



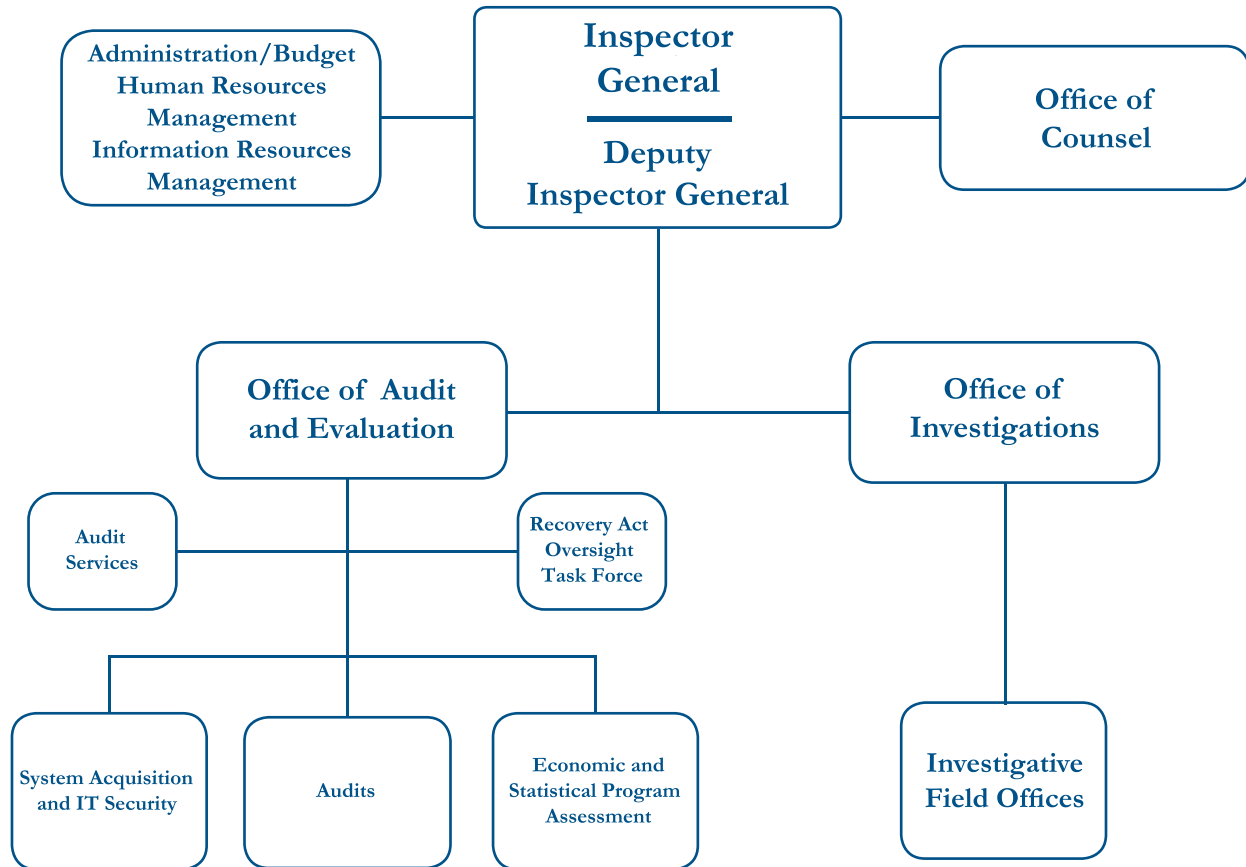
Semiannual Report to Congress

SEPTEMBER 2009



U.S. Department of Commerce
Office of Inspector General

OFFICE OF INSPECTOR GENERAL



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Office of Inspector General Semiannual Report to Congress

September 2009

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FROM THE INSPECTOR GENERAL

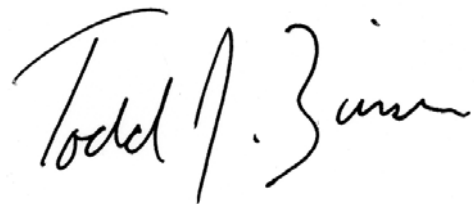
We are pleased to present the Department of Commerce Office of Inspector General's *Semiannual Report to Congress* for the 6 months ending September 30, 2009.

This report summarizes the work we completed and initiated during this semiannual period on a number of critical departmental activities. Over the last 6 months, our office issued 13 audit, evaluation, and inspection reports addressing programs overseen by the Bureau of Industry and Security, Census Bureau, National Institute of Standards and Technology, National Telecommunications and Information Administration, and National Oceanic and Atmospheric Administration. Our investigative activities this reporting period resulted in six criminal convictions and more than \$58 million in fines, restitution, and judgments.

As expected of an activity of such significance and substantial cost, the 2010 Census was a major focus of our efforts (including Congressional testimony, in September) and will remain so, particularly as Census Day (April 1, 2010) approaches. Our Recovery Act oversight work, another high-visibility area for us, centered on a risk assessment of Commerce's Recovery Act programs, development of a risk-based oversight plan, and pre-award operational reviews of Recovery Act grants.

The oversight demands of these two programs have had a major impact on our workload and staffing. To help us respond effectively to these and other challenges, we commissioned the National Academy of Public Administration (NAPA) to conduct an organizational assessment of our office. While the assessment identified areas for improvement, it also highlighted several of our "core strengths," including our reputation for independence, our high perceived value by Congress and other stakeholders, and our staff. As we begin implementing NAPA's recommendations, I am confident that we can support the Administration's directive for transparency and accountability more effectively than ever.

We look forward to working with the Department and with Congress in the months ahead to meet the many challenges facing the Department. We thank the Secretary, senior officials throughout the Department, and members of Congress and their staffs for their support of our work during this reporting period and for their receptiveness to our recommendations for improving Commerce operations.



AMONG NATIONS
COMMERCE SHOULD BE FAIR AND
EQUITABLE — FRANKLIN



MAJOR CHALLENGES FOR THE DEPARTMENT

The Reports Consolidation Act of 2000 requires inspectors general to identify the top management challenges facing their departments. For FY 2010, Commerce OIG has identified five top management challenges that require significant attention from the Department. Of these, three are continued with updates from our November 2008 *Top Management Challenges Facing the Department of Commerce* report: meeting the requirements of an accurate decennial census, continuing to improve the Department's ability to cope with cyber threats, and managing the acquisition of National Oceanic and Atmospheric Administration's (NOAA) environmental satellites. The challenge to meet Recovery Act requirements is a new addition, as is the U.S. Patent and Trademark Office's (USPTO) resource and quality control challenge. OIG has also identified five additional challenges that pertain to Commerce's internal processes and organization. All of these challenges are discussed below.

1. Decennial Census: Mitigate Issues with 2010 Decennial While Addressing Future Census Challenges

Over the past year, OIG reports and congressional testimony have detailed the challenges faced by the Census Bureau as it executes the 2010 decennial count of U.S. residents. The mission of the 2010 decennial census—to succeed in counting each of the over 300 million people in more than 130 million households in the United States only once, in the right place—is a daunting task. Census has built an extensive communications campaign and partnership program to spread the message of a prompt and accurate decennial response, but it ultimately must rely on the American public to return decennial forms without delay.

Top 5 Management Challenges

- 1. Decennial Census:** Mitigate Issues with 2010 Decennial While Addressing Future Census Challenges
- 2. Information Technology Security:** Continue Enhancing the Department's Ability to Defend Its Systems and Data Against Increasing Cyber Security Threats
- 3. NOAA Environmental Satellites:** Effectively Manage Technical, Budgetary, and Governance Issues Surrounding the Acquisition of NOAA's Two Environmental Satellite Programs
- 4. Recovery Act:** Meet the Challenges of Accountability and Transparency with Compliance, Reporting, Spending, Oversight, and Effective Program Performance
- 5. U.S. Patent and Trademark Office:** Address the Patent Office's Resource and Quality Control Issues

With a life-cycle cost estimate now projected to total \$14.7 billion, the 2010 census is a massive undertaking. The most costly operation of the decennial is nonresponse follow-up. In this operation, estimated to cost \$2.7 billion, census takers must visit every household that does not return a census form to record answers to the questions on the form. To accomplish this, the bureau must hire and train more than 450,000 temporary workers, as well as lease and equip 494 local offices. While the bureau cannot predict with certainty the public's response rate and thus the total number of households that will have to be visited in non-response follow-up, costs will increase by tens of millions of dollars for every percentage point of the public that census takers have to visit.

The bureau's ability to manage its enumeration operations effectively hinges on its operations control system. The system was originally a component of the Field Data Collection Automation (FDCA) contract, which was intended in part to develop handheld computers for nonresponse follow-up operations. After the decision was made in April 2008 to abandon use of the handhelds for nonresponse follow up and move to paper, Census assumed responsibility for developing a paper-based operations control system (PBOCS). Described by the bureau as the "nerve center" of its field offices, the PBOCS is used to define enumerator assignments and to provide current information on enumerator productivity. Along with nonresponse follow-up actions, the PBOCS is also needed to support operations such as those in rural areas where Census leaves a form for households to mail back (known as update/leave), interviews to enumerate group residences, and counting at transient locations such as parks or campgrounds.

Census is on a very tight schedule to complete the PBOCS. The system must work compatibly with other 2010 census systems and run within the infrastructure provided by the FDCA contractor, adding significant integration and deployment challenges. Census will be conducting a load test of the PBOCS, although given the highly compressed schedule, the system will undergo less testing than desirable. Once deployed, this system has no margin for error. Without an effectively functioning PBOCS, hundreds of thousands of nonresponse follow-up enumerators may not be able to receive their assignments, and bureau management may not be able to monitor the operation's progress. Such problems, for which no documented contingency plans currently exist, would seriously jeopardize the decennial schedule and further drive up decennial costs. As a core requirement presenting a high level of uncertainty so late in the decennial life cycle, the PBOCS represents one of the most significant decennial challenges facing the Department.

Calendar year 2010 is also a critical time for the 2020 census. The bureau must begin to develop its plans for 2020 even though its workforce is already stretched thin by 2010 operations. The bureau must work with the Department to apply lessons learned

from the 2010 process and develop an innovative, flexible, cost-effective, and transparent approach to the 2020 census.

2. IT Security: Continue Enhancing the Department's Ability to Defend Its Systems and Data Against Increasing Cyber Security Threats

Cyber attacks and security threats are on the rise, and the Department must improve its ability to cope with them. Commerce continues to work to enhance security but, while progress has been made, there is still more to be done.

While IT security has numerous facets, OIG has focused on the adequacy of implemented controls and the certification and accreditation (C&A) processes, including continuous monitoring, for the approximately 300 systems at the Department. Over the years, our work has shown that the Department and USPTO must improve these processes to ensure that they consistently confirm system and data security. This includes improving the assessment of security controls and promptly correcting significant vulnerabilities. Continuous monitoring is critical to maintaining adequate security and requires an ongoing awareness of changing threats and vulnerabilities, plus an understanding of modifications made to IT systems, so that needed enhancements can be made to security controls.

Other key aspects of the Department's IT security challenge include maintaining and enforcing effective IT security policies and preventing, detecting, and responding to IT security incidents. The Department also must ensure continuity of operations, disaster recovery, and IT contingency plans are relevant, maintained, and tested so they can be used successfully in the event of a disruption. Because contractors provide support to all aspects of IT security at Commerce, the Department needs to make certain they receive clear direction and close oversight. The daunting challenge of IT security is increased by the decentralized administrative management structure of the Department, which gives its Chief Information Officer limited authority

over the daily management of IT security operations of Commerce's operating units.

To successfully address the IT security challenge, the Department needs a highly skilled and capable IT security workforce. Our recent audit found that Department management has not devoted sufficient attention to this workforce, including ensuring adequate training and professional development. We also found a lack of formal assignment of accountability for IT security and inconsistent efforts toward obtaining appropriate clearances for IT security personnel. A key recommendation for enhancing the skills of the IT security workforce was that the Department require IT security certifications for personnel with significant IT security responsibilities.

3. NOAA Environmental Satellites: Effectively Manage Technical, Budgetary, and Governance Issues Surrounding the Acquisition of NOAA's Two Environmental Satellite Programs

NOAA is modernizing its environmental monitoring capabilities, in part by acquiring two critical satellite systems: the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and the Geostationary Operational Environmental Satellite-R Series (GOES-R). Highly complex acquisitions like these have a history of cost overruns, schedule delays, and reduced performance capabilities. The NPOESS and GOES-R projects have already experienced these problems. They require careful management and oversight to minimize further disruption to the programs and to prevent any gaps in satellite coverage.

The NPOESS project, managed jointly by NOAA, NASA, and the Department of Defense, has faced several setbacks. The initial project plan called for the purchase of six satellites at a cost of \$6.5 billion, with a first launch in 2008. By mid-2006, problems with a key sensor raised costs and delayed the date of the first launch to 2013, even as the number of satellites in the system was reduced from six to four. By December 2008, the NPOESS total life-cycle cost was revised to \$14 billion. NOAA announced in March 2009 that it would delay the first launch to 2014 because of continuing problems with the sensor.

In the spring of 2009, an independent review board was convened to examine NPOESS' progress. The board found that the program as currently designed has a low chance of success, that the oversight provided by these three agencies has been ineffective, and that the cost estimate is too low. In order to meet the nation's future weather forecasting and climate monitoring needs, the Department of Defense, NASA, and NOAA are working with the White House Office of Science and Technology Policy to restructure the program, including the governance provided by the three agencies. Further delays in the NPOESS program could result in considerable gaps in climatological data and have serious consequences for the safety and security of the United States.

Budget increases, capability reductions, and delays have also plagued the GOES-R project. The projected cost has increased from \$6.2 billion to \$7.7 billion, a major sensor was removed, the number of satellites to be purchased was reduced from four to two, and the launch readiness date for the first two satellites has slipped by 6 months. Our 2007 evaluation found that weaknesses in oversight contributed to these problems. Since our review, NOAA has finalized a GOES-R management control plan and the Department has been working on a new oversight policy. NOAA and the Department still need to develop effective interim oversight procedures to manage costs and prevent further setbacks.

4. Recovery Act: Meet the Challenges of Accountability and Transparency with Compliance, Reporting, Spending, Oversight, and Effective Program Performance

The American Recovery and Reinvestment Act of 2009 requires an unprecedented degree of transparency and accountability and sets out specific responsibilities for agency staff in managing Recovery Act funds and program operations. Commerce operating units must spend funds expediently with little time to prepare for the many new and expanded programs, grants, and contracts established under the act.

This pressure to distribute funds quickly to communities and businesses significantly increases the risks for fraud, waste, and abuse in both Recovery Act-funded activities and Commerce’s traditionally funded operations. Commerce grant and contract officials overseeing the programs must implement procedures to ensure that Recovery Act programs meet requirements in areas such as the use of competitive procedures and contract types, Buy American provisions, and the National Environmental Policy Act.

Federal agencies receiving Recovery Act funds must report key information such as awards, obligations, outlays, and major activities on a weekly basis. Fund recipients need to report on the projects and activities created and their completion status, as well as job creation and retention. Ensuring accurate and timely data poses challenges, such as the manual nature of the reporting processes, the need to maintain data integrity, the risk of inconsistent or incomplete reporting from dissimilar operating units, and the brief time allotted for their review of recipient reporting. As funds are distributed, Commerce must ensure that they are used effectively for their intended purpose.

Finally, National Telecommunications and Information Administration’s (NTIA) Broadband Technology Opportunity Program (BTOP) aims to award approximately \$4.5 billion in grants in less than 18 months, a level of grant activity no Commerce operating unit has ever before undertaken. Among its challenges in the near term, BTOP needs a rigorous review process to make sure applicants clearly identify and rank gaps in broadband coverage, as well as submit proposals targeting areas of greatest need.

5. U.S. Patent and Trademark Office: Address the Patent Office’s Resource and Quality Control Issues

A decade ago, Congress gave USPTO independent control of its management and administrative functions as a performance-based organization. With these flexibilities came measurable goals, performance targets, and expectations that USPTO

would be better positioned to administer the granting of patents and registering of trademarks.

Since 2000, however, the length of time to process a patent has grown from around 25 months to over 32 months and the backlog of applications waiting to be reviewed has grown from approximately 308,000 to more than 770,000. These long waiting periods for patent review and the large number of pending applications can negatively affect innovation if new technologies are not invented, invested in, and disclosed in a timely fashion.

USPTO faces the immense challenges of addressing these persistent problems of long waiting periods and application backlogs while also ensuring that quality remains integral to the patent review process. In addition to reforming and reengineering the various components of the patent application process, USPTO’s IT systems need to be updated to provide greater management oversight and ability to process complex cases. Recent initiatives included hiring additional patent examiners to address the backlog; however, simply adding to the workforce without making improvements to processes and quality control may not be enough.

Further, USPTO must address challenges with its funding mechanisms and fee structure. USPTO is funded entirely by application and maintenance fees paid by patent and trademark applicants and owners. Congress is also involved in this process by setting many of the fees legislatively and establishing a ceiling, through the appropriations process, as to the maximum amount of fees USPTO may collect in a given year. OIG’s November 2008 *Top Management Challenges Facing the Department of Commerce* report suggested that USPTO’s unique financing structure could become increasingly risky, but the recent economic downturn, the decrease in fees collected by USPTO during this time, and the resulting budget difficulties faced by USPTO show that its vulnerabilities are becoming critical more quickly than expected. USPTO must consider administrative, regulatory, and legislative solutions in addressing these challenges.

Other Issues Requiring Significant Management Attention

The Department of Commerce also faces several organizational challenges. First, the effective management of grants and contracts has been a long-standing issue for the Department. Now, due in large part to the Recovery Act, the Department is issuing more grants and contracts than ever. But the Department's ability to appropriately issue and oversee grants and contracts is in question, given a serious shortage of staff with the skills and training necessary to do this critical work. The Department must build up the size and skills of its grants and contracts workforce and improve its oversight processes to make sure grants and contracts are issued effectively and program offices are ensuring that funds are properly spent.

The Department has been described as a “holding company” of 12 autonomous operating units, most of which have independent business models, cultures, and practices. This diversity can create obstacles to the Department's efforts to integrate administrative processes. Commerce needs to standardize and centralize management and oversight in order to save time and money while making operations among its operating units more efficient. In a related challenge, the Department and its operating units must develop cooperative processes for planning, managing, and overseeing major system acquisitions.

NOAA continues to face the challenge of carrying out its mission to conserve the nation's fragile oceans and living marine resources while ensuring a vital U.S. commercial fishing industry. It recently announced plans to realign its headquarters' leadership structure in order to streamline decision making and provide greater policy-level attention to day-to-day management and oversight of its programs. The realignment is intended to provide additional strategic guidance and leadership direction for NOAA's stewardship responsibilities, including fisheries. Nevertheless, balancing its competing mandates for maintaining and improving marine and coastal ecosystems while supporting marine commerce and transportation remains an acutely difficult challenge.

Finally, the Department's headquarters, the General Services Administration (GSA)-owned Herbert C. Hoover Building in Washington, D.C., is undergoing an extensive renovation. The renovation will take about 13 years and is estimated to cost almost \$960 million to complete. The project is being funded mostly by GSA, but the Department has a primary interest in ensuring the renovation is completed on schedule, within budget, and free of fraud. To meet this goal, Commerce and GSA need to provide comprehensive oversight throughout the project's life cycle.

RECOVERY ACT OVERSIGHT

Introduction

On February 17, 2009, the President signed the Recovery Act into law. The Recovery Act requires an unprecedented amount of transparency and accountability and sets out specific responsibilities for OIG to provide oversight of the Department’s activities and its spending of funds appropriated by the act. The Department of Commerce—five operating units, plus OIG—received nearly \$8 billion under the Recovery Act, almost doubling the Department’s FY 2009 appropriations (see Figure 1):

The act allocated funds to operating units, as well as to OIG for oversight, as follows (see Figure 2):

Figure 1. Commerce Recovery Act Allocations Compared with FY 2009 Appropriations

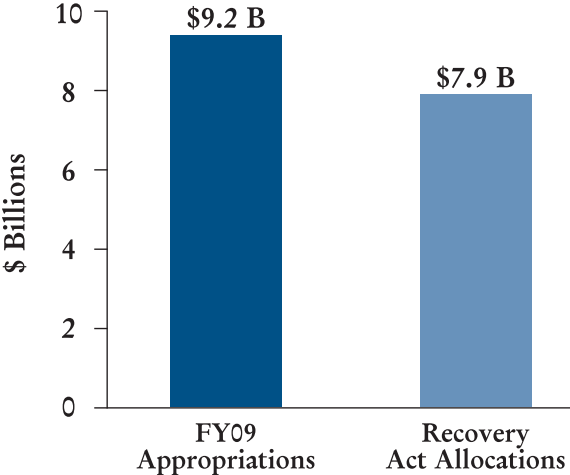
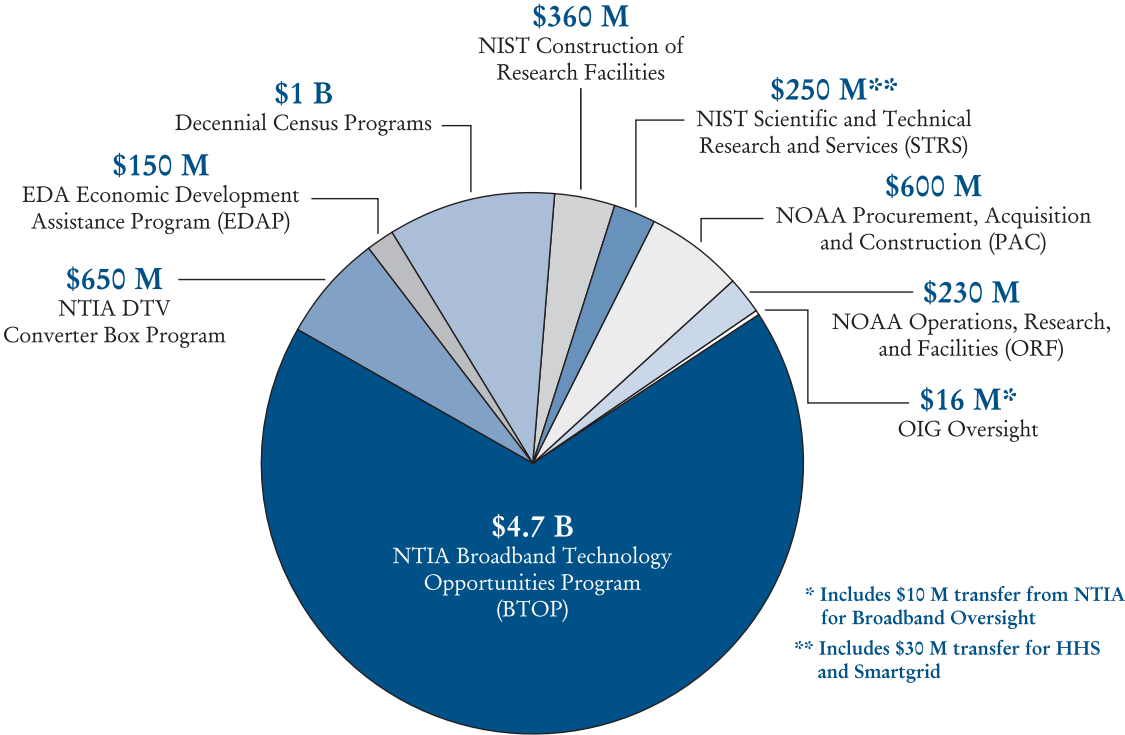


Figure 2. Commerce Recovery Act Allocations, by Operating Unit

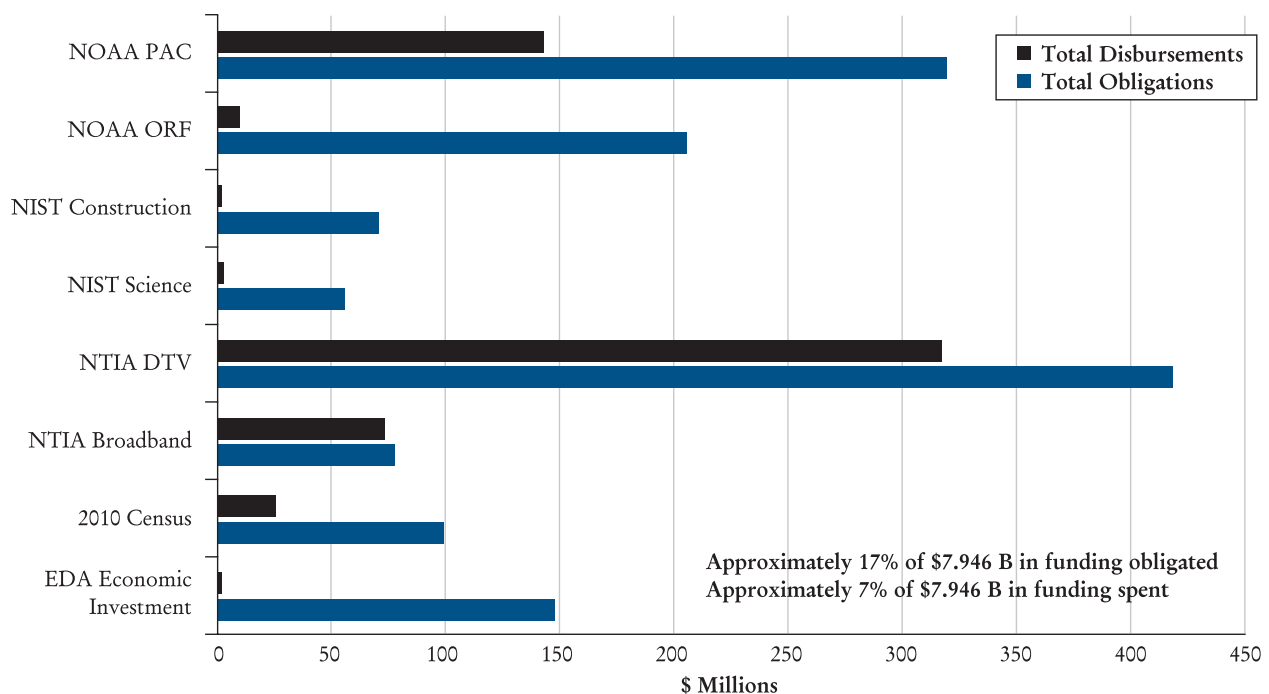


Economic Development Administration (EDA) funds will support private investment, employment, and income in economically distressed communities. Census funds will augment the 2010 decennial census with additional personnel, training, media purchases, and management of operational and programmatic risks. The National Institute of Standards and Technology (NIST) will spend the bulk of its scientific and technical research and services funds to acquire advanced scientific equipment; its construction of research facilities funds are equally divided between construction projects for NIST facilities and grants for others to build research facilities. The bulk of the National Oceanic and Atmospheric Administration’s (NOAA) operations, research, and facilities funds (\$170 million) will support habitat restoration, while the single largest procurement, acquisition, and construction outlay (also \$170 million) will support complex climate computing/modeling programs. Recovery Act support for the National Telecommunications and Information Administration (NTIA) includes a smaller share for the digital television converter box program (the majority of which has already been disbursed). The larger share will fund NTIA’s endeavor to stimulate demand and facilitate greater use of broadband.

Through FY 2009, Recovery Act operations at Commerce were guided by a Department implementation team, organized by the Secretary of Commerce, to coordinate Recovery Act work across the Department. The OIG team monitored their activities, ensuring that agencies followed Office of Management and Budget (OMB) guidance (M-09-15 and M-09-21) in developing their spending plans, program plans, program operations, agency reporting, and recipient reporting review processes. Using OMB guidance—as well as operating unit spending plans, program plans, and other documentation—we risk-assessed Commerce’s Recovery Act activities and developed an FY 2009 risk-based oversight plan.

Program start-up operations have involved minimal spending activity. Department program management has attempted to balance the Recovery Act’s call for expediency with its demand for accountability and transparency, thus focusing on implementing additional controls to ensure Commerce meets these unique Recovery Act requirements. As of the end of FY 2009, Commerce has obligated approximately \$1.4 billion in funds and spent approximately \$570 million (see Figure 3). However, with NTIA’s

Figure 3. Commerce Operating Units’ Recovery Act Spending (in Millions) in FY 2009



expected awards of first-round Broadband Technology Opportunities Program (BTOP) grants (\$1.6 billion) during the upcoming quarter, and continued contract and grant awards by the remaining operating units during the next few quarters, we expect obligation activities to increase substantially with spending activities modestly increasing with the start up construction and development activities.

As spending increases—introducing new challenges to reporting data completeness and accuracy—we could find stresses in some of the manual reporting processes currently in place at the operating unit level. For example, additional automation will be important to manage the increased volume of grant and contract agency reporting, as well as the completion of quarterly recipient reporting. This automation should add efficiencies to the reporting process and decrease the risks of reporting errors and delays. Finally, operating units must maintain adequate staffing levels to ensure effective program operations and compliance with additional Recovery Act requirements.

FY 2009 Accomplishments: Highlights

OIG’s active role in outreach, as well as assessing programs’ controls from their creation, helps characterize our FY 2009 Recovery Act oversight as proactive—

assessing program operations prior to implementation. The chart below and following discussion highlight these FY 2009 activities and achievements.

• Conducted outreach and training to Commerce

Since March 2009, our Recovery Act Task Force and Office of Investigations have conducted more than 80 onsite and video training sessions and briefings related to mitigation of fraud, waste, abuse, and mismanagement of Recovery Act funding. This extensive national effort has reached over 3,000 Commerce employees involved in procurement, grants, and program management—as well as current and potential recipients of Recovery Act contracts and grants from Commerce operating units.

Topics included:

- Transparency and Accountability in Grants Management
- Transparency and Accountability in Contract Management
- Fraud Indicators Training
- Introduction to Federal Suspension and Debarment
- Construction Cost Estimating Workshop
- Transparency and Accountability in Broadband Grants

Activity	Results
Outreach and Training	<ul style="list-style-type: none"> • More than 3,000 Commerce employees trained and potential recipients briefed in more than 80 onsite and video training sessions and briefings
Monitoring Obligations and Spending	<ul style="list-style-type: none"> • Review of departmental obligation and spending reports to monitor program operations and spending status
Audit and Evaluation	<ul style="list-style-type: none"> • Commenced an audit of operating unit data quality reviews of recipient reporting • Commenced an evaluation of controls over operating unit reporting on <i>Recovery.gov</i>
Operational Reviews	<ul style="list-style-type: none"> • Commenced review of NIST and NOAA pre-award phases of competitive grant processes • Commenced review of NTIA’s BTOP pre-award grant processes
Recovery Accountability and Transparency Board (RATB) Initiative	<ul style="list-style-type: none"> • Led a RATB initiative to review staffing and qualifications of grants and contracts workforce
Flash Report	<ul style="list-style-type: none"> • One flash report, providing best practices gleaned from previous American relief and recovery initiatives

- **Commenced an evaluation and an audit that, respectively, examine operating unit and recipient reporting**

We initiated an evaluation of IT controls related to data integrity, completeness, and accuracy for those operating unit systems that provide data or data elements for reporting on Recovery.gov. This helped us identify and assess the design of the key controls that mitigate the risk of erroneous data input and incomplete data transmission. Our review assesses the effectiveness of the controls and ensures they are working as designed.

We are also auditing the Commerce agencies to determine whether they have established effective processes to perform data quality reviews of information reported by recipients and awardees of Commerce Recovery Act funding. The review—part of a broader federal Recovery Act review requested by the RATB—will help determine whether operating units have a process in place to identify omissions and errors, as well as to encourage recipients to make timely changes to their reporting as needed.

- **Initiated pre-award operational reviews (NIST, NOAA, NTIA)**

We began a review of the solicitation, selection, and pre-award processes for Recovery Act grants awarded by NIST and NOAA to determine whether they were awarded competitively in accordance with Commerce and Recovery Act requirements. Based on our findings, we will recommend areas of improvement for (1) NIST on its documentation of the selection process; (2) NOAA on its risk management of applicants; and (3) Commerce on its pre-award guidance on background checks.

We are also preparing to review BTOP to (1) assess how effectively NTIA is implementing it, including management controls, contractor oversight, and program office staffing; (2) evaluate the proposal pre-award process that NTIA is using to ensure effective and fair application and award processes; and (3) evaluate the integrity and reliability of the online application system.

- **Led a RATB initiative to review staffing and qualifications of grants and contracts workforce**

At the request of (and in consultation with) the RATB, we developed and distributed a survey to obtain a current benchmark of the acquisition and grant workforce involved in awarding and overseeing Recovery Act contracts and grants. In taking on this initiative, Commerce OIG led and coordinated with the IG community in conducting a Recovery Act-required review to determine the adequacy of staffing levels, qualifications, and training of personnel responsible for Recovery Act contracts and grants.

- **Issued a flash report on balancing expediency with accountability**

Our flash report entitled “Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability” (ARR-19692) reviews our reports on past relief and recovery initiatives, as well as recent reports by other oversight entities. Consolidating the best practices and recommendations relevant to Commerce’s Recovery Act investments, this flash report provides a convenient summary of approaches for achieving accountability while spending Recovery Act funds expeditiously.

Looking Ahead

We are currently completing our FY 2010 plan. In it, we will continue to prioritize the higher-risk initiatives, as well as uncover new oversight priorities. Outreach and training will remain priorities.

NTIA’s BTOP is one higher-risk program that will continue to receive significant focus. Plans for BTOP oversight in FY 2010 include a review of pre-award activities, including NTIA organizational staffing, contractor management, pre-award operations, and systems processing. We will evaluate the effectiveness of programming, the fairness of the application and award process, and the integrity and reliability of the online application system. In audit work, OIG will turn significant attention to reviewing BTOP post-award processes. To assess whether effective processes

exist to monitor grants, we will review BTOP grant recipient project reporting and NTIA site visit processes, as well as the technical assistance BTOP recipients receive.

Other FY 2010 OIG audit activities will devote significant attention to various higher-risk construction programs. Our construction compliance review will assess whether operating units' Recovery Act construction activities comply with the act as well as other requirements, such as Buy American provisions, the National Environmental Policy Act, and performance bonds. We also plan to conduct a performance review to help assess agency oversight of projects, which can ensure successful and timely completion of construction projects.

Further, an OIG focus on fraud prevention will assess anti-fraud monitoring controls available to program offices and will allow us to provide proactive feedback to Commerce operating units on their anti-fraud monitoring, follow-up, and reporting. Our outreach activities will continue to inform the Department's Recovery Act participants about the act's requirements, fraud indicators, and best practices in grant and contract management. Finally, two administrative/financial reviews begun in FY 2009 will evaluate operating unit data reporting integrity (especially related to IT controls over data reported to *Recovery.gov*) and operating units' limited data quality reviews of expenditures reported by Recovery Act fund recipients.

WORK IN PROGRESS

The following Office of Inspector General audits and evaluations were initiated or underway during this reporting period:

Recovery Act Oversight

2010 Census Group Quarters Validation (GQV) Operation's Impact on Producing a High-quality Address List

Review the GQV operation and evaluate the quality of the final group quarters list for coverage and geographic accuracy, and monitor GQV expenditures associated with the Recovery Act.

2010 Census Partnership Program and Recovery Act Spending

Continue oversight of the 2010 partnership program with Census. Monitor program activities and associated Recovery Act spending for the duration of the decennial census. Examine partnership specialist roles and activities and the use of program materials, and assess partner satisfaction.

Agency Reporting Integrity Under the Recovery Act

Assess the effectiveness of key data edit and interface controls that mitigate the risk of erroneous data input and incomplete data transmission in the Commerce operating unit systems that provide data for reporting on *Recovery.gov*.

Agency Processes for Performing Limited Data Quality Reviews of Recipient Reporting

Audit the data quality review processes of agencies receiving Recovery Act funding. Assess whether processes will adequately identify material omissions and/or reporting errors.

Review of NTIA's Organizational and Pre-award Processes for Broadband Technology Opportunities Program

Review BTOP to (1) assess how effectively NTIA is implementing the program, (2) evaluate proposal pre-award review measures to ensure effective and fair application and award processes, and (3) evaluate integrity and reliability of the online application system.

Review of the Solicitation, Selection, and Pre-Award Processes for Recovery Act Grants Awarded by NIST and NOAA

Review the solicitation, selection, and pre-award processes for Recovery Act grants awarded by NIST and NOAA to determine whether grants were awarded competitively in accordance with Commerce requirements. Based on findings, suggest best practices or areas of improvement for NIST's FY 2009 Recovery Act competition and future NOAA competitions for work not related to the Recovery Act.

Survey of Federal Contract and Grants Personnel Qualifications

Coordinate survey efforts within the inspector general community to determine the adequacy of staffing levels, and the qualifications of and training provided to federal contract and grants personnel working on Recovery Act projects.

Department-Wide Management

Department-Wide Oversight of Grants

Identify relevant oversight activities currently in place designed to prevent and detect fraud at the Department's grants-management offices and determine (1) whether adequate oversight activities and controls exist to prevent and detect potential fraud, and (2) if those oversight activities and controls are consistent with the Department's *Grants*

Manual prescribed by the Office of Acquisition Management.

FY 2009 Financial Statement Audit

Determine whether the financial statements are fairly stated in accordance with generally accepted accounting principles. These audits are performed by an independent public accounting firm under OIG oversight.

Census Bureau

2010 Address Canvassing

Continue to assess the outcome of the 2010 address canvassing operation, which took place from March 30 through July 10, 2009, by determining whether the operations succeeded in appropriately updating Census's master address lists and maps.

Address Canvassing Payroll

Evaluate the accuracy and integrity of payroll processing for Census address canvassers, including supervision and rules concerning overtime. During its address canvassing operation, decennial staff and approximately 140,000 temporary workers collected addresses and geographic information using handheld computers to update the address file and maps and to process daily payroll submissions.

Analysis of Field Data Collection Automation Problems

Analyze FDCA problems to determine their causes and how best to avoid them in the future. Specifically examine why cost estimates increased while the scope of the contract decreased, why funds were unavailable for the contract to proceed as planned, and what went wrong with requirements definition and system development and testing.

Distribution of Communications Campaign Promotional Materials to Census Partners

Evaluate whether the promotional materials that were developed as part of the Census Communications Campaign and delivered to the 12 regional offices to distribute to their partnership organizations met contract requirements for quality and timeliness and were appropriate for their target audiences.

Federal Information Security Management Act of 2002 Evaluation of a Decennial Census Systems Certification and Accreditation

Evaluate the C&A of Census's FDCA system as part of our responsibilities under FISMA. Determine whether controls adequately protect the system and its information and whether the C&A process produced sufficient information about system vulnerabilities to enable the authorizing official to make a credible, risk-based accreditation decision.

Reviews of Address Canvassing Lister Travel Claims

Review the travel claims submitted by address listers in support of the Census 2010 address canvassing operation. Evaluate the causes of budget variances for listers' time and mileage and other expenses incurred during address canvassing to help identify how Census can better control costs during nonresponse follow-up operation.

Review of Communications Campaign Contract

Review contract requirements, plans, deliverables, timelines, and funding, and follow up with separate audits of any problem areas we identify as potential areas for audit. The contract provides for an integrated marketing and communications campaign in support of the 2010 Census, with the goal of improving the mail response rate, accuracy of the count, and cooperation of enumerators.

Decennial Response Integration System (DRIS)

Assess contract requirements, deliverables, funding, and timelines, and review award fees and any other contract changes made to accommodate the bureau's decision to conduct paper nonresponse follow-up to identify potential areas for audit. The contract provides for the design, building, testing, implementation, and maintenance of systems and infrastructure needed to (1) provide assistance to the public by telephone and (2) receive, capture, organize, and standardize census data provided by respondents through paper questionnaires and the telephone.

Second Census Quarterly Report

Report on the progress of the 2010 Census with respect to cost, schedule, and risk, as mandated by the explanatory statement accompanying the Supplemental Appropriations Act of 2008.

Survey of Partner Support Program (PSP) Purchases

Evaluate whether Census employees responsible for administering the PSP are adequately trained and whether regional Census employees are following procedures related to review and approval of PSP purchases. Census partner organizations purchase products and services designed to promote awareness of the 2010 Census, especially among traditionally hard-to-count groups.

Additional Projects

See page 13 for descriptions of two other Census-related works-in-progress funded by the Recovery Act.

National Institute of Standards and Technology

California and Ohio Manufacturing Extension Partnership (MEP) Cooperative Agreements

Determine whether recipients of MEP cooperative agreements have complied with all applicable terms, conditions, and NIST operating guidelines. NIST awards these agreements to organizations to operate MEP centers, which offer technical and business management experience to manufacturers. The federal share cannot exceed 33 percent of allowable project costs.

National Oceanic and Atmospheric Administration

FISMA Evaluation of NOAA Satellite Information System C&A

Evaluate the C&A of the National Environmental Satellite, Data, and Information Service's Environmental Satellite Processing Center system to determine whether the system and its information are

adequately protected. Also establish whether continuous monitoring is providing sufficient information about the status and effectiveness of security controls, and if the C&A process produces sufficient information about system vulnerabilities to enable the authorizing official to make a credible, risk-based accreditation decision.

NOAA Enforcement Activities

Conduct a nationwide review of the policies and practices of NOAA's Office of Law Enforcement and General Counsel Office for Enforcement and Litigation. Focus on (1) evaluating enforcement operations in a regulatory environment; (2) assessing processes used to establish priorities with respect to enforcement actions and penalties; and (3) reviewing overall accounting and management practices applied to the enforcement function, as well as the use of funds NOAA receives through penalties.

Pacific States Marine Fisheries Commission

Audit two NOAA cooperative agreements and three contract task orders awarded to the Commission. In addition to performance, compliance, and cost-incurred audits of the cooperative agreements and task orders, the comprehensive audit also includes an audit of 7 years of indirect cost rates and related proposals and four cost-reimbursable subcontracts.

U.S. Historical Climatology Network's (USHCN) Data Quality and Modernization Efforts

Review the USHCN to determine what impact NOAA's efforts to modernize the network will have on its climate data collection and reporting. Interview users to see if they understand, or are concerned about, the quality issues at hand. Ascertain what corrective actions NOAA has taken and if the actions have been effective.

National Telecommunications and Information Administration

Audits of Public Safety Interoperable Communications (PSIC) Grants in Several States

As required by the Implementing Recommendations of the 9/11 Commission Act of 2007, audit PSIC grants awarded to Arkansas, Pennsylvania, California, New York, Texas, and Massachusetts. Determine the progress these states have made in acquiring and deploying interoperable communications with PSIC grant funds and whether their use of the funds is meeting all federal requirements.

Second Annual Audit of the PSIC Grant Program

Begin second annual audit of the PSIC grant program, assess NTIA's administration of the program, and report results to Congress, also as required by the Implementing Recommendations of the 9/11 Commission Act of 2007.

U.S. Patent and Trademark Office

FISMA Evaluations of USPTO C&A

Evaluate C&A activities for the Patent Cooperation Treaty Search Recordation System and Enterprise UNIX Services System as part of our responsibilities under FISMA. We evaluated

whether controls adequately protect the systems and their information, whether continuous monitoring is providing sufficient information about the status and effectiveness of security controls, and if the C&A process produces sufficient information about system vulnerabilities to enable authorizing officials to make credible, risk-based accreditation decisions.

FY 2009 Financial Statement Audit

Determine whether the financial statements are fairly stated in accordance with generally accepted accounting principles. These audits are performed by an independent public accounting firm under OIG oversight.

Patent Budget Projections

Evaluate USPTO's budget process, including its method of projecting income, expenses, and potential budget shortfalls. Determine whether USPTO has retained documentation supporting the budget-development process, and whether projected funding shortfalls are based on valid evidence.

Patent Quality Assurance Process

Determine the effectiveness of USPTO's patent quality assurance process in ensuring that established standards of patent examination quality are met, and whether the process complies with applicable departmental, operating unit, and federal laws, regulations, policies, procedures, and guidelines.



DEPARTMENT-WIDE MANAGEMENT

The United States Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. The Department has three stated strategic goals:

Goal 1: Provide the information and tools to maximize U.S. competitiveness.

Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science.

Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship.

The Department has also established a Management Integration Goal that is equally important to all operating units: Achieve organizational and management excellence.

Commerce Should Take Steps to Strengthen Its Information Technology Security Workforce (CAR-19569-1)

With the threat of cyber attacks looming over government and private-sector computer networks, the Department of Commerce has become increasingly concerned about the safety of its sensitive information. OIG initiated this audit to address the Department's need for an IT security workforce with the skills to protect the Department's IT systems against cyber attacks. We assessed the Department's efforts to develop and maintain an effective IT security workforce because we have long identified information security as a top challenge for management.

Our audit focused on the IT security personnel at nine Commerce operating units: Bureau of Industry and Security, Census, International Trade

Administration, National Institute of Standards and Technology, NOAA's National Environmental Satellite Data and Information Service and its National Weather Service, National Telecommunications and Information Administration, Office of the Secretary, and U.S. Patent and Trademark Office.

We reviewed the IT security employees' specialized training, certification, security clearances, and professional development efforts. Our sample consisted of the IT security workforce responsible for 11 information systems in various operating units. We chose systems that we believed the Department and operating units would place particular emphasis on staffing with experienced and trained professionals because of the security requirements of the information they handle.

In our audit, we discovered that the Department needs to devote more attention to the development and guidance of its IT security personnel who protect

the Department's sensitive computer systems and information.

- Few of the operating units we reviewed were taking the necessary steps to meet training requirements or keep accurate training records. Moreover, professional development plans were not generally used.
- On the whole, performance management and accountability need to improve. We found several instances in which IT security responsibilities were not included in employees' formal performance plans. Also, personnel with significant security roles were not always formally notified of their duties.
- Finally, we found that some IT security personnel in the operating units we audited did not have the level of security clearance Department policy requires. The IT security workforce on the front line of protecting the Department's assets should have levels of clearance commensurate with their responsibilities.

To develop and maintain an effective IT security workforce, we recommended Commerce implement a Department-wide plan that will address the deficiencies identified in this audit. We advised Commerce to make necessary revisions to its current IT security policy to support the plan. The plan should include actions to

- enhance the professional development of personnel with significant IT security responsibilities, including developing and implementing a requirement for IT security certifications;
- identify essential training, ensure workforce members receive appropriate role-based and security awareness training, and track the training that has been taken;
- formally document the roles and duties of employees having significant IT security responsibilities and include IT security as a critical element in their performance plans; and

- provide appropriate security clearances for IT security personnel.

The need to strengthen the IT security workforce is a challenge for the entire federal government, not just the Department. We therefore encouraged the Department's CIO to take a leadership role on the Federal CIO Council to work with the Office of Personnel Management to reassess the position requirements for the IT security workforce with the goals of better defining duties and responsibilities, establishing certification requirements, and professionalizing the workforce through appropriate educational requirements. The Department agreed with our audit findings and made a commitment to address our recommendations immediately.

Nonfederal Audit Activities

In addition to undergoing OIG-performed audits, certain recipients of Commerce financial assistance are periodically examined by state and local government auditors and by independent public accountants. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, sets forth the audit requirements for most of these audits. For-profit organizations that receive Advanced Technology Program (ATP) funds from NIST are audited in accordance with *Government Auditing Standards* and *NIST Program-Specific Audit Guidelines for ATP Cooperative Agreements*, issued by the Department.

We examined 147 audit reports during this semiannual period to determine whether they contained any audit findings related to Commerce programs. For 70 of these reports, the Department acts as oversight agency and monitors the audited entity's compliance with OMB Circular A-133 or NIST's program-specific reporting requirements. The other 77 reports are from entities for which other federal agencies have oversight responsibility. We identified 9 reports with findings related to the Department of Commerce.

Nonfederal Audit Activities

Report Category	OMB A-133 Audits	ATP Program-Specific Audits	Total
Pending (April 1, 2009)	36	21	57
Received	165	17	182
Examined	131	16	147
Pending (September 30, 2009)	70	22	92

The following table shows a breakdown by operating unit of approximately \$331 million in Commerce funds audited.

Bureau	Funds
Economic Development Administration	\$51,706,651
Minority Business Development Agency	792,760
National Institute of Standards and Technology*	30,094,372
National Oceanic and Atmospheric Administration	19,919,182
National Telecommunications and Information Administration	1,524,798
Multi-Agency	227,090,897
Total	\$331,128,660

* Includes \$23,307,034 in ATP program-specific audits.

We identified a total of \$1,277,948 in federal questioned costs. In most reports the subject programs were not considered major programs; thus the audits involved limited transaction and compliance testing against laws, regulations, and grant terms and conditions. The nine reports with Commerce findings are listed in Appendix B-1. (*Regional Offices of Audits*)





BUREAU OF INDUSTRY AND SECURITY

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

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

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

Federal Information Security Management Act of 2002: Two Reviews Uncover Deficiencies and Vulnerabilities

FISMA requires federal agencies to identify and provide security protection of information collected or maintained by them or on their behalf. Inspectors general are required to annually evaluate agencies' information security programs and practices. These evaluations must include testing of a representative subset of systems and an assessment, based on that testing, of the entity's compliance with FISMA and applicable requirements. During this semiannual period, we conducted reviews of two IT systems at BIS.

FY 2009 FISMA Assessment of BIS Information Technology Infrastructure (OSE-19574)

Continuous monitoring is a critical post-accreditation aspect of the security certification and accreditation process. Effective continuous monitoring requires configuration management and control of information system components, security impact analyses of changes to the system, assessment of security controls, and status reporting. We sought to determine whether, due to continuous monitoring, (1) officials are kept informed about the status and effectiveness of security controls; (2) BIS promptly mitigates any deficiencies; and (3) BIS has resolved deficiencies we noted in our FY 2006 evaluation. Our review covered our assessment of the continuous monitoring of BIS' IT infrastructure system since its accreditation in 2006.

We found that continuous monitoring has not been conducted since the 2006 accreditation. Further, significant C&A deficiencies that we previously identified have not been corrected. In addition, our on-site assessment of security controls revealed vulnerabilities that require remediation. As a result, officials have no assurance that the required controls are in place to adequately protect the IT infrastructure system and its information. Although the authorization to operate the system expired earlier this year, BIS has no current plans to reaccredit this IT system. Thus, BIS should not have reported to the Office of Management and Budget and the Department that annual assessments of security controls were conducted or that the system was certified and accredited. BIS' then-chief information officer stated that budget constraints precluded BIS from taking appropriate actions. Until such protections are in place, this system will remain vulnerable.

We are making many specific recommendations aimed at putting into place a system in which changes are documented, monitoring of selected security controls is continuous, and authorizing officials are informed of and address risks.

FY 2009 FISMA Assessment of Bureau Export Control Cyber Infrastructure, Version 2 (OSE-19575)

We sought to determine whether BIS' C&A of its Bureau Export Control Cyber Infrastructure (ver. 2) produced sufficient information about system vulnerabilities, its continuous monitoring is providing sufficient information about the status and effectiveness of security controls, and the system and its information are adequately protected.

We found that the C&A did not meet Department or FISMA requirements. Security planning deficiencies—in particular, the lack of defined security requirements—undermined the certification team's ability to assess controls accurately and completely. We found that (1) key security planning activities necessary for C&A were not performed, (2) secure configuration settings were not defined for IT products prior to the security control assessment, (3) the security control assessment was not adequate, (4) the authorizing official's accreditation decision violated Department and BIS IT security policy and FISMA guidance, (5) reporting procedures required by Department IT policies were not followed, and (6) vulnerabilities existed that required remediation.

We are making many specific recommendations aimed at improving BIS' C&A process, and bringing it into conformance with both FISMA and departmental requirements. We are also recommending that BIS address the vulnerabilities that we found in our on-site assessment of security controls.



ECONOMICS AND STATISTICS ADMINISTRATION

The **Economics and Statistics Administration** analyzes economic activity, formulates policy options, and produces a major share of U.S. government economic and demographic statistics. The chief economist monitors and analyzes economic developments and directs studies that have a bearing on the formulation of economic policy. ESA has two principal organizational units:

Census Bureau is the country's preeminent statistical collection and dissemination agency. It publishes a wide variety of statistical data about the nation's people and economy, conducting approximately 200 annual surveys, in addition to the decennial census of the U.S. population and the quinquennial census of industry.

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

Census 2010: Cost, Performance, and Quality Issues an Ongoing Focus of OIG Activities

An accurate decennial census is required for congressional apportionment and redistricting, the annual distribution of more than \$400 billion in federal funds to states and localities, and government and business planning and decision making. Accordingly, our oversight of the 2010 census has been an ongoing priority. We began our work in 2002 with a report on lessons learned, *Improving Our Measure of America: What Census 2000 Can Teach Us in Planning for 2010*. Since that time, we have issued more than 20 reports highlighting continuing weaknesses in key decennial areas, including contracting, maps and address lists, systems development, and enumerating hard-to-count populations. Our recent and ongoing work, described in the summaries below, identifies

problems, indicates where oversight is needed, and provides lessons learned for future census activities.

Observations and Address Listers' Reports Provide Serious Indications That Important Address Canvassing Procedures Are Not Being Followed (OIG-19636-01)

To conduct the 2010 census, the Census Bureau will contact, via mail or in person, more than 130 million housing units, occupied or vacant, and will rely on its master address file and maps to do so. During the address canvassing operation, decennial staff collected addresses and geographic information to update the address file and maps. This operation cost \$444 million, almost 25 percent over budget (excluding the cost of handheld computers), employed approximately 140,000 temporary workers

using handhelds, and took less than 4 months to complete. A key feature of the handhelds is the global positioning system (GPS) capability, which allowed address listers to accurately locate an address on the handhelds' electronic map, a procedure called "map spotting."

As part of our oversight of the 2010 decennial census, we observed address canvassing operations in 15 different locales in 5 of the 12 Census regions to determine, among other things, whether address listers were following Census procedures.

Findings

Limited in number and not conducted on a statistically drawn sample, our observations cannot be considered representative of the entire operation. Nevertheless, we found inconsistencies that, if left unaddressed, may negatively impact the quality of the 2010 census address list and may cause Census to incur additional costs in subsequent quality control and enumeration operations.

Our field observations and information independently provided to us by address listers show that listers were not consistently following certain key procedures conveyed in the Census address canvassing manual and during three days of rigidly scripted training. When listers encounter a structure in the field, they must determine if that structure contains living quarters. Through interviews with occupants, they determine whether the structure is a single residence, contains separate housing units, or is a group quarters such as a nursing home, college residence hall, group home, or shelter. The lister also determines whether addresses should be added to or deleted from the address list.

We found that listers did not consistently knock on doors, and we observed listers map-spotting addresses from their cars instead of collecting a map spot at or near the main entrance of a structure, as instructed. This failure of listers to correctly use the handhelds' GPS capability—a key component of Census's more than \$800 million Field Data Collection Automation

(FDCA) contract—jeopardizes Census's ability to ensure that living quarters are recorded within the correct census block. Finally, despite instructions to traverse every road in an assignment area, we observed that some listers completely skipped roads in rural areas when they assumed no houses existed on the road.

A number of factors may be contributing to this breakdown in procedures. We received reports from Census field staff that they were under intense pressure to complete their assignments within a limited time frame and to minimize or avoid overtime.

Recommendations

In April, we recommended to Census that it immediately communicate with its field offices to reinforce the need to follow documented procedures. Census responded rapidly by issuing an e-mail to field staff and conducted a teleconference with its regional directors about the issue. To promote an accurate address list and contain costs, we later recommended that Census

- conduct an analysis of assignment areas where listing operations were completed materially ahead of schedule to determine whether early completion of production may indicate areas where procedures were not followed. These areas should receive special attention using additional quality control checks in ongoing and upcoming address canvassing quality control operations.
- finalize the contingency plan for improving address list quality in the event that the results of the address canvassing operation are found to be deficient.
- analyze the costs and benefits of 100 percent address canvassing in planning for the 2020 decennial census, and consider whether alternative, more effective strategies for developing the address list are feasible.

Problems Encountered in the Large Block Operation Underscore the Need for Better Contingency Plans (OIG-19171-02)

During the 2008 dress rehearsal for the address canvassing operation, Census found that handhelds did not meet its operational needs when used to list blocks containing over 720 addresses. Although Census worked with its FDCA contractor to improve the handhelds' performance, it considered the risk associated with blocks containing 1,000 addresses or more too high based on performance testing results. This problem required Census to rapidly develop an alternative method for canvassing large blocks.

Although large blocks represent only about two percent of all addresses, the large block canvassing operation, carried out between January and June 2009, gave us an early opportunity to review a decennial field operation and to determine whether large block address canvassing procedures, technology, and operations were effective. We conducted our review at eight Census field offices around the country and found several issues related to Census's approach to the operation.

Findings

Need for a Quickly Developed Contingency Plan Increased the Opportunity for Errors

Census had no contingency plan for the inadequate performance of the handhelds noted in dress rehearsal. It quickly considered three options, including the use of pencil and paper, for listing large blocks and finalized a plan only 4 months prior to the start of the large block field operation. The option chosen was to use ALMI, a software program in use at Census field operations since 2003. Census conducted three tests of the ALMI software in 2008, but none of these tests simulated the entirety of events that occur during a decennial operation.

The bureau did not fully understand the magnitude of the large block effort until late October 2008, less than 3 months before the start of the operation in

January 2009. Instead of the estimated 400 experienced listers and 700 new hires necessary to canvass 1.2 million addresses, the bureau actually employed 600 experienced listers and hired and trained 2,000 listers with no prior ALMI software work experience to canvass 3.7 million addresses, increasing the probability of developing a less accurate address list.

Inconsistencies with Primary Address Canvassing Procedures Increased the Likelihood of Errors

The primary address canvassing procedures included the use of handhelds and required listers to knock on doors and attempt to make contact at every structure that contained a living quarters. However, for the large block operation, listers needed only to conduct interviews at housing units with missing house numbers or with the managers of large multi-unit apartments and mobile home parks. We observed instances where the combination of not walking the route and not talking to residents increased the possibility of missing housing units or other living quarters.

Further, the short battery life of the ALMI laptops created the potential for further inconsistencies with primary address canvassing procedures. Some listers took time away from orderly canvassing to charge batteries at a public facility; others drove their cars around their assignment areas and plugged the laptops into a car outlet. Driving rather than walking was not consistent with the prescribed procedures and precluded a thorough canvassing.

Delayed Quality Control Operation Prevented Early Identification of Poorly Performing Listers

The large block operation included a quality control process intended to identify listing errors and was scheduled to follow closely after production listing operations. The purpose of this timing was to quickly check a sample of completed assignments in order to improve accuracy by identifying poorly performing listers and providing them with additional training or other remedies as needed. The bureau's decision to use the ALMI software for quality control, although never designed to accommodate certain decennial practices, exposed a software problem that delayed the start of quality control for several weeks. Listers could continue making errors before their work was

checked, thus increasing the potential for address listing errors.

Depiction of Boundaries on ALMI Maps Affected the Accuracy of Map and Address Updates

Since 2002, Census has invested \$200 million to complete a GPS-alignment of the road network contained on its maps. This activity, combined with the use of handhelds equipped with GPS, was intended to facilitate the development of a more accurate address list and the location of living quarters in subsequent operations. However, the ALMI laptops did not have GPS capability and the maps included on the laptops were based on tabulation geography that included invisible lines (i.e., boundaries not based on physical features). The lack of GPS capability and the use of tabulation geography in large block canvassing caused a number of accuracy-related problems for listers.

Extending the Use of the Handhelds to Subsequent Operations Could Improve the Quality of the Decennial Census

Incorrect placement of housing unit map spots jeopardizes Census's ability to ensure that living quarters are recorded within the correct census block. This, in turn, affects the efficiency and accuracy of enumerating the population and its tabulation in geographic areas. Continued use of the handhelds' GPS capability as a locating device could improve quality and reduce costs of operations in rural areas, where addresses are generally more difficult to find.

Contingency Planning

Problems associated with the large block operation underscore the need for a well thought-out contingency plan covering all of the critical operations coming up in the decennial calendar. Because Census does not have completed contingency plans for all critical operations, it needs to have these plans well developed and documented so, if needed, they can be implemented with as little impact as possible to the accuracy, efficiency, and stability of the 2010 Census.

Recommendations

We recommended that the bureau

- immediately complete contingency plans for future critical 2010 operations. These plans must provide enough detail to ensure the accuracy, efficiency, and stability of the operation;
- conduct a quality review of the address list for areas where boundaries are not based on physical features to determine if housing units have been missed or incorrectly located; and
- consider using handhelds for their GPS locating capacity for operations such as update/leave, update/enumerate, and non-response follow-up to take greater advantage the technology developed under the FDCA contract and achieve a more accurate address list and enumeration.

2010 Census: First Quarterly Report to Congress (OIG-19791-01)

Since first conducted in 1790, the constitutionally mandated decennial census field activities have largely been paper-based operations. The 2010 Census plan included significant expansion of automation, using handhelds to verify addresses (address canvassing), conduct in-person surveys with households that did not return their questionnaires (nonresponse follow-up), and collect data from a nationwide sample to evaluate the accuracy of the decennial count (coverage measurement). Nonresponse follow-up is the most expensive and labor-intensive operation of the decennial census. Increasing costs and automation problems prompted the bureau's decisions to abandon the handhelds for nonresponse follow-up and coverage measurement operations but still use them for address canvassing.

The Supplemental Appropriations Act of 2008 gave Census an additional \$210 million to help cover spiraling 2010 decennial costs stemming from the bureau's problematic efforts to automate major field operations via handhelds, major flaws in its cost-estimating methods, and other issues. The act's

explanatory statement required the bureau to submit to the Senate and House Committees on Appropriations a detailed plan and time line of decennial milestones and expenditures, as well as a quantitative assessment of associated program risks within 30 days.

OIG was also required to provide quarterly reports on the bureau's progress against this plan. The objective of this report was to assess the bureau's ability to oversee the systems and information for tracking schedule activities, cost, and risk-management activities.

In our review, we discovered that inherent weakness in its systems and information for tracking schedule activities, cost, and risk-management activities have long hampered the bureau's ability to effectively oversee decennial progress. The overarching problem is that these systems and information are not integrated in a manner that allows for effective program management measured against earned value metrics. As a result, Census does not have a direct link between the schedule of specific activities, the cost of those activities, and the work actually accomplished. This ability to generate earned value measures makes it difficult to forecast cost overruns and underruns.

The bureau implemented a risk-management process that was an improvement over the prior decennial, which lacked a formal risk-management process, but issues remain. Specific limitations that impact the bureau's management of the decennial census include:

- not using critical path management,
- no thorough up-front review of project start and end dates,
- limited integration of major contractor activities,
- no integration of schedule activities and budget plan/expenditure information,

- unreliable cost estimate,
- lack of transparency in use of contingency funds,
- lack of systematically documented program and funding decisions,
- risk-management activities that are behind schedule, and
- varying quality and content of mitigation plans.

In addition, we found that Census did not clearly and accurately report on the status of the IT security risk associated with the FDCA system, which includes the handheld computers, and ceased reporting it as a key issue in the Monthly Status Report, even though the issue had not been adequately resolved.

Our recommendations, which we forwarded to Census in a separate document, included

- strengthening its process for preparing and reviewing Monthly Status Reports to ensure that they fully and accurately report all key issues and significant risks, as well as other relevant information;
- using its project management software with the 2020 Census to integrate planned budget and expenditure information with schedule activities to better track the status of available funds, forecast impending overruns and underruns so that funds can be reallocated promptly, and improve the transparency of decennial status to oversight officials and stakeholders; and
- developing a robust and transparent process for the 2020 Census to document significant decisions and trade-offs in order to understand estimated costs.





NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

The National Institute of Standards and Technology promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve quality of life. NIST manages four programs: the Technology Innovation Program, the Manufacturing Extension Partnership program, the Baldrige National Quality Program, and NIST Research Laboratories.

The University of Texas at Arlington Manufacturing Extension Partnership Award No. 70NANB5H1005 (DEN-18573)

Congress established the MEP program in 1988 to offer technical and business management assistance to manufacturers, with the goal of improving their profitability, productivity, and global competitiveness. The program, operated by NIST, provides partial federal funding to nonprofit organizations to operate MEP centers that offer an array of services to business and industry clients. The funding is made available through cooperative agreements that require nonfederal matching funds from state or regional partners to support center operations. Today there is at least one center in every state and a total of 59 MEP centers located across the country.

The University of Texas at Arlington (UTA) received a NIST cooperative agreement in March 2005 to continue operating the Texas Manufacturing Assistance Center—a network of seven centers operating throughout the state. The award, as amended, provided funding for 33 months (December 2004-August 2007). Total estimated costs

of the project were \$42 million. The federal share was capped at \$14 million (33 percent) of allowable costs. We audited the MEP to determine whether its claimed costs were allowable under the terms of the agreement and whether the recipient had complied with all other MEP operating guidelines, award terms, and conditions. We also examined costs submitted to UTA by two subrecipients—Texas Engineering Extension Service and Southwest Research Institute—that received cooperative agreement funding from the MEP to operate centers.

UTA claimed costs totaling \$21 million for the period September 2005 through March 2007, and received federal reimbursements of \$6.6 million. We questioned \$1,619,280 of these costs, as follows:

- \$1,533,055 in costs submitted to UTA by subrecipient Texas Engineering Extension Service for, among other things, services from contractors that the contracting firms provided as part of their normal course of business, not as a result of their MEP association; activities the extension service could not document as having been incurred as part of MEP-funded work; and indirect costs that exceeded the approved budget.

- \$86,225 in direct and indirect costs UTA incurred for unallowable lobbying and related hotel expenses.

We also found that Texas Engineering Extension Service used \$238,338 budgeted for indirect costs to cover direct costs claimed from September 1, 2005, through August 31, 2006, without prior approval from NIST or UTA, and reported incorrect program income for its subrecipients. Finally, we found that subrecipient Southwest Research Institute erroneously claimed certain indirect costs, totaling \$63,412, as in-kind contributions.

We recommended that NIST disallow \$1,619,280 in questioned costs and recover \$94,120 in excess federal funds.

Federal Information Security Management Act of 2002: Two Reviews Find Compliant IT Security

FISMA requires federal agencies to identify and provide security protection of information collected or maintained by it or on its behalf. Inspectors general are required to annually evaluate agencies' information security programs and practices. These evaluations must include testing of a representative subset of systems and an assessment, based on that testing, of the entity's compliance with FISMA and applicable requirements.

During this semiannual period, we assessed the certification and accreditation of two NIST IT systems.

FY 2009 FISMA Assessment of the Manufacturing Engineering Laboratory Managed Infrastructure (OSE-19511)

In general, our review of the certification and accreditation of NIST's Manufacturing Engineering Laboratory Managed Infrastructure was positive. Due in part to the departmental Chief Information

Officer's *Smart Spot Check* and subsequent improvement to the C&A, the authorizing official did receive sufficient information to make a credible, risk-based decision to approve system operation. Moreover, continuous monitoring is providing important data about the operational status and effectiveness of security controls.

We noted only minor deficiencies, including (1) needed improvements in the system security plan; (2) the need for secure configuration settings for applications; (3) some certification weaknesses in control assessments; and (4) vulnerabilities uncovered by our assessments that require remediation.

Our recommendations concern documentation, conformance with NIST guidance, the application of security controls to all relevant IT products, and remediation of vulnerabilities identified by OIG.

FY 2009 FISMA Assessment of Application Systems and Databases (OSE-19512)

Our assessment of the C&A of NIST's Application Systems and Databases system noted some deficiencies with security planning prior to the certification phase. However, NIST's C&A process—in particular, its assessment of security controls—did produce sufficient information for the authorizing official to make a credible, risk-based decision to approve system operation. At the same time, NIST's security planning process needs improvement, secure configuration settings had not been established for all IT products, some minor improvements are necessary in control assessments, and we found specific vulnerabilities requiring remediation.

We are making several recommendations, including those dealing with security planning steps, correction of identified deficiencies, conformance with NIST guidance, post-remediation testing, and continuous monitoring.



NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

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

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

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

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

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

Office of Oceanic and Atmospheric Research conducts research related to the oceans and Great Lakes, the lower and upper atmosphere, space environment, and the Earth.

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

Concerns over NOAA's Oversight of Grants and Contract with Finger Lakes Production International, Incorporated (Final Report No. CAR-19201)

In August 2002, Finger Lakes entered into a sole-source contract with NOAA's Office of Ocean Exploration to produce 86 radio spots at a cost of \$100,000 over a 6-month period ending in January 2003. After the contract expired, Finger Lakes applied for and received a financial assistance award

that eventually resulted in a series of grants totaling \$490,000 in funding to continue producing NOAA-sponsored radio spots over a 2-year period. In October 2006, Finger Lakes sought payment from NOAA in the amount of \$526,000 for 456 of 968 radio spots produced over a 4-year period.

We audited NOAA's oversight of its grants and contract with Finger Lakes to determine whether internal control weaknesses were evident throughout NOAA's business dealings with Finger Lakes.

We found that weaknesses in internal controls were evident throughout NOAA's business dealings with Finger Lakes. NOAA's relationship with this



company was flawed almost from the start, as program officials ignored federal protocol for working with private-sector firms. NOAA program officials' casual discussions of funding possibilities, letters of endorsement, and use of various funding vehicles likely conveyed a strong interest on the part of NOAA in maintaining a long-term working relationship with Finger Lakes, and minimized, perhaps inadvertently, the differing requirements and inherent obligations associated with grants, contracts, and other government-funding vehicles.

Specific examples of NOAA's actions include:

- **Inappropriate Notification of a Grant Award.** The then-director of NOAA's Office of Exploration inappropriately notified Finger Lakes of a grant award in advance of the grants officer's official notification.
- **Inadequate Grants Management.** Both the grants management office and the program office failed to convey to Finger Lakes key information about requirements for tracking and reporting incurred costs.

- **Potential Unauthorized Commitment.** The director of NOAA's Office of Education inappropriately discussed funding strategies with Finger Lakes and the Smithsonian Institution regarding the production of jointly sponsored radio spots, for which the Office of Education and Smithsonian Institution would pay Finger Lakes \$50,000.

We recommended that the deputy undersecretary for Oceans and Atmosphere ensure that NOAA

- strengthens grants and procurement internal controls to include stronger oversight of program officials' interactions with current and prospective grant and contract recipients, and provides additional guidelines and training for these officials to ensure they understand their appropriate roles; and
- revisits the circumstances surrounding the review and approval of the scripts produced by Finger Lakes under joint Smithsonian/NOAA sponsorship and determines whether NOAA's actions resulted in an unauthorized commitment of \$50,000.



NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

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

Public Safety Interoperable Communications Grant Awards: OIG Begins Required Financial Audits

The Digital Television and Public Safety Act of 2005 authorized NTIA, in consultation with the Department of Homeland Security (DHS), to implement the PSIC program—a \$1 billion one-time, formula-based matching grant program intended to enable public safety agencies to establish interoperable emergency communications systems using reallocated radio spectrum. NTIA required a minimum 20 percent matching share from nonfederal sources for the acquisition and deployment of communications equipment and for management and administration costs. The award period runs from October 1, 2007, to September 30, 2010, by which time all funds must be expended.

The Implementing Recommendations of the 9/11 Commission Act of 2007 requires the Commerce Inspector General to conduct financial audits, over 4

years, of a representative sample of at least 25 states or territories receiving PSIC grants. During this semiannual period, we audited costs claimed by grant recipients in Louisiana (our first audit under this requirement) and Texas to determine whether they complied with NTIA PSIC grant guidelines and the DHS award terms and conditions.

Louisiana PSIC Grant Award No. 2007-GA-H7-0014 (DEN-19427)

On September 30, 2007, NTIA awarded a \$19,672,287 PSIC grant to the state of Louisiana. The governor of Louisiana designated the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) as Louisiana's state administrative agency to apply for and administer PSIC funds.

Our audit covered the award period of October 1, 2007, through December 31, 2008, during which time GOHSEP claimed total costs of \$7,749,964. In

general, we found GOHSEP to be in compliance with requirements and on track to complete the project on time.

Specifically, GOHSEP had

- prepared an investment justification describing how the grant funds would be used to improve interoperable communications and ensure interoperability with other public safety agencies. It anticipates completing all investments on schedule by the September 30, 2010, PSIC program deadline.
- met the minimum 20 percent matching share requirement in place from nonfederal sources for acquiring and deploying interoperable equipment, and managing and administering the projects, as required by The Digital Television Transition and Public Safety Act, the *PSIC Program Guidance and Application Kit*, and the award's special conditions.
- complied with grant terms and conditions by improving the timeliness of its financial reporting, complying with the cash drawdown requirement for drawing down funds 30 days prior to expenditure or a disbursement, and complying with the 80 percent pass-through requirement by passing through \$16.7 million, about 85 percent, of the \$19.7 million of PSIC federal funds to 64 parishes.
- claimed costs of \$7,749,964 in its December 31, 2008, financial status report, which were determined reasonable, allowable, and allocable according to PSIC grant regulations.

We made no formal recommendations in our report, but did identify ways to further enhance internal controls.

- We suggested that GOHSEP's interoperability program office record the matching share in its grant management system, which was implemented prior to the end of our fieldwork.
- Although our review of GOHSEP's financial status reports determined two of five reports were not

submitted within the required 30 days of the end of the quarter, its last three financial status reports were submitted in a timely manner. We encouraged GOHSEP to continue this pattern of timely financial reporting.

Nevada PSIC Grant Award No. 2007-GS-H7-0015 (DEN-19431)

On September 30, 2007, NTIA awarded a \$12,042,417 PSIC grant to the state of Nevada. The governor of Nevada designated the Department of Public Safety's Division of Emergency Management (DEM) as Nevada's state administrative agency to apply for and administer PSIC funds.

Our audit covered the award period of October 1, 2007, through December 31, 2008, during which time DEM claimed total costs of \$605,113. In general, we found DEM to be in compliance with requirements and on track to complete the project on time because it

- prepared an investment justification detailing the individual communications projects that are intended to achieve meaningful and measurable improvements in interoperability and fill gaps identified in the statewide communications interoperability plan and anticipates completing all investments on schedule by the September 30, 2010, PSIC program deadline;
- complied with grant terms and conditions by submitting all of its financial status reports within the required 30-day time period and complying with the 80 percent pass-through requirement by passing through \$9.9 million, about 82 percent, of the \$12 million in PSIC federal funds;
- claimed costs of \$605,113 in its December 31, 2008, financial status report, which were determined reasonable, allowable, and allocable according to PSIC grant regulations; and
- implemented several notable best practices in its administration of the PSIC program.

However, we also determined that

- while DEM had committed its 20 percent match requirement, which equals \$2.5 million, it had not documented \$1.29 million for two of its investments; and
- DEM did not comply with cash drawdown requirements, as required by PSIC regulations, because it did not place \$525,259 of drawdown funds for three Strategic Technology Reserve vehicles in an interest-bearing account. As a result, we determined imputed interest of \$5,348 is due to the U.S. Department of the Treasury.

We recommended that the NTIA Assistant Secretary for Communications and Information, in

conjunction with the Federal Emergency Management Agency Grant Programs Directorate, require DEM to

- document all committed matches and demonstrate that it has contributed the 20 percent matching share for PSIC expenditures by the next quarterly financial status report; and
- monitor cash drawdowns, put funds not spent within 30 days in an interest-bearing account, and return imputed interest of \$5,348 to the U.S. Department of Treasury.





OFFICE OF INSPECTOR GENERAL

The mission of the **Office of Inspector General** is to improve the programs and operations of the Department of Commerce through independent and objective oversight. Through our audits, inspections, performance evaluations, and investigations, we propose innovative ideas and constructive solutions that lead to positive changes for the Department. By providing timely, useful, and reliable information and advice to departmental officials, the administration, and Congress, our work helps improve Commerce management and operations as well as its delivery of services to the public.

Office of Investigations

Former U.S. Patent and Trademark Office Employee and Co-conspirator Pled Guilty in \$500,000 Embezzlement Scheme

On August 27, 2009, a former financial analyst for the USPTO pled guilty on charges of conspiracy to commit wire fraud in violation of 18 USC § 1349, in connection with an embezzlement scheme. This followed the August 10, 2009, guilty plea of her co-conspirator, who was not affiliated with the federal government. The former USPTO employee managed an account into which USPTO customers deposited funds for the purpose of paying expenses incurred in processing their patent and trademark applications. From 1998 to 2005, the former employee transferred funds from this account to accounts controlled by the co-conspirator. The former employee fraudulently concealed the transfers by making them look like refund payments to USPTO customers. Her co-conspirator then paid a portion of the stolen funds back to her in cash. The former employee engaged in 32 fraudulent transfers from USPTO totaling \$534,338.55. Twenty-seven of the transactions, accounting for \$451,252.17, involved the co-conspirator.

According to the terms of the plea agreements, the two conspirators are equally responsible for paying the full amount of the ordered restitution to the U.S. Treasury. The former employee and her co-conspirator are scheduled for sentencing in the U.S. District Court for the Eastern District of Virginia in November 2009. Irregularities in refunds being made from the deposit account were first detected by new management in USPTO's Office of Financial Management. They reported the irregularities to auditors from our Office of Audit and Evaluation. An ensuing investigation conducted by our Office of Investigations uncovered the full extent of the conspiracy and fraudulent acts which were reported to the U.S. Attorney's Office for the Eastern District of Virginia for prosecution. (*Washington Field Office*)

Employee Suspended for Violation of Security Procedures

In April 2009, a Department of Commerce employee was suspended for 7 days for attempting to bring weapons into the Department's Washington headquarters building and intentionally circumventing the security screening process. In July 2008, the employee was randomly selected for a security screening upon entering the facility. At the time, he possessed a knife, an expandable baton, and Oleoresin Capsicum spray. Shortly after the inspection began,

which included an x-ray of his bag, the employee abruptly exited the building and proceeded to another entrance to gain access. Using some information that was obtained during this process, he was identified and located with these items in his possession. The individual received a 7-day suspension for conduct unbecoming a federal employee, specifically the intentional circumvention of security procedures. The incident also resulted in improved security procedures and policy for the headquarters building after coordinating with the Department's Office of Security. (*Washington Field Office*)

NOAA Employee Pled Guilty, Sentenced on Wire Fraud

In our March 2009 *Semiannual Report*, page 51, we reported that a NOAA Corps shipboard employee was fired for misuse of his government purchase card. During a November 2008 search warrant, the employee's personal racing motorcycle was seized and found to contain approximately \$18,000 in aftermarket parts, purchased using his government purchase card. On April 1, 2009, the employee was indicted on one count of theft of government property in violation of 18 USC § 641 and 8 counts of wire fraud in violation of 18 USC § 1343. On June 9, 2009, the employee pled guilty to one felony count of wire fraud. Per the terms of the plea agreement, the other 8 counts of the indictment were dismissed. On September 29, 2009, the former employee was sentenced to 4 months' home detention and 32 additional months of probation, and ordered to pay a \$100 special assessment, a \$1,000 fine, and \$251.27 in restitution. That restitution supplements a prior administrative repayment of \$17,472.17, previously made by the subject to NOAA. (*Silver Spring Resident Office*)

Former Bureau of Industry and Security Special Agent Arrested, Convicted, and Sentenced for Misuse of Position

As reported in our September 2007 *Semiannual Report*, page 50, a former criminal investigator with the BIS

Office of Export Enforcement was indicted in the U.S. District Court for the Northern District of California for false statements and misuse of government computers. An OIG investigation revealed that he unlawfully accessed an investigative computer database 163 times, within a period of 56 days, in order to track the whereabouts of a woman with whom he had a troubled romantic relationship. The former agent also tracked the whereabouts of the woman's husband and son. The former agent made several life-threatening remarks to the woman, threatened to have her deported, and accessed the Treasury Enforcement Communications System, a secure, individually password-protected law enforcement tracking database usable only in the performance of official duties. When questioned by investigators and supervisors, the former agent lied about the number of occasions on which he accessed the investigative computer database for personal reasons.

On April 28, 2009, the subject was arrested and a superseding information was filed, on which the former agent pled guilty to one count of violating 18 USC § 1030, which prohibits the misuse of government computer databases. He was sentenced, on August 12, 2009, to three years' probation and to pay a \$1,000 fine and \$25 special assessment. As special conditions of probation, he agreed to participate in psychological counseling at his own expense and to have no contact with the woman he had threatened. (*Atlanta Field Office*)

Arrests, Indictments, Convictions, and Sentences Continued in International Telemarketing Fraud Case

Results continue from our joint, international investigation, previously reported in multiple *Semiannual Reports*, of a major international telemarketing fraud scheme perpetrated by callers falsely identifying themselves as employees of the Department of Commerce and other federal agencies. Callers told victims they had won huge sweepstakes prizes in a national lottery sanctioned by the U.S. government. The victims were instructed to use commercial wire transfer services to send payments of \$1,500 to \$4,500 to Costa Rica,

purportedly for insurance and customs fees that were required to retrieve their winnings. Many of those defrauded made multiple transfers to the telemarketers, resulting in over \$20 million in identified losses to U.S. residents.

This reporting period, we logged an arrest, indictment, and conviction on charges of failing to report to prison and obstruction of justice against a conspirator in the scheme who had been previously convicted, then fled to Mexico rather than reporting to federal prison as ordered. Two other participants pled guilty to charges related to their participation in the fraud scheme, bringing the total convictions for this 6-year investigation to 39. Sentences were handed down against nine of the convicted subjects. The sentences imposed ranged from 3 to 50 years and monetary restitution was ordered totaling \$38,166,392 for this reporting period, along with over \$20 million in financial forfeitures, fines, and special assessments. (*Atlanta Field Office*)

Other OIG Activities

Principal Assistant Inspector General for Audit and Evaluation Testified on Oversight of 2010 Decennial Census and Integrated Communications Campaign

On September 22, 2009, the principal assistant inspector general for audit and evaluation testified before a subcommittee of the House Oversight and Government Reform Committee on the Census Bureau's management of the 2010 decennial census and its integrated communications campaign. Her testimony before the Information Policy, Census, and National Archives Subcommittee also covered findings from OIG's first quarterly report to Congress on the 2010 census.

Her testimony summarized continued weaknesses in key Census operations, the identification of which has been an ongoing OIG priority and the subject of more than 20 OIG reports and reviews since 2002.

Among the ongoing challenges she noted are issues relating to contracting, maps and address lists, systems development, and enumerating hard-to-count populations.

The testimony described our work monitoring the integrated communications campaign and the partnership program, which are part of the bureau's efforts to promote participation in the 2010 Census, especially among traditionally hard-to-count populations. Funded in part by Recovery Act funds, these activities include promotional materials, media advertising, and outreach with national, regional, tribal, and local governments, business, and nonprofit organizations.

It also summarized the findings of our first quarterly report to Congress, a requirement contained in the Supplemental Appropriations Act of 2008, which gave the bureau an additional \$210 million to help cover spiraling 2010 decennial costs. OIG found problems with program management systems, risk management, and reporting transparency.

The testimony concluded by listing five major areas we will watch in the future:

- the bureau's evaluation of the quality of the master address file and its plans for any subsequent improvement actions;
- the communications campaign's effectiveness in providing promotional materials and advertising that are timely, on message, and within budget;
- the effectiveness of the vastly increased partnership staff to promote outreach efforts to hard-to-count populations;
- the bureau's progress in developing the automated paper-based operations control system—needed to manage enumerator assignments and track their progress—on a highly compressed schedule; and
- components of the enumeration process, including nonresponse follow-up.

(View the complete testimony at www.oig.doc.gov.)

TABLES AND STATISTICS

Statistical Overview

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Table 1. Investigative Statistical Highlights for this Period

Criminal Investigative Activities	
Arrests	3
Indictments and informations	5
Convictions	6
Personnel actions	3
Fines, restitution, judgments	\$58,154,431
Allegations Processed	
Accepted for investigation	18
Referred to operating units	36
Evaluated but not accepted for investigation or referral	27
Total	81

Audit Resolution and Follow-Up

The Inspector General Act Amendments of 1988 require us to present in this report those audits issued before the beginning of the reporting period (April 1, 2009) for which no management decision had been made by the end of the period (September 30, 2009). Nine audit reports remain unresolved for this reporting period (see page 47).

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

Table 2. Audit Resolution and Follow-Up

Report Category	Modifications	Appeals
Actions pending (April 1, 2009)	0	1
Submissions	0	2
Decisions	0	1
Actions pending (September 30, 2009)	0	2

Table 3. Audit and Evaluation Statistical Highlights for this Period

Questioned Costs	\$1,812,310
Value of audit recommendations that funds be put to better use	5,348
Value of audit recommendations agreed to by management	414,736

Table 4. Audits with Questioned Costs

Category	Number	Questioned Costs	Unsupported Costs
A. Reports for which no management decision had been made by the beginning of the reporting period	14	\$27,616,026	\$5,475,953
B. Reports issued during the reporting period	8	1,812,310	77,881
Total reports (A+B) requiring a management decision during the period ¹	22	29,428,336	5,553,834
C. Reports for which a management decision was made during the reporting period ²	6	1,294,995	487,055
i. Value of disallowed costs		247,449	99,850
ii. Value of costs not disallowed		1,065,797	405,456
D. Reports for which no management decision had been made by the end of the reporting period	16	28,133,341	5,066,779

¹ Two audit reports included in this table are also included among reports with recommendations that funds be put to better use (see table 4). However, the dollar amounts do not overlap.

² In Category C, lines i and ii do not always equal the total line C because resolution may result in values greater than the original recommendations.

Table 5. Audits with Recommendations that Funds Be Put to Better Use

Report Category		Number	Value
A.	Reports for which no management decision had been made by the beginning of the reporting period	2	\$1,180,782
B.	Reports issued during the reporting period	1	5,348
Total reports (A+B) requiring a management decision during the period ¹		3	1,186,130
C.	Reports for which a management decision was made during the reporting period ²	1	87,287
	i. Value of recommendations agreed to by management		167,287
	ii. Value of recommendations not agreed to by management		0
D.	Reports for which no management decision had been made by the end of the reporting period	2	1,098,843

¹ Two audit reports included in this table are also included among reports with questioned costs (see table 3). However, the dollar amounts do not overlap.

² In Category C, lines i and ii do not always equal the total line C because resolution may result in values greater than the original recommendations.

Definitions of Terms Used in the Tables

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

Unsupported cost: a cost that, at the time of the audit, is not supported by adequate documentation. Questioned costs include unsupported costs.

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

Management decision: management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

Appendix A. Report Types this Period

Type	Number of Reports	Appendix Number
Performance audits	1	A-1
Financial assistance audits	3	A-2
Evaluations and inspections	9	A-3
Total	13	

Appendix A-1. Performance Audits

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use
Office of the Secretary			
Commerce Should Take Steps to Strengthen Its IT Security Workforce	CAR-19569-9-0001	09/30/09	0

Appendix A-2. Financial Assistance Audits

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use	Amount Questioned	Amount Unsupported
National Institute of Standards and Technology					
The University of Texas at Arlington	DEN-18573-9-0001	06/29/09	0	534,362	0
National Telecommunications and Information Administration					
Louisiana Public Safety Interoperable Communications Grant	DEN-19427-9-0001	07/24/09	0	0	0
Nevada Public Safety Interoperable Communications Grant	DEN-19431-9-0001	09/29/09	5,348	0	0

Appendix A-3. Evaluations and Inspections

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use
Bureau of Industry and Security			
FY 2009 FISMA Assessment of BIS IT Infrastructure (BI) (BIS002)	OSE-19574	09/30/09	—
FY 2009 FISMA Assessment of Bureau Export Control Cyber Infrastructure, Version 2 (BECCI-2)	OSE-19575	09/30/09	—
Census Bureau			
Observations and Address Listers' Reports Provide Serious Indications That Important Address Canvassing Procedures Are Not Being Followed	OIG-19636-01	05/04/09	—
2010 Census First Quarterly Report to Congress	OIG-19791-01	08/07/09	—
Problems Encountered in the Large Block Operation Underscore the Need for Better Contingency Plans	OIG-19171-02	08/07/09	—
National Institute of Standards and Technology			
FY 2009 FISMA Assessment of Application Systems and Databases (NIST 183-06)	OSE-19511	08/07/09	—
FY 2009 FISMA Assessment of Manufacturing Engineering Laboratory Managed Infrastructure (NIST 820-01)	OSE-19512	08/07/09	—
National Oceanic and Atmospheric Administration			
Concerns Over NOAA's Oversight of Grants and Contract with Finger Lakes Production International Incorporated	CAR-19201	07/02/09	—
Office of Inspector General			
Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability	ARR-19692	05/06/09	—

Appendix B. Processed Audit Reports

The Office of Inspector General reviewed and accepted 147 audit reports prepared by independent public accountants and local, state, and other federal auditors. The reports processed with questioned costs, recommendations that funds be put to better use, and/or nonfinancial recommendations are listed in Appendix B-1.

Agency	Audits
Economic Development Administration	53
Minority Business Development Agency	1
National Institute of Standards and Technology*	20
National Oceanic and Atmospheric Administration	35
National Telecommunications and Information Administration	5
Multi-Agency	33
Total	147

* Includes 16 Advanced Technology Program (ATP) program-specific audits.

Appendix B-1. Processed Reports with Audit Findings

Report Title	Report Number	Date Issued	Funds to Be Put to Better Use	Amount Questioned	Amount Unsupported
Economic Development Administration					
North Central Economic Development Association, Inc., MN	ATL-09999-9-3486	06/03/09	0	0	0
Eight Northern Indian Pueblos Council, Inc., NM	ATL-09999-9-3491	07/14/09	0	\$21,749	\$21,749
SEDA Council of Governments, PA	ATL-09999-9-3495	07/14/09	0	0	0
Community Development Corporation of Fort Wayne, IN	ATL-09999-9-3571	08/14/09	0	892,834	0
Boston Local Development Corporation, MA	ATL-09999-9-3535	09/01/09	0	25,990	25,990
National Institute of Standards & Technology					
Hexatech, Inc., NC	ATL-09999-9-3638	09/23/09	0	166,021	0
Origen Therapeutics, Inc., CA	ATL-09999-9-3583	09/23/09	0	106,757	0
National Oceanic & Atmospheric Administration					
Commonwealth of Puerto Rico, Dept of Natural and Environment Resources	ATL-09999-9-3471	07/14/09	0	30,142	30,142
National Telecommunications & Information Administration					
Community Television of Southern California	ATL-09999-9-3530	09/10/09	0	34,455	0

Audits Unresolved for More Than 6 Months

Census Bureau

ITS Services, Inc.

In our March 2005 *Semiannual Report*, we reported that 3 of the 32 task orders awarded under an IT services contract were audited to determine whether the costs billed by the firm were reasonable, allowable, and allocable under contract terms and conditions and federal regulations. We found that the firm had failed to comply with numerous contract and federal requirements, and questioned more than \$8.5 million in direct labor and reimbursable costs.

Computer & High Tech Management, Inc.

In our September 2005 *Semiannual Report*, we reported the results of audits of 2 of the 21 task orders for another firm providing IT services to Census. We sought to determine whether the firm had complied with contract terms and conditions and federal regulations and had billed Census for work performed in accordance with specifications of the task order. We found that the firm failed to comply with numerous contract and federal requirements, which caused us to question more than \$10.7 million in direct labor and other reimbursable costs. We have suspended audit resolution on both of these contract audits pursuant to an agreement with Census.

NIST

Manufacturing Extension Partnership Program

In our March 2009 *Semiannual Report*, we discussed our audits of the operations of three centers, located in South Carolina, Florida, and Massachusetts, that received cooperative agreements under the NIST MEP program. Our audits questioned over \$20 million in costs claimed. Resolution has proven to be complex, and NIST has not provided us with the initial audit resolution proposals. (ATL-18567, ATL-18568, DEN-18135)

NOAA

Alaska Eskimo Whaling Commission

As reported in our March 2009 *Semiannual Report*, a single audit review of this NOAA grant questioned costs totaling \$66,353 in expenditures that were not adequately documented. This audit remains unresolved because we requested that NOAA postpone its submission of an audit resolution proposal. (ATL-09999-8-3238)

REPORTING REQUIREMENTS

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

Section	Topic	Page
4(a)(2)	Review of Legislation and Regulations	47-48
5(a)(1)	Significant Problems, Abuses, and Deficiencies	17-39
5(a)(2)	Significant Recommendations for Corrective Action	17-39
5(a)(3)	Prior Significant Recommendations Unimplemented	47
5(a)4	Matters Referred to Prosecutive Authorities	40
5(a)(5) and 6(b)(2)	Information or Assistance Refused	47
5(a)(6)	Listing of Audit Reports	43-45
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5(a)(8)	Audit Reports—Questioned Costs	41
5(a)(9)	Audit Reports—Funds to Be Put to Better Use	42
5(a)(10)	Prior Audit Reports Unresolved	49
5(a)(11)	Significant Revised Management Decisions	49
5(a)(12)	Significant Management Decisions with which OIG Disagreed	49

Section 4(a)(2): Review of Legislation and Regulations

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

Section 5(a)(3): Prior Significant Recommendations Unimplemented

This section requires identification of each significant recommendation described in previous semiannual

reports for which corrective action has not been completed. Section 5(b) requires that the Secretary transmit to Congress statistical tables showing the number and value of audit reports for which no final action has been taken, plus an explanation of the reasons why recommended action has not occurred, except when the management decision was made within the preceding year.

To include a list of all significant unimplemented recommendations in this report would be duplicative. Information on the status of any audit recommendations can be obtained through OIG's Office of Audit and Evaluation.

Sections 5(a)(5) and 6(b)(2): Information or Assistance Refused

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

Section 5(a)(10): Prior Audit Reports Unresolved

This section requires a summary of each audit report issued before the beginning of the reporting period for which no management decision has been made by the end of the reporting period (including the date and title of each such report), an explanation of why a decision has not been made, and a statement concerning the desired timetable for delivering a decision on each such report. There were one NOAA and five Census reports more than 6 months old.

Section 5(a)(11): Significant Revised Management Decisions

This section requires an explanation of the reasons for any significant revision to a management decision made during the reporting period. Department Administrative Order 213-5, Audit Resolution and Follow-up, provides procedures for revising a management decision. For performance audits, OIG

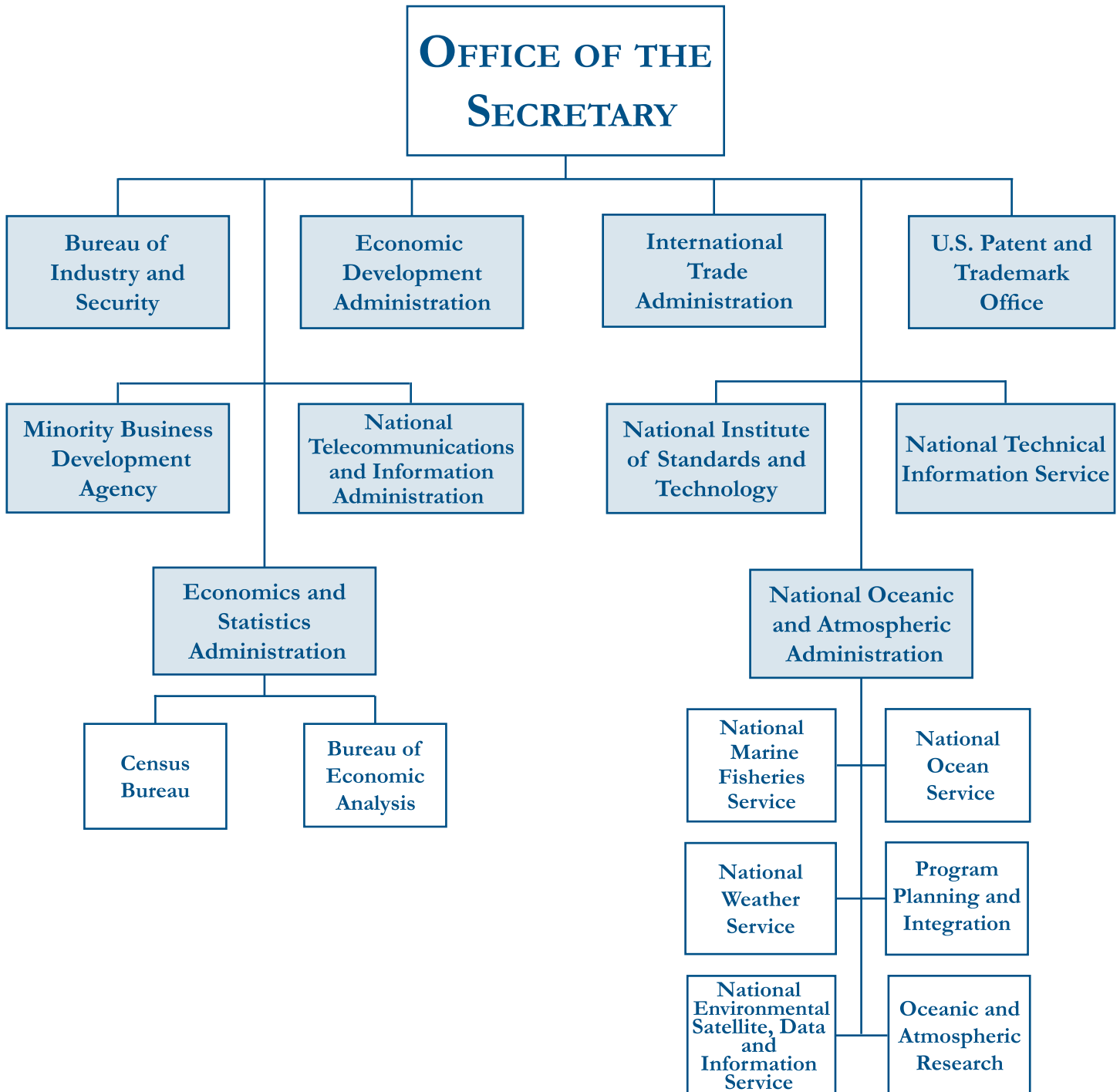
must be consulted and must approve in advance any modification to an audit action plan. One modification to an action plan was decided this period. For financial assistance audits, OIG must concur with any decision that would change the audit resolution proposal in response to an appeal by the recipient. The decisions issued on the two appeals of audit-related debts were finalized with the full participation and concurrence of OIG.

Section 5(a)(12): Significant Management Decisions with Which OIG Disagreed

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

U.S. Department of Commerce

The U.S. Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. The Department accomplishes its mission by providing national and local weather services, developing key economic and demographic data (including the decennial census), and working to advance technological and scientific innovation, protect and restore environmental resources, promote international trade, and support local, regional, and national economic development. These activities impact U.S. business and industry daily and play a critical role in the nation's economic well-being.



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