

**WRITTEN STATEMENT OF  
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**ON THE  
MISMANAGEMENT OF FUNDS AT THE NATIONAL WEATHER SERVICE AND  
THE IMPACT ON THE FUTURE OF WEATHER FORECASTING**

**BEFORE THE  
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY  
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT  
U.S. HOUSE OF REPRESENTATIVES**

**SEPTEMBER 12, 2012**

Chairman Broun, Ranking Member Tonko, and members of the Committee, thank you for your leadership and the continued support you have shown the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA). I am here to discuss the budget situation facing NOAA's National Weather Service (NWS) and the way forward.

**Introduction**

The National Weather Service (NWS) is one of five line offices within the National Oceanic and Atmospheric Administration (NOAA) within the Department of Commerce (DOC) that work together to achieve NOAA's missions. NWS' core mission is to provide weather, water, and climate data, forecasts, and warnings for the protection of life and property and the enhancement of the national economy. I have come today to testify on our investigation and actions in response to inappropriate and potentially unlawful conduct during budget execution at the NWS. I do so knowing full well how much our Nation counts on NOAA's National Weather Service to be a trusted source of critical, life-saving information. I consider NOAA's responsibility to maintain this trust to be one of our most important missions.

NWS is the official Federal source for the Nation's weather information. The private sector, military and civilian agencies, media, and academia rely on a range of services NOAA provides. For example, NOAA scientists use supercomputers at the NWS National Centers for Environmental Prediction to produce quality-controlled numerical forecasts. The Nation also relies on the Federal observing and information infrastructure, especially NOAA's network of observing systems: Doppler weather radar, radiosonde profiles, and the National Environmental Satellite, Data, and Information Service's (NESDIS) satellite data, to name just a few components. This infrastructure forms the foundation of the Nation's multi-billion dollar private weather industry.

The NWS mission is tightly aligned with that of emergency management, and is linked closely to the Federal Emergency Management Administration (FEMA), the United States Geological Survey (USGS), the United States Army Corps of Engineers, and the National Airspace System. NWS forecast and warning capabilities are Primary Mission Essential Functions (PMEF) vital to the Nation's continuity of operations. The growing population and geographic development of the country have contributed to escalating impacts due to weather-related natural disasters, both in terms of lives lost and of economic effects. Last year's record weather-related disasters caused an estimated \$46 billion in economic losses in the United States. In response, NWS launched a nationwide initiative to increase the effectiveness of our warnings and to provide better decision-support services to local communities to ensure they are prepared for, and respond to weather-related events. This initiative is called Weather-Ready Nation. Keeping the National Weather Service effective, resilient, and modern is a shared goal of ours and Congress' and is in this Nation's best interest. Any misconduct at NWS is of grave concern to us and – I fully understand – to this committee and the rest of Congress as well.

Historically, the NWS has achieved a record of sustained performance, meeting and exceeding most Government Performance and Results Act performance measures and ranking third in 2011 among all federal agencies in an independent survey by the American Customer Satisfaction Index, with a customer satisfaction rating of 84. American citizens have long trusted the National Weather Service, and maintaining that trust is imperative.

## **Financial Investigation**

### **Background**

On November 29th, 2011, NOAA's Deputy Under Secretary for Operations informed NOAA Administrator, Dr. Jane Lubchenco, that a preliminary review of allegations concerning financial mismanagement within the NWS had uncovered evidence of potential violations of appropriations law. Because of the seriousness of these allegations, Dr. Lubchenco immediately informed the Deputy Secretary of Commerce, Dr. Rebecca Blank, of the preliminary findings, placed a NWS employee on indefinite administrative leave, and moved our NOAA Fisheries Chief Financial Officer (CFO) to act as the NWS CFO. At this time the Office of the Secretary and NOAA staff informed Appropriations Committees that an employee was placed on administrative leave, that we were planning an investigation, and that we had concerns about the FY 2012 budget. Dr. Blank and Dr. Jane Lubchenco immediately initiated an investigation. I was the senior executive from NOAA charged with leading the investigation along with a senior executive from the Department's Office of the Chief Financial Officer. Our charge was to review the preliminary findings and expand upon the work of the initial review. From the outset of the investigation, clear instructions were given that we were to determine if improper actions were taken by individuals within the NWS CFO's office and NWS leadership, and if so how best to correct these improprieties.

From December 2011 to April 2012, the Investigative Team conducted thirty interviews of twenty one Department of Commerce employees, completed an extensive review of NWS financial records, and reviewed a large number of documents including emails, financial information, memoranda, and other material provided by witnesses in support of their testimony. Throughout the investigative process the Team consulted with the Department of Commerce

Office of the Inspector General regarding the conduct of the investigation, including whom to interview and what lines of questioning to pursue. The investigation focused primarily on fiscal years (FY) 2010 and 2011, because this was the time period referenced in the complaints received.

## **Findings**

On May 11, 2012, I, in my role as a leader of the Investigative Team, provided Dr. Lubchenco and Dr. Blank with our report, including our findings and recommendations. Importantly, we did not find evidence that NWS officials' improper actions put life or property at risk or jeopardized the delivery of timely and reliable weather forecasts and warnings. However, we found that NWS employees engaged in the reprogramming of NWS funds without Congressional notification during FY 2010 and 2011. Although still under legal review, these actions may be in violation of the Anti-Deficiency Act. The Team also found a failure of management and oversight by NWS leadership, and significant deficiencies in budget and financial controls within NWS, NOAA, and DOC.

The Team found no evidence that NWS employees committed fraud or received personal financial gain through their actions. However, this fact does not alleviate the seriousness of the findings.

The Team found that several anonymous complaints alleging improper financial activity within the NWS were received by the Department of Commerce OIG and senior officials inside NOAA and DOC from early 2010 until the July 2011 OIG referral that initiated the first preliminary investigation. Unfortunately, these early warning signs were not effectively acted upon.

NWS employees used complex financial mechanisms to conduct the unauthorized reprogramming of funds, and I will provide you with a brief synopsis of the Investigative Team's results.

As an initial matter, the Investigative Team found that the NWS did not assess its programs equitably, transparently, or sufficiently to cover common services which was contrary to methods used among other line offices at NOAA. This left a shortfall in the Weather Service Management and Administration account, which the NWS CFO's Office had to address in execution during the course of the fiscal year. In response to this shortfall, and other operational needs, NWS employees switched accounting codes on past expenses between programs and accounts in violation of appropriations law.

NWS used a financial vehicle called a Summary Level Transfer, or SLT, which, under normal circumstances, allows for the correction of accounting errors. In this case, NWS employees used SLTs to switch accounting codes on past expenses paid out of the Local Warnings and Forecasts budget, or "LWF" to codes for other programs. Thus, previously obligated funds within the LWF were freed to use for other purposes, and applied to other activities. As a result, funds appropriated for programs like the Advanced Weather Interactive Processing System (AWIPS), the Weather Surveillance Radar 1988 Doppler (WSR88D) program, and the Weather Radio Improvement Program (WRIP) were used to cover LWF expenses; LWF expenses are primarily labor costs. Newly freed funds within the LWF were in turn used to pay for shortfalls in NWS base operations.

The investigation found that these actions went unchecked in large part due to insufficient oversight over the NWS CFO's Office and a lack of appropriate budget controls over the SLT process. The lack of oversight was exacerbated by the fact that the NWS operated with an unacceptable lack of transparency regarding financial issues, and without avenues by which staff could air concerns about budget formulation and execution within NWS. Moreover, financial controls in place at the Department, NOAA, and the NWS were not designed to, and therefore could not detect the financial mismanagement that occurred here. In addition, the Team found that there was insufficient training for NWS budget personnel and NWS leadership on reprogramming and appropriations law.

The Investigative Team found that the government employee who directed the inappropriate actions was attempting to protect parts of the NWS budget that he or she believed were chronically underfunded, despite the fact that during budget formulation, NWS leadership assured NOAA and Department of Commerce leadership that overall funding was sufficient and that funding was appropriately allocated among NWS accounts.

In the time allotted for the investigation, we could not determine the full amount of expenses improperly reprogrammed during FY 2010 and 2011. Dr. Lubchenco and I know this Committee wants the answer to this question, and I assure you no one wants this answer more than we do. We awarded a contract on the 17<sup>th</sup> of August to Grant Thornton to conduct a full financial review and analysis that we hope can determine the full amount of expenses improperly reprogrammed during fiscal years 2010, 2011, and possibly prior years. What I can tell you is that for FY 2012 we worked with the Appropriation committees to reprogram \$36 million to protect NWS core mission functions.

### **Response Actions**

Financial mismanagement at the NWS is a serious matter. The improper and irresponsible actions described in the report are wholly unacceptable and require swift corrective action. To this end, on May 25, 2012, Dr. Blank and Dr. Lubchenco released decision memos detailing the report's findings and corrective actions NOAA and the Department of Commerce are taking in response to those findings. On that day, we provided these decision memos to this Committee, as well as the House Committee on Appropriations, the Senate Committee on Appropriations, and NOAA's other authorizing Committees, and I have attached them again as addenda to this testimony.

The decision memos detail the 25 corrective actions that Dr. Blank and Dr. Lubchenco have ordered. The first corrective action we directed was the submission to both the House Committee on Appropriations and the Senate Committee on Appropriations of a \$36 million FY 2012 reprogramming. Our dual goals in this reprogramming request were to ensure continuity in core NWS operations and to prevent the possibility of the furlough of NWS employees. We worked with our appropriations committees over the month of June and are currently moving ahead with this reprogramming. The request takes \$29.9 million from NWS programs, \$4.1 million from some non-NWS NOAA programs, and \$1.5 million from prior year de-obligations. This action sustains current levels of weather forecasts and warning services to the Nation. The reductions are largely targeted toward research, postponing procurements of spare parts, deferring enhancements to weather systems, and accelerating reductions proposed in the FY 2013 budget.

The proposed reductions underwent a rigorous review and reflect the best options available at the time given that it was already the third quarter of the fiscal year.

Beyond the reprogramming, the decision memos include actions that are specific to NWS, NOAA, or the entire Department. The NOAA-specific actions include a change in the supervisory structure of the NWS that strengthens oversight of the NWS CFO position by including the Deputy Assistant Administrator for Weather Services and the NOAA CFO in the performance review process; the creation of a well-documented process that includes explicit time for programmatic decisions to align NWS budget formulation and execution with available funds, an equitable assessment of NWS programs for common services, an expansion of NOAA CFO's office supervision of summary level transfers, and the initiation of an outside financial analysis. We are currently on schedule to meet our goals for these actions.

Dr. Lubchenco has been personally engaged in implementing the corrective action plan. Deputy Under Secretary for Operations, Dr. David Titley, and I have been put in charge of carrying out the corrective actions Dr. Blank and Dr. Lubchenco ordered for NOAA and providing them with regular updates. All of NOAA leadership is committed to working with Congress to ensure that processes are in place to restore proper oversight over the Weather Service budget, and that appropriate disciplinary action is taken.

## **Moving Forward**

As we work to implement the corrective actions to ensure proper oversight, we also want to begin a discussion with you on the path forward for the NWS. The science and technology of weather observing, forecasting, and communications have changed dramatically since the current NWS Operations Model was developed in the late 1980s and continue to evolve rapidly. It is imperative that NWS is able to keep pace with these advances and able to change with the evolving needs of our society. An effective, resilient, and modern NWS is needed to better deliver services responsive to population growth, growing infrastructure threats, and an increasingly interdependent economy. Rapid scientific and technological advancements are providing potential solutions that will enable NOAA to better meet our country's needs.

Our dialogue with you needs to move to a strategic vision of what our Nation needs from the NWS in the 21<sup>st</sup> century and how we enable the NWS to evolve accordingly and to provide for those needs in the most efficient and cost effective manner. Future NWS budgets need to focus on a broader, end-to-end and comprehensive strategy for weather services. Congress, the Administration, and key stakeholders – emergency managers, private sector, academia, and the public – need to be active participants in the dialogue as the strategy for the future of NWS is developed.

Important components of this dialogue are the two independent studies, directed by Congress, to review NWS. The first is the National Academy of Sciences (NAS) study of the NWS Modernization and Associated Restructuring (MAR) that Congress directed in the FY 2010 report language. The first phase of this study provided the first official history of the MAR, including lessons learned. The fundamental message delivered by the NAS is that the NWS should not be placed in a position where another wholesale re-engineering effort like MAR is

needed. The second phase, completed last month, reviewed the NWS Strategic Plan<sup>1</sup> and Roadmap<sup>2</sup>.

In NOAA's FY 2012 Appropriations conference report language (P.L. 112-55), Congress recognized the need for a follow-on study to examine the structure of the NWS and directed a second study, using the following language:

“NOAA shall enter into a contract with an independent organization with experience in assessing Federal agencies for the purposes of evaluating efficiencies that can be made to NWS operations... This review shall not be undertaken until the National Academy of Sciences completes its review of the NWS modernization, which will include recommendations on the NWS workforce and composition and how NWS can improve current partnerships with Federal and non-Federal partners and incorporate new technologies for improved services. The findings and recommendations of the National Academy of Sciences review should inform this new independent assessment.”

The Request for Proposals for the follow on study was released on June 14, 2012 and we expect a contract award for this independent study by September 28, 2012.

Results of this study, expected in April of 2013, will help inform future budgets and planning. We hope to have a continuous, rich dialogue with Congress as we move forward and use the results of the reports to begin charting the future course of the NWS.

Recent events have highlighted the need for the Nation's Weather Service to be agile and quick to meet rapidly changing stakeholder needs and accelerating advances in science and technology, while also being resilient and cost-effective in the face of changing budgets. We believe the future of NWS must be marked by more continuous innovation and change. It is our hope that your assistance and the advice of external review and guidance from the NAS and others will provide the necessary information to effect the changes needed to position the NWS for the future. I look forward to continuing this discussion with all of you in the coming months.

## **Conclusion**

We are committed to working with Congress to ensure that processes are in place to restore proper oversight over the Weather Service budget, and to begin a discussion on the future direction of NWS. Thank you for the opportunity to discuss this important issue with you, and I will be happy to answer any questions.

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<sup>1</sup> [http://www.nws.noaa.gov/com/weatherreadynation/files/strategic\\_plan.pdf](http://www.nws.noaa.gov/com/weatherreadynation/files/strategic_plan.pdf)

<sup>2</sup> [http://www.nws.noaa.gov/com/weatherreadynation/files/NWS\\_WRN\\_Roadmap.pdf](http://www.nws.noaa.gov/com/weatherreadynation/files/NWS_WRN_Roadmap.pdf)