federal agencies, Congress, and other external stakeholders? Does NMFS fully take into account the needs of the regional fishery management councils in formulating its research agenda?



Each of the five NOAA line offices has a critical role in describing and predicting changes to Earth's environment, and in conserving and managing the nation's coastal and marine resources

**Review Emphasis:** OIG intends to examine how effectively NOAA coordinates the planning and conduct of its scientific research with its internal and external stakeholders. We may review the methods by which NOAA's research agenda is determined, assess whether the research is meeting statutory requirements, and evaluate the current organizational structure for conducting research.

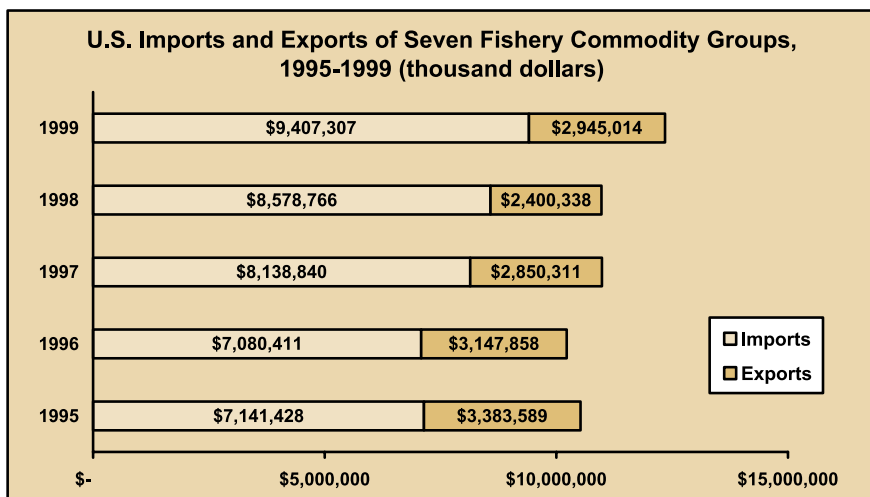
**PROGRAMS AND OPERATIONS:  
SCIENCE AND  
TECHNOLOGY**

**NMFS's ENVIRONMENTAL  
STEWARDSHIP RESPONSIBILITIES**

**Objective:** Determine for selected NMFS management and conservation efforts their efficiency and effectiveness and compliance with the 1976 Magnuson-Stevens Act and other relevant legislation.

**Significance:** For nearly 30 years, NMFS has had to balance two competing interests: promoting fishing as a vital element of our national economy and preserving and restoring diminishing populations of fish and other marine life. The Magnuson-Stevens Act gave NMFS the primary federal responsibility for fisheries management and established a regional fishery management system to help the agency carry out its mission; the 1996 amendment strengthened NMFS's role in protecting and sustaining fisheries. Yet, overfishing, certain trawling techniques, and destruction of nursery habitats continue to decrease fish populations and rob coastal ecosystems of the ability to produce fish.

As a result it seems reasonable to have "Increase the effectiveness of fishery management" as one of the top 10 challenges facing Commerce. The Department identified it as a major issue in its 2001 Accountability Report, and Congress has become increasingly concerned about fishery conservation efforts and their effects on local fishing communities. Upcoming reauthorizations of the Magnuson-Stevens Act and the Marine Mammal Protection Act make this a timely subject for review.



One reason value of exports is less than that of imports is because charges for insurance, freight, and similar expenses were included in the import value. Commodity groups covered are (1) fish--fresh, chilled, or frozen; (2) fish--dried, salted, or smoked; (3) crustaceans and mollusks--fresh, dried, salted, etc.; (4) fish products and preparations, in airtight containers or not; (5) crustacean and mollusk products, in airtight containers or not; (6) oils and fats of aquatic animal origin, crude or refined; and (7) meals, solubles, and similar animal foodstuffs of aquatic animal origin.

Source: National Marine Fisheries Service, 2000. *Fisheries of the United States - 2000*, World Fisheries section, from table titled World Imports and Exports of Seven Fishery Commodity Groups by Leading Countries, 1995-99, p. 49.

**Review Emphasis:** OIG reviews will focus on determining NMFS's ability to (1) balance industry and environmental concerns; (2) oversee fishery management plans; (3) expedite the approval processes for management plans; (4) implement the 1996 fish conservation initiatives (protect essential fish habitat, minimize fish by-catch, restore overfished stocks); (5) conduct its nonstewardship activities, such as the Seafood Inspection Program; and (6) recover endangered and threatened species.

PROGRAMS AND OPERATIONS:  
**SCIENCE AND  
TECHNOLOGY**

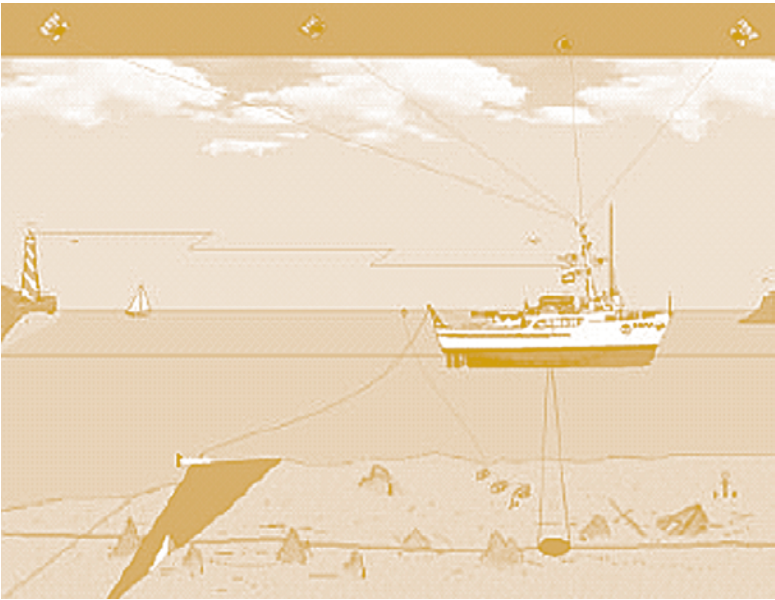
**ENHANCING SAFE NAVIGATION OF  
U.S. WATERS BY REDUCING THE  
NOS SURVEY BACKLOG**

**Objective:** Determine whether NOS's hydrographic survey program is reducing its backlog and meeting its performance goals of promoting safe navigation, building partnerships with private sector hydrographic survey firms, and ensuring the quality of survey data collected under contract or by government hydrographers.

**Significance:** Safe and efficient navigation of goods through U.S. waters is vital to maintaining the nation's standing in the global economy. More than 98 percent of U.S. foreign trade (by weight) travels by sea. Damage to marine environments caused by vessel groundings and collisions is an important cause for concern. Hydrographic surveys chart the depth of the seafloor and identify obstructions. Accurate surveys improve the competitiveness of U.S. ports, and U.S. exports in general, and lower the risk of marine accidents and the resulting environmental problems. With maritime commerce expected to double in the next 20 years, it is increasingly important that the National Ocean Service's hydrographic surveys, which provide data for NOAA's nautical charts, basic engineering, and scientific and commercial endeavors, be both accurate and complete.

In 1994 NOS identified about 43,000 square nautical miles, primarily coastal shipping lanes and approaches to major U.S. ports, as critical areas to be surveyed. To help reduce the survey backlog, Congress added a line item to NOAA's budget specifically for NOS to hire private sector hydrographic survey firms. NOS did so and by November 2000 reported that it had reduced the survey backlog to about 32,500 square nautical miles. In FY 2001 NOAA received \$20.5 million under this 1994 line item.

**Review Emphasis:** OIG plans to conduct reviews of contract management, data collection priorities, and quality control of data collected both in-house and by private sector hydrographic survey firms.



The primary data associated with hydrographic surveys is water depth, but seafloor composition (e.g., sand, debris, rocks) has implications for anchoring, dredging, fisheries habitat, etc. Global position systems (GPS) technology provides precise positioning for survey data. Additional accuracy is determined using the U.S. Coast Guard Differential GPS network.

Source: Office of Coast Survey, NOAA NOS, 2000. National Survey Plan, p. 2. <http://chartmaker.ncd.noaa.gov/staff/nsp/NSPFinal.pdf>

PROGRAMS AND OPERATIONS:

SCIENCE AND TECHNOLOGY

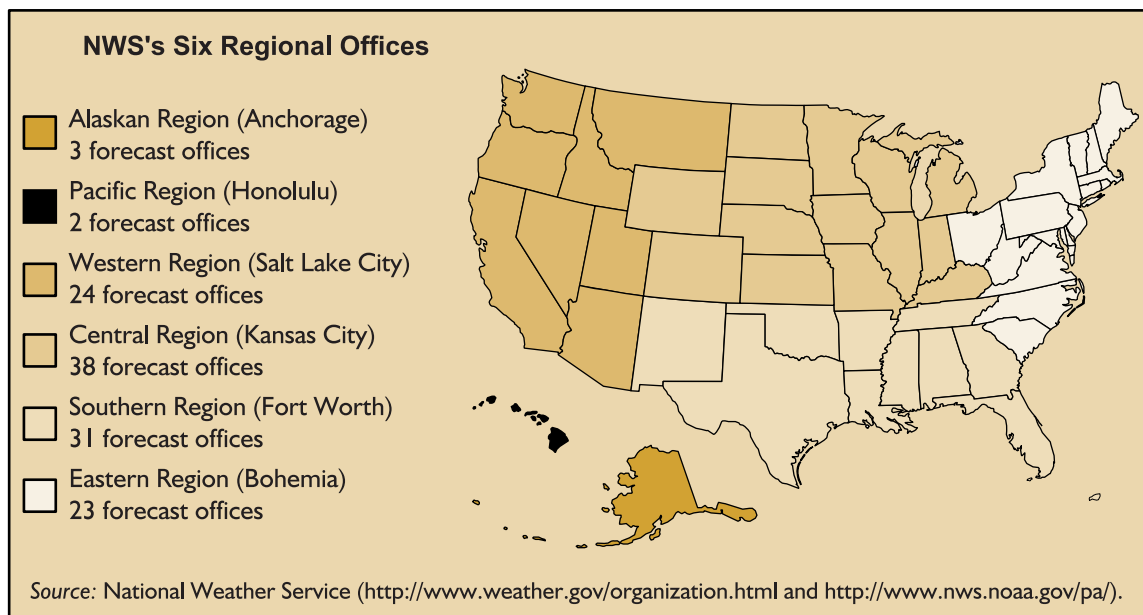
## NWS's DELIVERY OF INFORMATION TO ITS USERS

**Objective:** Determine how effectively the National Weather Service delivers forecasts, warnings, and other information to its users.

**Significance:** NWS's mission is to monitor and report on weather for the United States and warn the public of severe weather events. Its forecasts of thunderstorms, flooding, hurricanes, tornadoes, winter weather, tsunamis, and other severe weather activity help protect life and property and enhance the nation's economy. Data and products provided by NWS form a national information database and infrastructure that is essential to the United States as well as the global community.

NWS is composed of headquarters, national centers, and regional offices that provide leadership, support, and oversight to field offices 24 hours a day, 7 days a week. Most weather forecast offices maintain web sites that provide local and national weather information as well as information about themselves and their products in the form of observations, forecasts, warnings, advisories, and outlooks, and as computer models. NWS uses a variety of technologies (including radar, satellite, and automated surface observation systems) and a network of volunteer weather forecasters to prepare these data and products.

**Review Emphasis:** OIG is currently conducting a series of reviews of NWS weather forecast offices. At the completion of these reviews, OIG plans to issue a capping report on various programmatic, management, and administrative issues identified. Other potential reviews could assess the security and protection of NWS's telecommunications gateway backup and evaluate its National Operational and Logistical Centers.



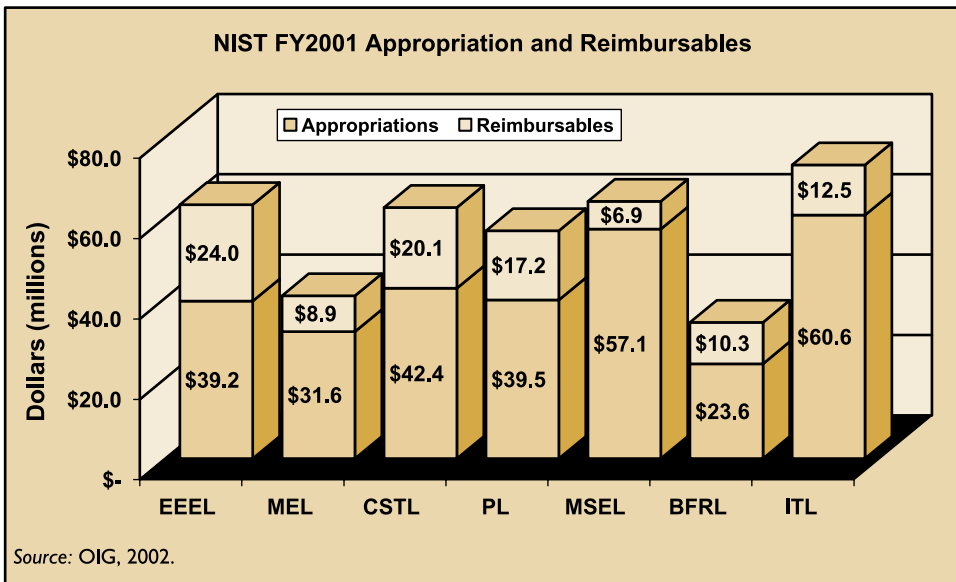
**PROGRAMS AND OPERATIONS:**  
**SCIENCE AND TECHNOLOGY**

**NIST LABORATORIES' FEES FOR RESEARCH CONDUCTED FOR OTHER FEDERAL AGENCIES**

**Objective:** Determine whether the National Institute of Standards and Technology laboratories are properly charging for reimbursable research performed for other federal agencies.

**Significance:** Automated teller machines, atomic clocks, mammography equipment, semiconductors, and a wide array of other products and services rely in some way on technology, measurements, and standards provided by NIST. NIST laboratories conduct research that advances the nation's technology—research that is carried out primarily in its seven laboratories in Gaithersburg, Maryland, and Boulder, Colorado. The laboratories respond to industry needs for measurement methods, tools, and data. They also perform research and development activities for other federal agencies—services for which NIST is reimbursed; however, concerns have arisen regarding the method NIST laboratories use to charge and account for their reimbursable services.

**Review Emphasis:** OIG plans to audit NIST's reimbursable activities to determine whether the agency is properly charging fees and accounting for its costs.



**NIST Laboratories**

- EEEL - Electronics and Electrical Engineering Laboratory
- MEL - Manufacturing Engineering Laboratory
- CSTL - Chemical Science and Technology Laboratory
- PL - Physics Laboratory
- MSEL - Materials Science and Engineering Laboratory
- BFRL - Buildings and Fire Research Laboratory
- ITL - Information Technology Laboratory

**PROGRAMS AND OPERATIONS:**

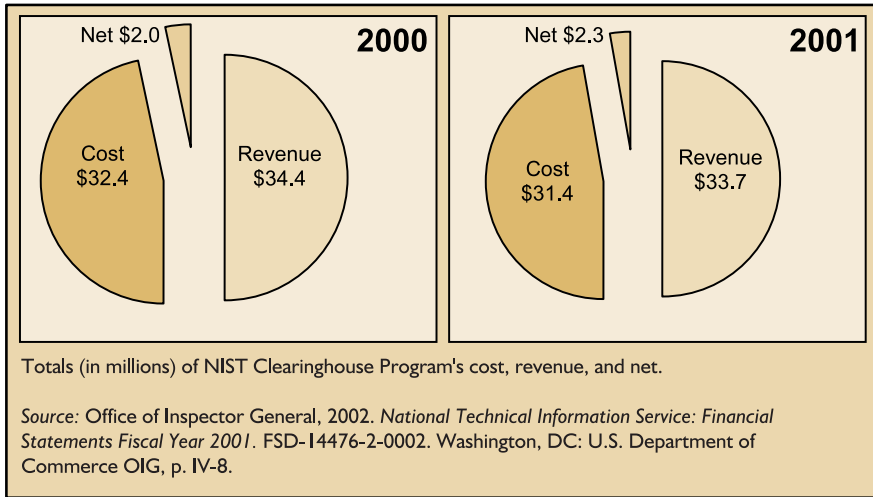
**SCIENCE AND TECHNOLOGY**

**NTIS's MISSION AND FINANCIAL VIABILITY**

**Objective:** Address questions concerning NTIS's changing role and future mission, including whether the agency can support itself as currently authorized and, if not, what should be done.

**Significance:** NTIS is the largest central resource for available government-funded scientific, technical, engineering, and business-related information. The agency annually receives tens of thousands of new publications, technical reports, and other products from hundreds of government agencies and other organizations. The agency's mission is to make this information available to the public; its mission supports the nation's economic growth by providing information that stimulates innovation and discovery. NTIS's mandate also includes the stipulation that it support itself through the sale of information products. However, several years of operating losses raised the question of whether NTIS could generate sufficient revenue to cover its expenses.

In 1999 the Department proposed legislation to close the agency. Congress, however, delayed the closure pending the outcome of studies by GAO and the U.S. National Commission on Libraries and Information Science. On the basis of those studies, the Commission recommended that NTIS



remain open, that the public continue to have access to its information, and that an appropriation be provided to cover costs. GAO, however, reported that because NTIS's information sales continued to decline, decisions about the agency's future still needed to be made.

NTIS improved its short-term financial condition, primarily by reducing costs but also by entering into joint ventures and agreements.

OIG questions whether by entering into these business enterprises, NTIS has exceeded its authority and statutory mission. Our concern is that NTIS may continue its revenue-expansion endeavors in ways not necessarily in line with its mission.

**Review Emphasis:** Potential reviews would focus on the Department's plans for NTIS as well as the agency's own plans for its future. OIG will also continue to monitor NTIS's financial performance as well as conduct annual audits of its financial statements.

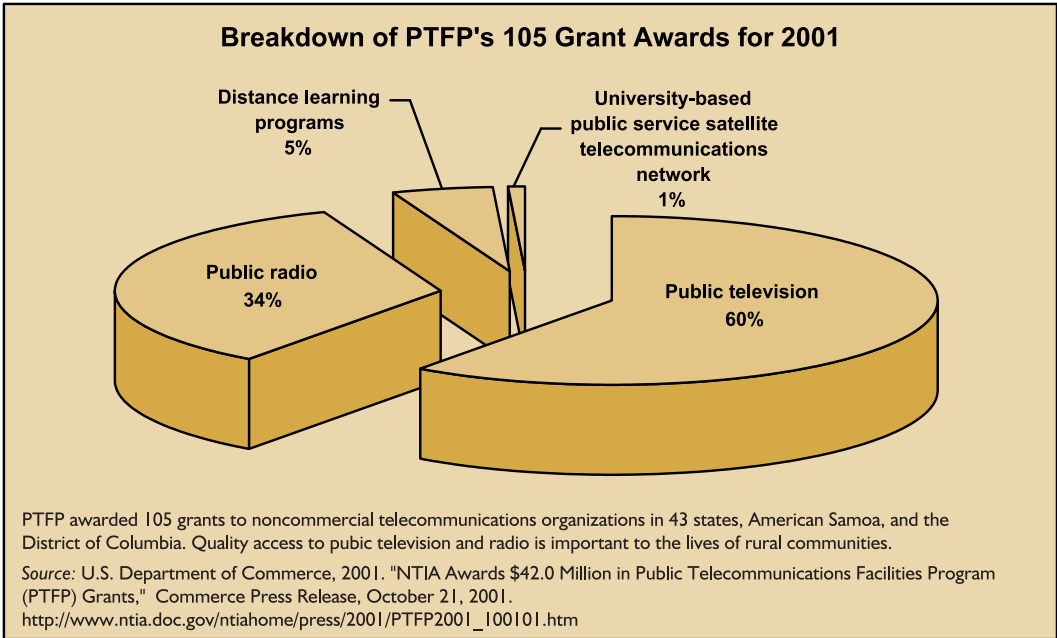
**PROGRAMS AND OPERATIONS:**  
**BUSINESS AND ECONOMICS**

**NTIA'S PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM**

**Objective:** Evaluate the National Telecommunications and Information Administration's effectiveness in assisting public television and radio broadcasters' efforts to convert from analog to digital signal transmission and in monitoring the performance of its grant recipients.

**Significance:** In 1998 the Federal Communications Commission issued a ruling requiring all television broadcasters to convert from analog to digital signal transmission to improve the quality of transmission to viewers, including those in remote rural areas. Public broadcasters must meet this mandate by 2003. The Public Telecommunications Facilities Program (PTFP) is NTIA's competitive grants program designed to help public broadcasting stations, state and local governments, Indian tribes, and nonprofit organizations construct broadcasting facilities that offer educational and cultural programming. In conjunction with the Corporation for Public Broadcasting, PTFP provides grants to public broadcasters to fund conversion, maintain existing equipment, and expand broadcasting services.

In 2001 PTFP awarded 105 grants for a total of \$42 million, including 52 awards totaling nearly \$35 million to assist 76 public television stations complete digital conversion. Public broadcasters, especially those serving rural areas, face significant challenges in accomplishing the digital conversion. For many, it appears that the 2003 deadline may not be met. Prior investments in stations that cannot meet the deadline may be lost, and some stations may be forced to go off the air or reduce their hours of operation.



**Review Emphasis:** OIG reviews would focus on evaluating PTFP's effectiveness in assisting broadcasters' efforts to convert to digital signal transmission and would examine selected grants to determine whether NTIA is effectively managing the program, assessing grantee financial viability and operating capability, and monitoring grantee performance.



**PROGRAMS AND OPERATIONS:**  
**BUSINESS AND ECONOMICS**

**EDA’S COORDINATION OF INTERAGENCY ECONOMIC DEVELOPMENT EFFORTS**

**Objective:** Determine EDA’s effectiveness in working with other agencies to ensure a well-coordinated federal response to the financial assistance needs of economically distressed communities.

**Significance:** In FY 1999 federal agencies providing financial assistance to distressed communities operated more than 70 economic development programs with funding totaling \$58 billion. Commerce’s EDA is one of the agencies providing such assistance. Others include the Environmental Protection Agency, the Federal Emergency Management Agency, and entities within the Departments of Energy and of Housing and Urban Development. FY 2001 funding for EDA’s Economic Development and Assistance Program was about \$411 million.

EDA has both an agency-level and a government-wide responsibility for improving the economy in distressed areas. In rural and urban locales that experience high unemployment, low income, or severe economic downturns, EDA grants help communities generate and retain jobs and stimulate industrial and commercial growth. EDA’s work supports the Department’s performance goals of promoting job creation and private enterprise in economically distressed communities.

In addition, as a result of legislation, Congress has designated EDA as the lead bureau for improving coordination among federal agencies and has urged EDA to proactively work with other agencies to increase the efficiency of the federal response to distressed communities. Both GAO and OMB have identified the need for stronger interagency coordination to better provide this financial assistance.

**Review Emphasis:** OIG plans to evaluate the effectiveness of EDA’s coordination with other federal agencies as well as assess EDA efforts to provide financial assistance to distressed communities.

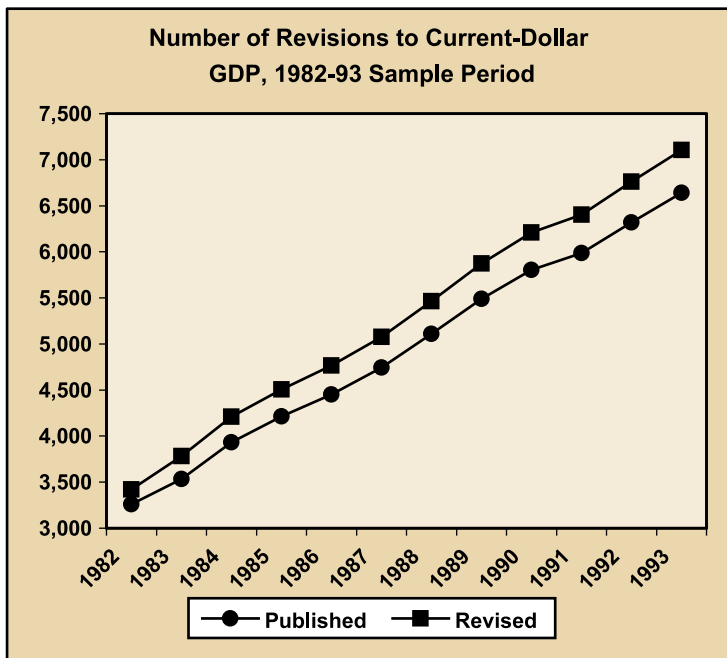
<b>EDA Federal Partnerships</b>	
In June 2001 Commerce's Economic Development Administration had memoranda of understanding (agreements of cooperative work) with the following federal agencies:	
Appalachian Regional Commission	Environmental Protection Agency
Army Corps of Engineers	Federal Communications Commission
U.S. Department of Agriculture	Federal Emergency Management Agency
U.S. Department of Defense	U.S. Maritime Administration
U.S. Department of Housing and Urban Development	U.S. Small Business Administration
U.S. Department of Transportation	Tennessee Valley Authority

PROGRAMS AND OPERATIONS:  
**BUSINESS AND  
 ECONOMICS**

**ACCURACY AND RELIABILITY OF BEA'S  
 NATIONAL INCOME AND PRODUCT  
 ACCOUNTS**

**Objective:** Evaluate the accuracy, reliability, and timeliness of the national income and product accounts as key economic indicators.

**Significance:** BEA is responsible for obtaining and interpreting large volumes of diverse economic data from government and private sources, and for organizing, combining, and transferring that data into a consistent, comprehensive set of economic accounts for the nation as a whole. The administration, Congress, Federal Reserve Board, and other entities use these accounts to determine whether the national economy is contracting or expanding, needs boosting or reining in, or faces possible recession or inflation.



Source: OIG, 2002.

BEA's estimates and related measures increasingly rely on partial data and impute missing source information. These practices could increase errors over time. For example, although measures of growth in production should theoretically equate to measures of growth of income earned from production, in recent years there has been a persistent and increasing difference between the two. Even small differences in real and projected growth rates can have major implications for federal budget projections, monetary policy, and business planning.

**Review Emphasis:** Underlying production of the national accounts are internal controls, processing systems, statistical methodologies, and component inputs. Such complexity argues for a phased approach to achieve our objectives, which include evaluating the effectiveness of BEA's efforts to identify and assess gaps and other errors in source data used to compile the accounts and improving the accuracy, reliability, and timeliness of BEA's account estimates.

**PROGRAMS AND OPERATIONS:**

# BUSINESS AND ECONOMICS

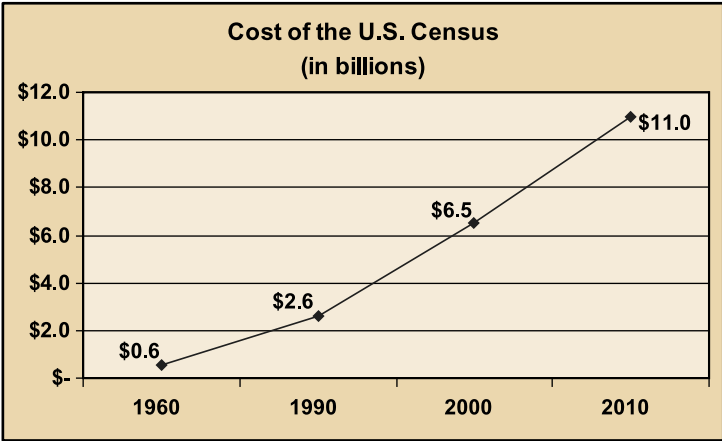
## 2010 DECENNIAL CENSUS PLANNING

**Objective:** Determine whether the Census Bureau’s planning and preparation efforts for the 2010 census are sufficient; can be integrated and tested in a timely fashion; and will enable the bureau to effectively manage and control costs, increase accuracy, and reduce information security risks.

**Significance:** The Department of Commerce, through the Census Bureau, is responsible for conducting the nation’s decennial census. The results of this critically important operation are used to apportion seats in the House of Representatives, redraw congressional districts, and allocate federal funding to states and local communities. OIG, GAO, and Congress scrutinize each decennial because of its high costs, risks, resource requirements, and importance.

To ensure a successful decennial census, early planning and agreement on a design is essential. Already, Census Bureau officials are concerned that the design used to produce the 2000 decennial cannot be repeated in 2010 without incurring significant additional cost and risk. The 2000 decennial cost nearly \$7 billion, and the bureau anticipates that the 2010 decennial may be cost prohibitive unless the design changes. To this end, the bureau has begun to explore options for the census design for 2010. Possible changes include eliminating the long form, overhauling the address file, and conducting early testing and planning. In the spring of 2002, OIG published *Improving Our Measure of America: What Census 2000 Can Teach Us in Planning for 2010*. It shares the lessons OIG has gleaned through years of monitoring and assessing the preparations for and execution of the decennial census and offers guidance for improving census planning and operations.

**Review Emphasis:** We plan to examine some of the more critical possible changes—for example, the bureau’s plans for collecting data via the short form only and for using modern technology to develop and maintain a complete and accurate address list—to determine the extent to which they may help manage costs, increase accuracy, and reduce risk. Another area for review is the overall design—assessing feasibility of the design and of the integration and testing of design components in a timely fashion. In addition, we plan to review major contracts awarded and to examine some of the evolving operational and logistical issues associated with preparing for the decennial.



Not only are there simply more people to count, census taking has become more complicated. The cost of conducting the decennial census continues to increase and could reach an estimated \$11 billion in 2010.

Source: Office of Inspector General, 2002. *Improving Our Measure of America: What Census 2000 Can Teach Us in Planning for 2010*. Washington, DC: U.S. Department of Commerce, p. 2.

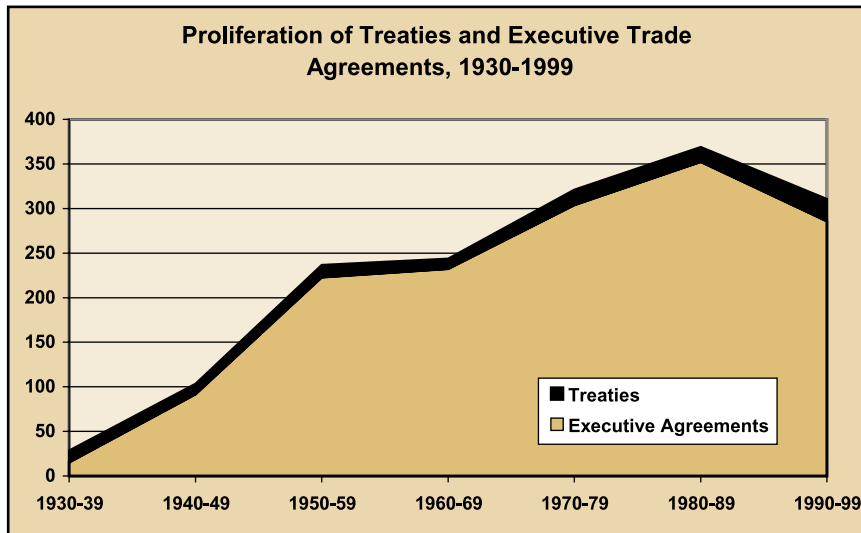
PROGRAMS AND OPERATIONS:  
**BUSINESS AND  
 ECONOMICS**

**ITA'S TRADE COMPLIANCE AND MARKET  
 ACCESS ACTIVITIES**

**Objective:** Determine the overall effectiveness of ITA's efforts to enforce trade agreements and laws designed to prevent unfairly traded imports, help U.S. exporters overcome trade barriers, and cooperate with other U.S. agencies working on these issues.

**Significance:** ITA's efforts to ensure trade compliance as well as market access are critical to expanding U.S. trade and reducing barriers to world markets for U.S. exporters. ITA is also instrumental in protecting American businesses from inequitable competition from imports priced at less than fair market value or subsidized by foreign governments. The Department's efforts to monitor and ensure compliance with trade agreements have received considerable attention from OMB and Congress.

Reports issued by GAO in December 1999 and March 2000 have also helped focus attention on the need to address the challenges facing Commerce and other federal government entities in ensuring compliance with trade agreements by other nations. In January 2001, monitoring and enforcement of trade agreements was identified by GAO as a major national management challenge and risk.



Source: Congressional Research Service, 2001. *Treaties and Other International Agreements: The Role Of The United States Senate: A Study Prepared for the Committee on Foreign Relations United States Senate, 106th Congress, 2d Session Committee Print S. Prt.106-71.*  
[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106\\_cong\\_senate\\_print&docid=f:66922.wais](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106_cong_senate_print&docid=f:66922.wais)

**Review Emphasis:**

OIG will focus on different aspects of ITA's tactics for helping companies reduce trade barriers, gain greater market access, and reap the benefits of trade agreements. Our reviews will also cover specific components of the Compliance Initiative, such as the activities of overseas compliance officers and the adequacy of desk officers, particularly on the China and Japan desks. In addition,

we intend to review selected aspects of the Import Administration's investigations of foreign producers and governments to determine whether dumping or subsidization has occurred, and its efforts to enforce the assessment and collection of antidumping and countervailing duties.

**PROGRAMS AND OPERATIONS:**  
**BUSINESS AND ECONOMICS**

**ITA'S EFFORTS TO PROMOTE U.S. EXPORTS**

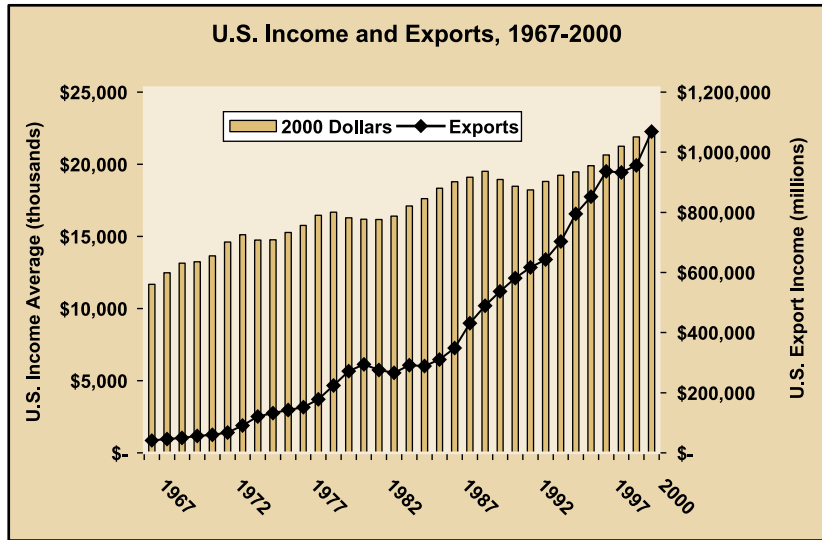
**Objective:** Determine the effectiveness of ITA's efforts to promote U.S. exports.

**Significance:** There is an important connection between America's high standard of living and the continuous expansion of U.S. exports into world markets. U.S. import and export activities reportedly currently contribute about 30 percent of the U.S. gross domestic product—a contribution expected to increase to as much as 40 percent in the next 10 years. As the federal entity with primary responsibility for promoting U.S. exports, ITA is a key resource for the American business community. Through the U.S. and Foreign Commercial Service (US&FCS), the Office of Trade Development, and other components, ITA commerce provides assistance to American firms seeking to identify overseas markets and opportunities for their products and services.

Congress has a strong interest in U.S. export promotion programs. The Omnibus Trade and Competitiveness Act of 1988 mandates that OIG report to Congress on its assessment of the management and effectiveness of US&FCS operations, including its personnel systems and placement of domestic and foreign staff. The focus of Congress, OIG, and GAO has frequently been on whether federal government efforts and resources have been sufficiently coordinated and strategically directed at helping U.S. businesses compete in foreign markets.

**Review Emphasis:**

OIG's oversight strategy for this issue area is two-fold. First, we will conduct individual inspections of the Department's "front-line" operations at US&FCS's overseas posts and domestic Export Assistance Centers to assess their effectiveness at delivering services and market assistance to their business clients, coordinating trade efforts with partner organizations, and managing US&FCS resources. Such inspections also reveal issues that may



Source: U.S. Census Bureau, (no date). Historical Income Tables—People. Table P-1. Total CPS Population and Per Capita Money Income: 1967 to 2000. <http://www.census.gov/hhes/income/histinc/p01.html>

affect US&FCS operations in entire regions or worldwide. Second, we will conduct reviews that focus on ITA program management and operational issues, such as resource allocation; client satisfaction; quality control; personnel training and assignments; trade events; special initiatives; and US&FCS's products, services and user fees.

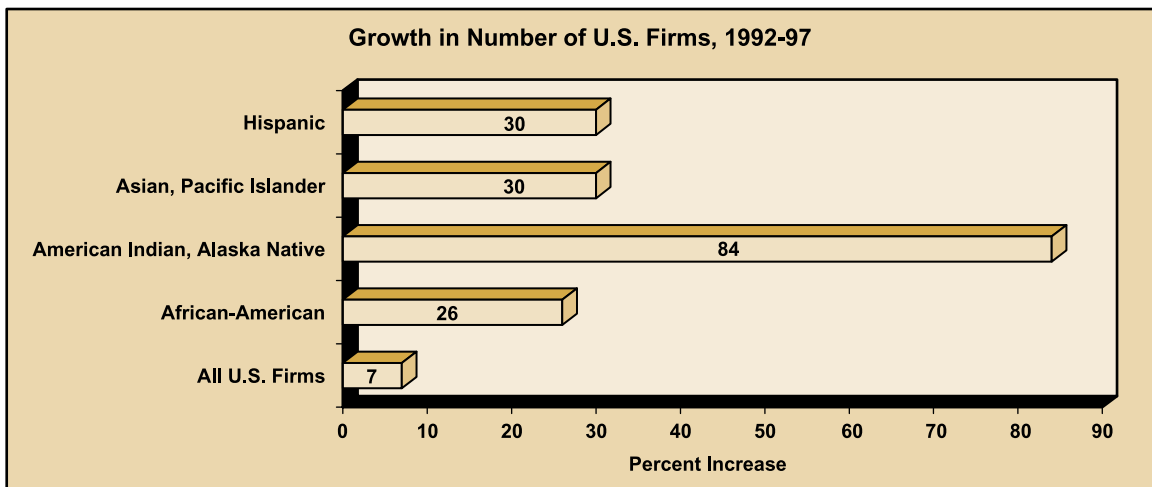
**PROGRAMS AND OPERATIONS:**  
**BUSINESS AND ECONOMICS**

**MBDA's COORDINATION AND DELIVERY OF SERVICES TO THE MINORITY BUSINESS COMMUNITY**

**Objective:** Assess MBDA's effectiveness as the coordinator of federal minority business development programs and the success of its service delivery efforts.

**Significance:** A number of federal agencies operate programs that serve the rapidly growing minority business community. The Minority Business Development Agency, however, has been given the unique task of coordinating all minority business programs operated by federal agencies.

Effective service delivery could maximize the impact of available funding, reduce overhead costs and duplication of effort, promote cooperation, enhance oversight, and increase program visibility. Various stakeholders have an interest in improving the coordination of federal minority business programs, including the minority business community, other federal agencies, OMB, and Congress.



Growth rates are the aggregate for 1992-97, in accordance with methodology described by the Census Bureau.

Source: U.S. Bureau of the Census, 2001. *1997 Economic Census: Survey of Minority-Owned Business Enterprises*. Washington, DC: U.S. Department of Commerce, Economic Statistics Administration, pp 3-8. <http://www.census.gov/prod/ec97/e97cs-7.pdf>

**Review Emphasis:** OIG reviews will assess MBDA's effectiveness in coordinating federal minority business assistance programs. With regard to delivering information about business opportunities and technical assistance to the minority business community, other prospective reviews will assess the effectiveness of MBDA's information technology and e-commerce initiatives.

PROGRAMS AND OPERATIONS:  
**BUSINESS AND  
 ECONOMICS**

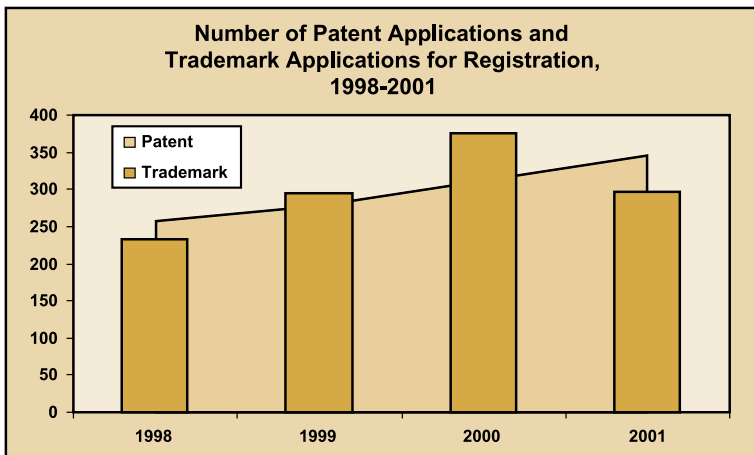
**USPTO'S TRANSITION TO A  
 PERFORMANCE-ORIENTED  
 ORGANIZATION**

**Objective:** Ensure that USPTO effectively responds to its increasing workload, efficiently handles its operational and logistical issues, and productively uses information technology as it continues its transition to a performance-oriented organization.

**Significance:** Pursuant to authority granted by the American Inventors Protection Act of 1999, USPTO is reorganizing itself as a performance-oriented organization, thus gaining greater flexibility and independence to operate more like a business. With this change, USPTO gains increased authority over and responsibility for decisions regarding the management of its operations and greater control over its budget allocations and expenditures, personnel decisions and processes, and procurement operations. Despite the potential benefits of the change, the transition is a formidable undertaking. USPTO must continue to formulate the necessary personnel, procurement, and administrative policies and develop a performance-oriented process and standards for evaluating cost-

effectiveness while meeting its performance goals under GPRA. OIG views successful transition to a performance-oriented organization as critical to USPTO's ability to address three primary challenges.

First, USPTO must find a way to attract and retain a qualified corps of patent examiners. Although trademark applications dropped in 2001 (by more than 79,000), patent applications are rising—a trend that shows no sign of slowing. Many new examiners and administrative judges have been hired in response to the increased number of patent applications, yet USPTO annually loses many examiners through attrition. Second, the agency must oversee one of the largest real estate ventures the federal government plans to undertake in this decade—the construction of USPTO's new 2.4 million-square-foot, five-building office complex in Alexandria, Virginia, to be completed in 2004. Third, USPTO continues to face significant challenges in delivering essential IT capabilities. Increased focus on operational efficiencies requiring IT solutions has intensified the demands on automated systems, adding further strain on the organization.



During the 1990s patent application filings grew at an average annual rate of 8 percent per year. In FYs 2000 and 2001 the growth rate increased 12 percent per year, where it is projected to stay through FY 2002. Trademark applications for registration, on the other hand, decreased in FY 2001 by 21 percent, nevertheless the number filed was the second highest ever recorded.

Source: United States Patent and Trademark Office, 2001. *Performance and Accountability Report Fiscal Year 2001*. Washington, DC: USPTO, tables 2 and 16.

construction of USPTO's new 2.4 million-square-foot, five-building office complex in Alexandria, Virginia, to be completed in 2004. Third, USPTO continues to face significant challenges in delivering essential IT capabilities. Increased focus on operational efficiencies requiring IT solutions has intensified the demands on automated systems, adding further strain on the organization.

**Review Emphasis:** OIG will perform targeted reviews of USPTO's efforts to (1) more effectively and efficiently cope with its increasing patent workload, (2) keep its facility construction project on schedule and within budget, and (3) lower IT system development costs, improve system quality, and promote end-user acceptance of new systems.

**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

**MAJOR CAPITAL FACILITIES  
IMPROVEMENT PROJECTS**

**Objective:** Ensure that Commerce and its operating units maximize the federal government’s return on its investments in major facilities construction and renovation projects.

**Significance:** The Department and its major operating units are actively engaged in planning and managing numerous large, costly, and complex capital improvement and construction projects. These projects involve expenditures of hundreds of millions of dollars, a multiplicity of individuals and business entities, and multiple inherent risks.

Appropriate leadership and oversight are needed to maximize the federal government’s return on these investments. Past OIG reviews of major facilities renovation and construction projects have demonstrated that early, up-front oversight of such projects while they are under way, rather than after they have been completed, helps prevent, detect, and correct problems before considerable time and money have been expended.

**Review Emphasis:** Among the projects that we are actively considering for review are

- NIST’s multimillion-dollar program to upgrade its facilities, including constructing new and renovating existing laboratories at its sites in Gaithersburg, Maryland, and Boulder, Colorado;
- the Census Bureau’s plans to construct new and renovate existing buildings at its headquarters in Suitland, Maryland;
- NOAA’s various renovation and construction projects under way or planned to meet its need for state-of-the-art facilities to carry out its missions of monitoring and protecting the environment; the planned modernization of
- Commerce’s headquarters building in Washington, DC; and
- USPTO’s billion-dollar effort to consolidate its employees and operations in a single new facility in Alexandria, Virginia—identified as one of the largest real estate ventures the federal government expects to undertake in this decade.

**Major Construction/renovation Projects\***  
(Current and Planned as of 9/30/02)

Operating Unit	Number of Projects	Estimated Cost (IN MILLIONS)
NOAA	27	\$ 558
NIST	2	235
USPTO	1	1,200
Census Bureau	1	340
Office of the Secretary	1	360

\*A project may include more than one building.

Source: Commerce Office of Real Estate Policy and Major Programs.



**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

**ADMINISTRATIVE SERVICES PROGRAMS**

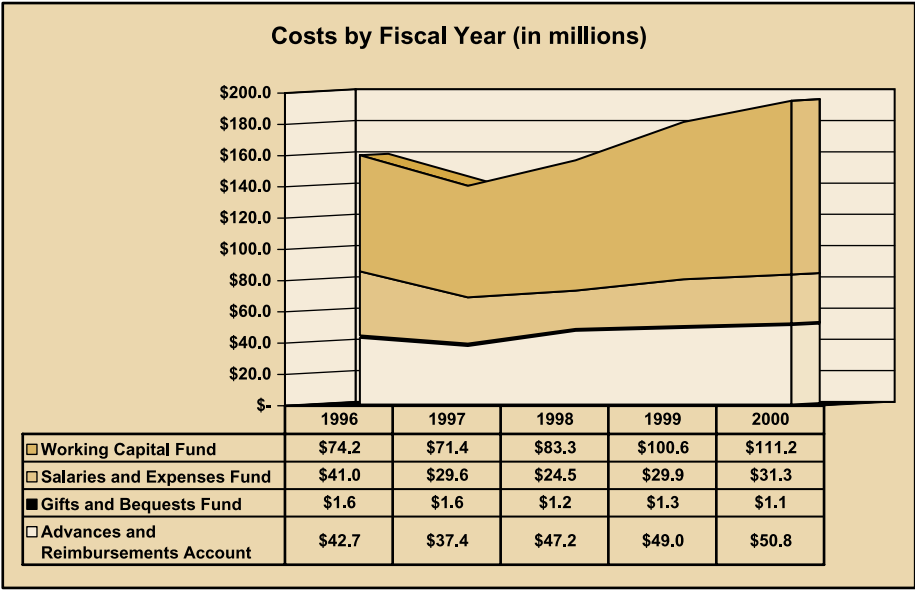
**Objective:** Assess the effectiveness of selected administrative services programs within Commerce.

**Significance:** The Department’s Office of Administrative Services is responsible for planning, developing, and implementing policies and procedures for delivering a full range of administrative services Department-wide. Among those services is management of Commerce headquarters, the Herbert C. Hoover Building in Washington, DC, including its operations, maintenance, and repair. Department-wide, OAS is also responsible for providing mail service; concessions; real and personal property management; fleet management; printing and publications support; space planning; and moving, telecommunications, library, and reference services. Improper or careless management of these services could waste taxpayer dollars and impose unplanned expenses on Commerce operating units, which they would have to cover with funds from already tight budgets.

The Office of Administrative Services is 1 of 21 Commerce offices and operations funded in whole or in part by departmental management funds, specifically the Advances and Reimbursements Account, the Working Capital Fund, and the Gifts and Bequests Fund. Since 1996 the costs funded by the Working Capital Fund have increased by about 50 percent, whereas costs of other departmental management funds have remained relatively steady.

**Review Emphasis:**

OIG plans to review the efficiency and effectiveness of the Office of Administrative Services, specifically selected aspects of its management and maintenance of the Herbert C. Hoover Building, as well as the GSA/Commerce Building Delegation Agreement. In addition, we plan to review specific administrative services funded by the Advances and Reimbursements Account, the Working Capital Fund, and the Gifts and Bequests Fund.



Source: OIG, 2002.

**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

**PROCEDURES FOR DESIGNATING  
POSITIONS ACCORDING TO THEIR LEVEL  
OF RISK AND SENSITIVITY**

**Objective:** Assess the policies and procedures for classifying positions according to their potential impact on government programs and operations or national security and for ensuring that appropriate background investigations are completed for current and prospective employees.

**Significance:** Numerous positions within Commerce involve crucial policy making roles as well as public safety and health, law enforcement, fiduciary, and other responsibilities. Employees in these positions are accorded a significant degree of public trust because they can have considerable impacts on the efficiency and integrity of government programs. Commerce also contains positions that could materially, adversely affect national security. Personnel attrition requires hiring on a continuous basis, and investigative technologies are constantly being advanced. Therefore, procedures for designating positions according to their level of risk (the potential harm an individual in the position could cause to government operations) and sensitivity (the potential adverse impact on national security the position holder could have) need to be reviewed periodically.

Heads of operating units are required to designate each competitive service position within their unit according to its level of risk and sensitivity. OIG has evaluated certain aspects of this issue and concluded that the Department's guidance for determining these designations needs to be strengthened. We also found instances in which the Department's records on employee background investigations were incomplete and needed to be updated.

Moreover, other evaluation work has suggested that inappropriate sensitivity and risk designations and inadequate background checks may be problems elsewhere in Commerce.

**Review Emphasis:** OIG plans to review position designations and background investigations at selected operating units to ascertain whether designations are accurate, proper background checks are being conducted, and the employee database containing this information is current, correct, and complete.

**AUTHORIZATION FOR RELEASE OF INFORMATION**

I authorize any investigator, special agent, or other duly accredited representative of the authorized federal agency conducting my background investigation, to obtain any information relating to my activities from individuals, schools, residential management agents, employers, criminal justice agencies, credit bureaus, consumer reporting agencies, collection agencies, retail business establishments, or other sources of information. This information may include, but is not limited to, my academic, residential, achievement, performance, attendance, disciplinary, employment history, criminal history record information, and financial and credit information. I authorize the federal agency conducting my investigation to disclose the record of my background investigation to the requesting agency for the purpose of making a determination of suitability or eligibility for a security clearance.

This paragraph is from Standard Form 171, a commonly used application for federal employment. Collecting the amount of data indicated above is time-consuming, painstaking work but is vital to national security.

**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

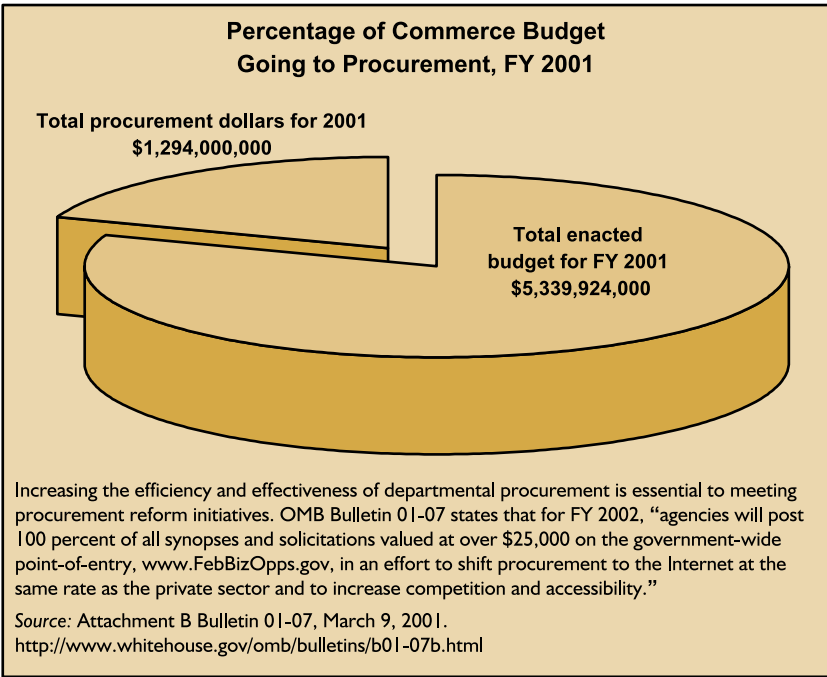
**ACQUISITION REFORM AND  
MANAGEMENT**

**Objective:** Determine the effectiveness of the Department’s and its bureaus’ implementation and oversight of federal acquisition reform initiatives, and ensure that the initiatives are carried out in accordance with applicable laws, regulations, and policies and sound business practices.

**Significance:** Commerce spends more than \$1 billion per year procuring goods and services from a variety of sources, and its reliance on contractor-provided support is increasing. Commerce operating units that have been delegated procurement authority, as well as the senior procurement executive and the Office of Acquisition Management, are all challenged with implementing new reforms, practices, and procedures while operating with limited resources. “Successfully implement acquisition reform initiatives” is one of the Department’s Top 10 Management Challenges. Reform efforts include increased use of commercial products, performance-based service contracting, simplified acquisition procedures, and consideration of past performance as a major evaluation criterion in awarding new contracts. In fact, OMB has directed agencies to include in their FY 2002 performance plans the goals for awarding service contracting dollars on the basis of past satisfactory performance.

Adequate oversight of the implementation of these reforms is critical to their success. Inadequate oversight of procurements has been cited as a problem in several OIG reports. Other concerns expressed by OMB’s Office of Federal Procurement Policy, by GAO, and by the IG community as a whole make it clear that the Department’s efforts need oversight to ensure that reform initiatives are being implemented appropriately.

**Review Emphasis:** OIG plans to review several aspects of service procurement at Commerce. We will look at not only the use of past-performance information in selecting vendors, but also the collection and maintenance of such information within the Department. We will also examine operating units’ compliance with other requirements, such as the prohibition against contracting for personal services.



**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

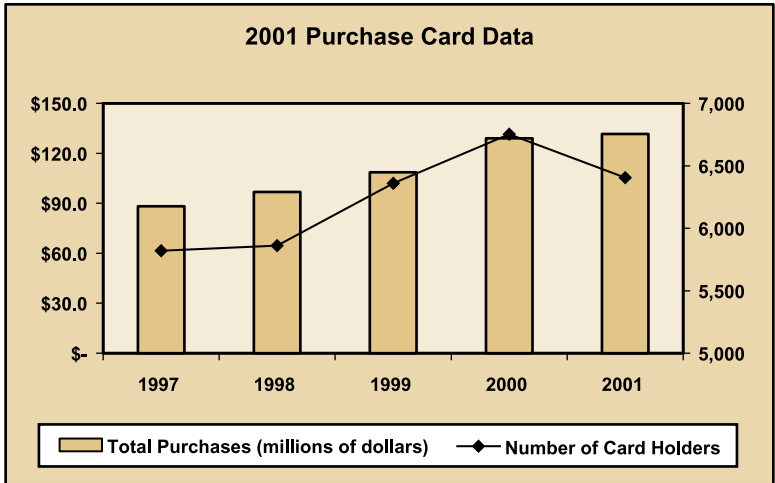
**THE COMMERCE BANKCARD PROGRAM**

**Objective:** Determine the adequacy and effectiveness of the Department’s policies and procedures for preventing fraud, waste, and abuse in its bankcard program.

**Significance:** The Department of Commerce established its bankcard program in 1986 under Executive Order 12352, Federal Procurement Reform. Program objectives were to expedite and streamline the purchasing process for commercial goods, services, and travel, minimize paperwork, and improve internal controls and cash management. The bankcard program, known as GSA SmartPay, also includes purchase, travel, and fleet credit cards issued by a private contractor. Department officials must ensure that card usage complies with applicable federal regulations as well as Department policy and guidelines. During FY 2001 Commerce had more than 30,806 bankcards outstanding—24,401 travel cards and 6,405 purchase cards. The purchase card program, which includes convenience checks, accounted for \$131.6 million in spending and reflected 336,964 individual purchases for goods or services. Similarly, travel cards represented approximately \$33 million in annual travel-related expenses. With this level of activity annually, the potential for fraud, waste, or abuse is high. Our office includes successful implementation of acquisition reform initiatives as one of the Top 10 Management Challenges facing the Department.

Congressional interest in and media attention to this issue are also high. The Department has received congressional inquiries regarding Commerce employees and contractors authorized to

execute third-party drafts and to use government-issued purchase cards or convenience checks. A GAO review of one non-Commerce agency’s purchase card use found widespread potential fraud at two major operations.



Source: U.S. Department of Commerce, 2001. *FY 2001 Accountability Report: Charting Our Course for a Stronger America*. Washington, DC: U.S. Department of Commerce, p. 132.

**Review Emphasis:** OIG plans to continue to conduct individual assessments of bankcard use by various Commerce bureaus and the Department, some of which will be performed as part of broader internal control evaluations. OIG will assess the effectiveness of bankcard oversight provided by the Department’s Office of Acquisition Management and, where appropriate, will investigate occurrences of fraudulent use, misuse, or abuse identified through its assessments and evaluations.

effectiveness of bankcard oversight provided by the Department’s Office of Acquisition Management and, where appropriate, will investigate occurrences of fraudulent use, misuse, or abuse identified through its assessments and evaluations.

**PROGRAMS AND OPERATIONS:  
DEPARTMENT-WIDE  
MANAGEMENT**

**POLICIES AND PROGRAMS FOR  
HUMAN CAPITAL MANAGEMENT**

**Objective:** Assess the development and administration of human capital management policies and programs Department-wide.

**Significance:** Strategic management of human capital is one of the five government-wide initiatives in the President's August 2001 Management Agenda. Significant changes in the federal workforce, including loss of institutional knowledge through attrition, could have significant impacts on Commerce's varied and complex programs. The loss is addressed in the Department's FY 2002 Annual Performance Plan; OMB identified it as a high-priority area; and GAO cited strategic human capital management as a major government-wide challenge. Congress and GAO have expressed considerable concern that agency workforces may not be "appropriately constituted to meet the current and emerging needs of the government and the nation's citizens." Clearly, the need to recruit, train, and retain personnel who can effectively manage scientific and technological programs and sophisticated IT systems is critical and ongoing.

OMB Bulletin No. 01-07, Workforce Planning and Restructuring (May 8, 2001), directs each federal agency to analyze its workforce, prepare strategies for deploying staff to frontline service delivery positions that promote interaction with citizens, assess and upgrade employee skills needed to accomplish missions now and in the future, and use workforce planning to drive agency restructuring.

**Review Emphasis:** OIG reviews will incorporate the workforce initiative's focus on such issues as (1) properly and effectively using contractors; (2) recruiting, retaining, and training or developing employees with needed skills; (3) assessing the skills mix of the current workforce and determining skill shortfalls; and (4) evaluating the adequacy of current organizational structures, assessing mission readiness, and developing organizational plans to achieve the Department's and President's workforce objectives.

**What Can We Do to Counter the Loss of Institutional Memory?**

Projections show that within the next 5 years, a far-reaching change in the composition of Commerce's workforce will take place as more than half of the federal workforce will be eligible to retire. This extraordinary surge in prospective retirements will create a tremendous drain on the kinds of institutional memory that forms the foundation of the federal government. The Department must ensure that the vital knowledge, skills, and management capabilities necessary to sustain operations are retained. But the Department faces increasing difficulty attracting and retaining highly qualified workers in critical fields like information technology and selected scientific disciplines. To counter this "brain drain," it will be necessary to identify innovations in human resources management that attract our nation's best talent. The key will be to provide our workforce with appropriate incentives to continually do their best.

Source: U.S. Department of Commerce, 2001. *FY 2001 Accountability Report: Charting Our Course for a Stronger America*. Washington, DC: U.S. Department of Commerce, p. 120.

# INFORMATION TECHNOLOGY AND DATA MANAGEMENT

## DEPARTMENT-WIDE PLANNING, MANAGEMENT, AND OVERSIGHT OF IT PROJECTS

**Objective:** Determine whether the policies, plans, processes, and oversight of Commerce's information technology projects are in compliance with the Clinger-Cohen Act of 1996 and with sound business practices.

**Significance:** At Commerce, sound information technology management is key to eliminating inefficient paper-oriented processes while modernizing outdated operational computer systems and improving inadequate financial systems. Commerce bureaus spend about \$1 billion annually on IT systems, yet planning and management of IT throughout the Department has too often been lax, calling into question the "return on investment" in some areas.

The Clinger-Cohen Act requires that agencies have chief information officers (CIOs) and processes in place to help ensure that IT projects are implemented at acceptable costs and within reasonable and expected time frames and are contributing to tangible improvements in mission performance. In late 2001 the Secretary directed a Department-wide IT management restructuring to improve compliance with the act. The restructuring increased the authority of departmental CIOs, making them more integral members of their respective management teams.

The administration has made thorough implementation of the Clinger-Cohen Act a top priority, an undertaking that requires agencies to improve capital planning, meet annual performance measures, and complete IT architectures. As part of this effort, OMB is ordering many federal executives to undergo training in how to build capital planning strategies for IT projects, such as developing business cases and performance measures.

**Review Emphasis:** OIG plans to assess the progress of the Department and selected operating units in implementing the requirements of the Clinger-Cohen Act. We will focus on the priority areas identified by OMB as critical to ensuring that the act's goals are met.

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**U.S. Department of Commerce  
Office of the Chief Information Officer  
Office of Information Planning and Review**

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The information technology planning program seeks to improve overall management of information technology resources through effective strategic and operational planning that directly supports program missions. . . . The computer security program ensures the security of Commerce systems by assisting operating units in identifying and implementing process controls for their sensitive and classified automated systems and implementing provisions of the Computer Security Act of 1987, the Government Information Security Reform Act of 2000, and Presidential Decision Directive 63 of May 22, 1998, *Critical Infrastructure Protection*. The information technology architecture and standards program works to achieve interoperability and portability of systems, integration of work processes and information flows, and information exchange and resource sharing to achieve strategic goals within Commerce. The information technology accessibility program strives to ensure that electronic and information technology is accessible to persons with disabilities.

Source: <http://www.osec.doc.gov/cio/oipr/INDEX.H>

# INFORMATION TECHNOLOGY AND DATA MANAGEMENT

## ELECTRONIC-GOVERNMENT INITIATIVES

**Objective:** Determine the Department’s progress in implementing electronic-government (e-gov) initiatives and assess security measures used to maintain personal privacy and protect government assets in e-gov transactions.

**Significance:** “E-gov” refers to the use of technology, particularly web-based Internet applications, to enhance access to and delivery of government information and services to citizens, businesses, employees, and other agencies and organizations. According to a recent poll, nearly half of all U.S. citizens have used a government web site, and almost three-quarters believe that e-gov should be a high priority. The Department of Commerce is moving from a paper-based bureaucracy to a “digital Department.” Its goal—to effectively collect, produce, process, and provide information in a medium that best meets the needs of employees and customers. In addition to improving the delivery of services, the Department is relying on e-gov to reduce service delivery costs.

The Government Paperwork Elimination Act requires that by October 21, 2003, federal agencies provide the public, when practicable, the option of submitting, maintaining, and disclosing required information electronically. Commerce’s chief information officer recently reported that the Department has many challenges to overcome in moving from paper-based to Internet-based processes. In addition, GAO and our office have identified protecting personal privacy and providing appropriate security controls as major challenges to the e-gov transition. OMB is responsible for ensuring that federal agencies meet the act’s implementation deadline, and GAO is assessing agency plans for complying with the act.

**Review Emphasis:** OIG plans to examine how well selected agencies are addressing critical success factors (for example, sustaining committed leadership, building effective e-gov business cases, implementing appropriate security controls, and providing capable IT staff) in carrying out e-gov initiatives.

**Abundant evidence suggests that a new “e-citizenship” is taking hold:**

- 42 million Americans have used government web sites to research public policy issues.
- 23 million Americans have used the Internet to send comments to public officials about policy choices.
- 14 million have used government web sites to gather information to help them decide how to cast their votes.
- 13 million have participated in online lobbying campaigns.

How users rate government sites			
Site Type	Percent who have visited this type of site	Percent who rate the sites excellent or good	Percent who rate the sites fair or poor
Federal	80	76	24
State	76	76	24
Local	41	62	38

Source: Larsen, E., and L. Rainie, 2001. *The Rise of the e-Citizen: How People Use Government Agencies' Web Sites*. Washington, DC: Pew Internet & American Life Project, pp. 2 and 6. [http://www.pewinternet.org/reports/pdfs/PIP\\_Govt\\_Website\\_Rpt.pdf](http://www.pewinternet.org/reports/pdfs/PIP_Govt_Website_Rpt.pdf).

# INFORMATION TECHNOLOGY AND DATA MANAGEMENT

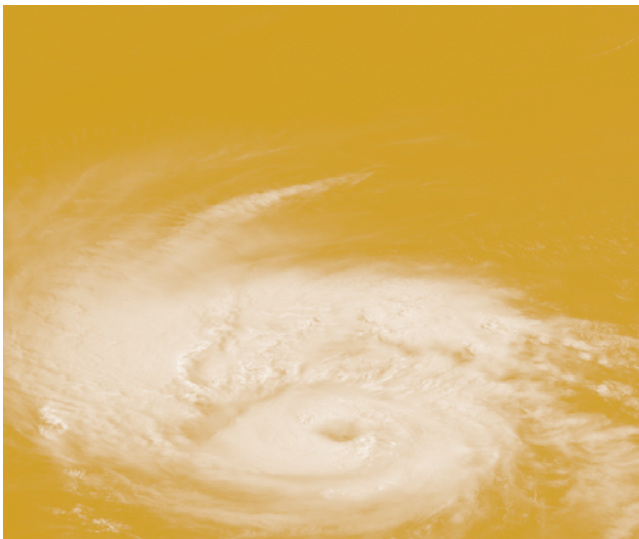
## DATA MANAGEMENT

**Objective:** Determine whether Commerce operating units' data management capabilities support mission-critical operations, data sharing with other government entities, and the public's access to data.

**Significance:** Government agencies are required to handle rapidly increasing amounts of scientific, statistical, geographic, business, and personal data. The government's emphasis on performance and results creates the need to expedite access to and use of this data. Moreover, protecting data from damage or loss poses significant maintenance and storage challenges that require modern systems and operations.

The missions of Commerce operating units present a wide variety of data management needs: collecting large amounts of weather information to support weather prediction and climate research, administering the growing patent and trademark database, and processing massive quantities of confidential resident data gathered by the decennial and other censuses and surveys are but a few.

**Review Emphasis:** OIG plans to assess selected data management programs to determine their efficiency and effectiveness in preserving, controlling the quality of, storing, and providing user access to data holdings, as well as operating units' efforts to modernize their systems, operations, and services.



### Big Bertha Blasts North Carolina!

Hurricane Bertha slammed into North Carolina's southern coastline on July 12, 1996, with sustained winds of approximately 105 MPH, and gusts reported as high as 144 MPH (Topsail Beach—unconfirmed). Damages were estimated to exceed \$60 million for homes and structures, and over \$150 million for agriculture. Corn, tobacco, and other crops received severe damage from the storm. Rainfall totals of over 5 inches were common in eastern NC.

Source: <http://lwf.ncdc.noaa.gov/oa/reports/bertha/bertha.html>

Predicting, reporting, and analyzing the impacts of severe weather events such as Hurricane Bertha entails numerous complex data-gathering, processing, and dissemination capabilities. Data management to support these and other mission-critical activities at Commerce must be state-of-the-art.



# STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT

## VERIFICATION AND VALIDATION OF PERFORMANCE MEASURES

**Objective:** Monitor the Department's efforts to establish relevant performance measures and report credible performance information.

**Significance:** OIG, Congress, GAO, and others recognize the need for Commerce to ensure that the data used to measure the performance of each program and operating unit is accurate, complete, and reliable. OIG identified "Continue to improve the Department's strategic planning and performance measurement in accordance with the Government Performance and Results Act" as one of Commerce's Top 10 Management Challenges. Since 2000, OIG has conducted audits of selected performance measures at four Commerce operating units—BIS, NTIA, NIST, and USPTO. These reviews helped identify improvements needed to strengthen the reliability of the Department's performance measures. Congress demonstrated its interest in performance measurement by requesting relevant assessments and by passing the Reports Consolidation Act of 2000, which, among other things, requires the Secretary of Commerce to evaluate the completeness and reliability of performance information provided in departmental reports.

Commerce officials' recognition that performance data must be credible is reflected in the Department's FY 2000 Accountability Report. In it the Secretary of Commerce stated that (1) the Department continues to develop and implement procedures to assure that "our performance information is not only appropriate, but also complete and reliable," and (2) "we will be strengthening our data validation and verification methods." The report further notes that Commerce is developing an automated system for tracking performance measures.

### Government Performance and Results Act

GAO published an executive guide on implementing the Government Performance and Results Act (GPRA). GAO noted that: (1) GPRA forces federal agencies to focus on their missions and goals, how to achieve them, and how to improve their structural organizations and business processes; (2) agencies must define their missions and desired outcomes, use strategic planning, involve stakeholders, assess their environments, and align their activities, core processes, and resources to support mission-related outcomes; (3) agencies need to measure their performance to ensure that they are meeting their goals and making informed decisions; (4) performance measures need to be based on program-related characteristics and performance data must be sufficiently complete, accurate, and consistent; (5) agencies must use performance data to improve organizational processes, identify performance gaps, and set improvement goals; and (6) GPRA success depends on strong leadership practices that devolve decisionmaking authority with accountability, create incentives, build expertise, and integrate management reforms.

*Source:* "Executive Guide: Effectively Implementing the Government Performance and Results Act."  
<http://www.gao.gov/special.pubs/gpra.htm>

**Review Emphasis:** OIG will examine the Department's efforts to collect and report reliable and useful performance information for program managers and oversight groups. Reviews will focus primarily on performance measures addressed in the *Accountability Report*, and evaluations will include audits to determine whether internal controls sufficiently ensure the accuracy of performance data.

# STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT

## GPRa REQUIREMENTS FOR EVALUATING PROGRAM RESULTS

**Objective:** To meet GPRa requirements, assess the efficiency and effectiveness of various programs and activities within the Department.

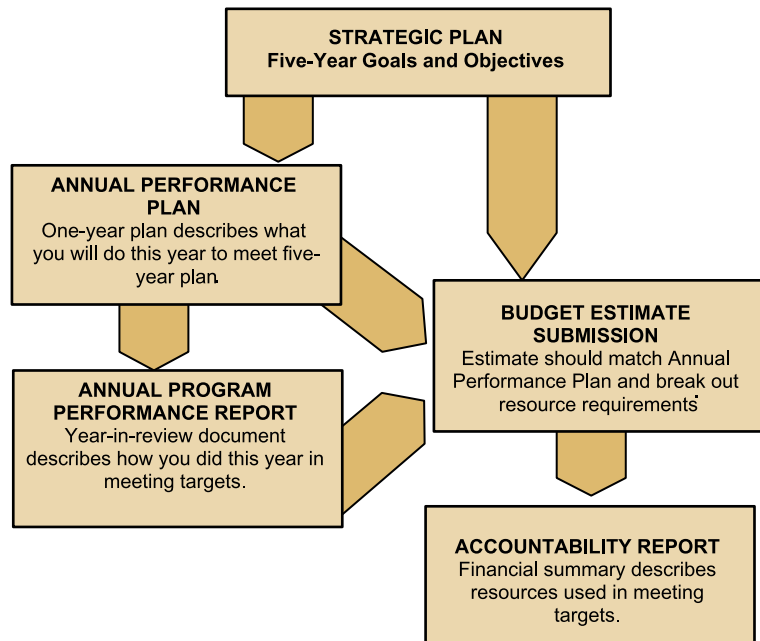
**Significance:** GPRa requires the ongoing monitoring and reporting of program accomplishments; but for many programs, outcomes are not quickly achieved, readily observed, or easily linked to results. Program evaluations are useful for assessing performance and determining whether intended objectives are being achieved. These individual, systematic studies use objective measurement and analysis to answer specific questions about how well a program is working.

GPRa recognizes the complementary nature of program evaluation and performance measurement. Specifically, the legislation requires strategic plans to describe the program evaluations used to establish and revise goals and also to include a schedule for future evaluations. In its most recent strategic plan, the Department identified, as a management objective, the need to standardize its program evaluation methods and timetables by 2003.

In recent years, some of EDA's major programs have been evaluated several times. Most other operating units, however, have not used this tool to assess the efficiency and effectiveness of their programs.

**Review Emphasis:** To ensure that Commerce programs are assessed for efficiency and effectiveness OIG plans to review program evaluations performed by operating units or on their behalf by contractors, or we may conduct evaluations of operations to identify ways to improve performance. In assessing program evaluations performed by others, we will review both reasonableness of assumptions and reported results, and will recommend ways to improve performance.

### RELATIONSHIPS WITHIN THE GPRa PROCESS



Graphic depiction of Commerce's GPRa process.

Source: U.S. Department of Commerce, 2001. *FY 2001 Accountability Report: Charting Our Course for a Stronger America*. Washington, DC: U.S. Department of Commerce, p. 33.

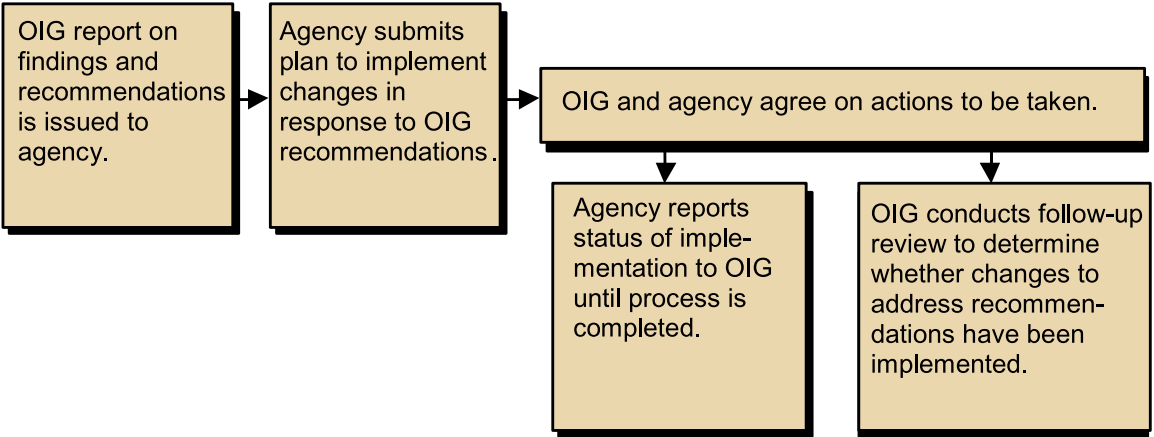
# OIG PROGRAMS AND ACTIVITIES

## MONITORING AND FOLLOW-UP REVIEWS ON THE IMPLEMENTATION OF KEY OIG RECOMMENDATIONS

**Objective:** Ensure that the Department and its operating units implement agreed-upon actions to address OIG recommendations.

**Significance:** OIG recognizes that merely conducting audits, reviews, and inspections; making constructive recommendations; and relying on the resolution and follow-up process to ensure that improvements are made are not always enough. The value of our work ultimately depends on actions actually taken to implement our recommendations. DAO 213-5, Audit Resolution and Follow-Up, requires that OIG monitor and perform periodic follow-up reviews of agencies' resolution activities, including implementation of recommendations. Only through continual, systematic monitoring and follow-up can we ensure that our reviews have achieved the desired results.

**Review Emphasis:** We will focus our monitoring and follow-up reviews of the most critical issues facing the Department and its operating units.



# OIG PROGRAMS AND ACTIVITIES

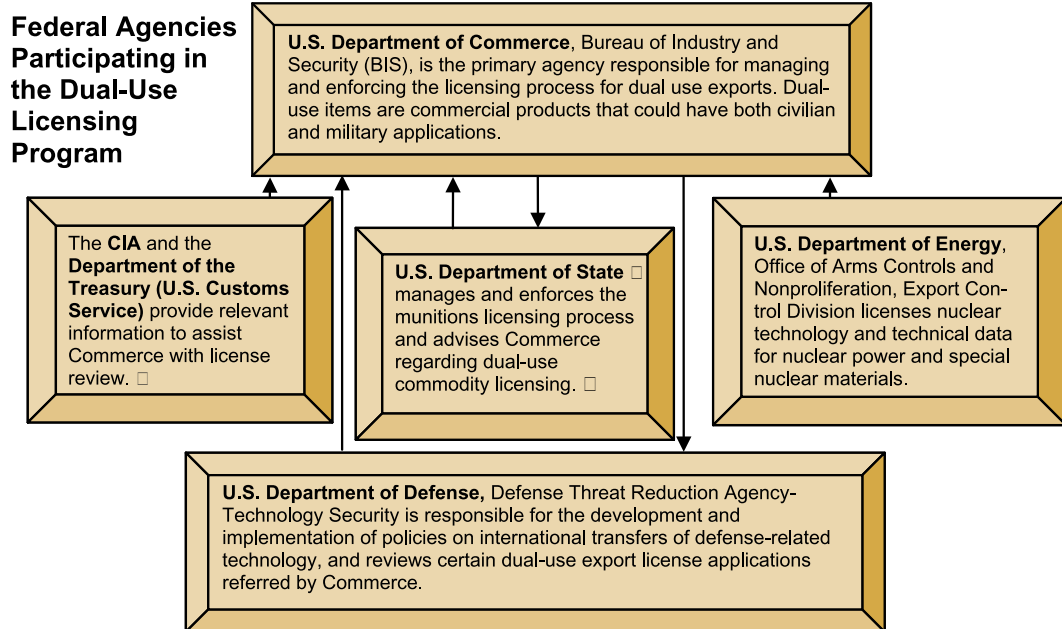
## PARTICIPATION IN GOVERNMENT-WIDE AND CROSSCUTTING PROJECTS INVOLVING MULTIPLE OIGS

**Objective:** Perform work on government-wide and crosscutting issues that can best be addressed by review teams that may be made up of representatives from multiple OIGs.

**Significance:** Many of the issues discussed in this Work Plan cut across Commerce operating units. By the same token, other federal agencies and their respective Offices of Inspector General address some of these same issues. Although crosscutting issues usually have agency-specific characteristics that make review by that agency’s OIG most suitable, in some instances a broader perspective through joint reviews by two or more OIGs is more appropriate. On occasion congressional committees seeking a government-wide examination of critical matters involving multiple agencies request these broader reviews. At other times, they grow out of discussions by the inter-agency OIG group, the President’s Council on Integrity and Efficiency (PCIE).

**Review Emphasis:** Current and potential multi-OIG projects include the following:

- A series of reviews to assess the adequacy and effectiveness of the U.S. multiagency export licensing process (see page 4). This work is being done in conjunction with five other OIGs pursuant to the National Defense Authorization Act for fiscal year 2000, which mandated annual reporting until 2007 (see figure below).
- A PCIE review of agencies’ management of their bankcard programs, an issue that we have identified for Commerce-specific work (see page 37).
- An examination of agencies’ use of interagency and other special agreements to carry out missions—an area noted as problematic for Commerce operating units in a series of reviews conducted in the late 1990s.



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