

FY 2019 Congressional Justification

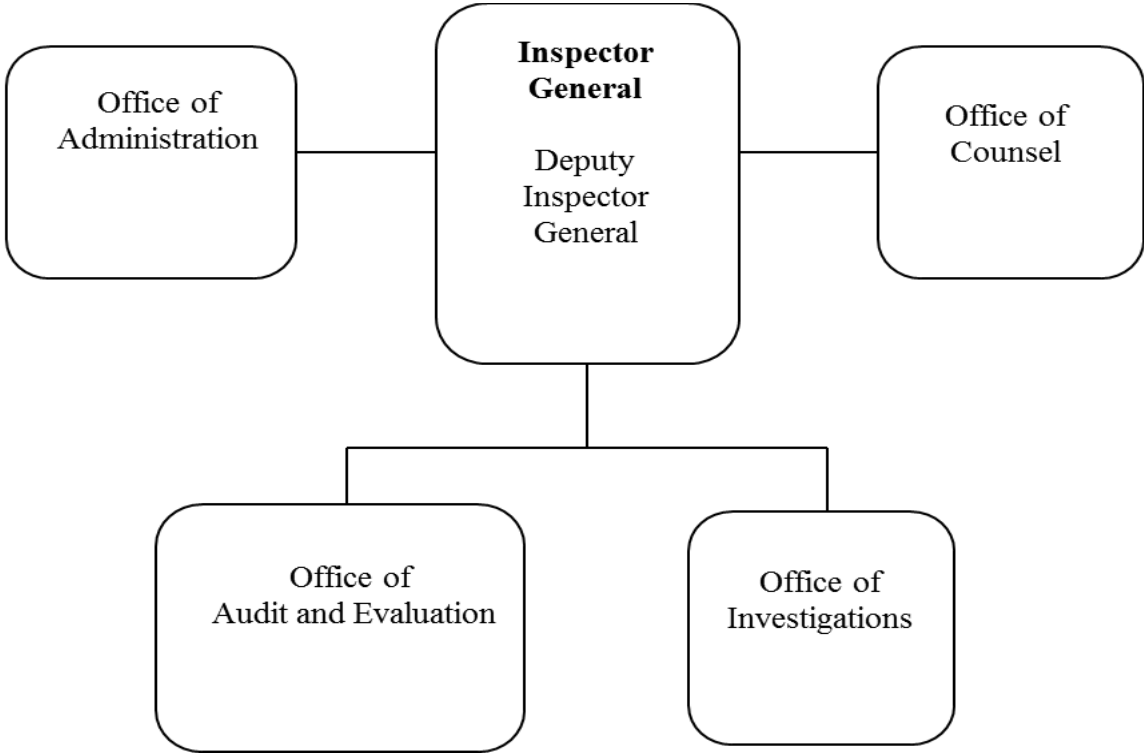
**Department of Commerce
Office of Inspector General
FY 2019 Congressional Justification**

Table of Contents

<u>Exhibit #</u>	<u>Page #</u>
1	Table of Contents.....OIG – 1
2	Organizational ChartOIG – 3
3	Executive SummaryOIG – 5
4a	FY 2019 Program Increases / Decreases / TerminationsOIG – 7
5	Summary of Resource RequirementsOIG – 9
6	Summary of Reimbursable ObligationsOIG – 11
7	Summary of FinancingOIG – 13
8	Adjustments to BaseOIG – 15
10	Program and Performance: Direct ObligationsOIG – 17
11	Program and Performance: Reimbursable ObligationsOIG – 19
12	Justification of Program and PerformanceOIG – 21
13-14	Increases for FY 2019OIG – 35
15	Summary of Transfer and Program Change Object Class Totals.....OIG – 49
16	Summary of Requirements by Object Class.....OIG – 51
33	Appropriation Language and Code Citation.....OIG – 53
34	Consulting and Related ServicesOIG – 55
35	Periodicals, Pamphlets, and Audiovisual ProductsOIG – 57
36	Average Grade and SalariesOIG – 59

40 Inspector General Reform Act of 2008 Reporting RequirementsOIG – 61
APPR FY 2019 Performance Planning Backup.....OIG – 63

**Department of Commerce
Office of Inspector General
Current Organizational Chart**



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Department of Commerce
Office of Inspector General
Budget Estimates, Fiscal Year 2019

Executive Summary

The Office of Inspector General's (OIG) mission is to improve programs and operations through independent and objective oversight by providing current and timely analysis of issues to multiple stakeholders, including the Secretary of Commerce, Department of Commerce (DOC) senior leaders, Congress, and the American taxpayers. OIG accomplishes this mission by providing auditing, investigative, and other services as a means to combat fraud, waste, abuse, and mismanagement of the 99 programmatic operations within the Department. OIG has authority to inquire into all program and administrative activities of the Department, including those performing under contracts, grants, cooperative agreements, and financial assistance awards. The Inspector General Act of 1978 as amended and other legislation authorizes the functions and programs that make up these activities.

OIG supports the Department's efforts to create the conditions for economic growth and opportunity by working to improve DOC's programs and operations through our oversight of DOC programs. OIG fulfills this critical role by conducting audits to identify wasteful expenditures and program mismanagement, investigating fraud and other wrongdoing, and acting to detect and deter waste, fraud, abuse, and inefficiencies.

DOC's programs, essential to strengthening the nation's economy, face serious challenges in carrying out their missions:

- *2020 Decennial Census.* The 2020 Census is particularly high risk due to its potential vulnerabilities to fraud, waste, abuse, and mismanagement. Testing of critical operations and systems is currently underway, while many components of the 2020 design are susceptible to uncertainty and change.
- *FirstNet.* FirstNet is entering the operational phase of the FirstNet program, with critical milestones achievements needed to maintain its reputation among public safety and federal stakeholders. FirstNet must create and integrate the nationwide public safety broadband network, and market and sell its services to enough first responders in 56 states and territories to fiscally sustain the network and FirstNet.
- *Trade.* The President's goal of ensuring fair and secure trade places greater reliance on ITA and BIS. ITA has little experience with the new tasks it must perform and will be at risk for administrative and legal challenges and ineffective implementation. BIS has experienced a major increase in total export license applications and must properly manage the increase in demand for its oversight to ensure sensitive commodities are licensed for export only to foreign end users that have been thoroughly vetted.

Other DOC's programs with significant challenges include environmental satellites, the security of Department systems and information, modernizing the Department's legacy IT systems, and the management of the Department's contracts and cooperative agreements.

OIG’s budget request attempts to balance providing oversight for DOC’s 99 programs while increasing oversight of the 2020 decennial census. For 2019, OIG requests a total of \$40.9 million—\$32.0 million in appropriations, of which transfers of \$2.0 will come from the Public Safety Trust Fund; \$2.0 million from the U.S. Patent and Trademark Office, \$1.3 million from National Oceanic and Atmospheric Administration for satellite oversight; and \$3.6 million from the Census Bureau, an increase of \$1.0 million.

OIG’s base resources of \$38.9 million will enable OIG to continue:

- Working on criminal and civil investigations—in 2016 alone, OIG’s investigations resulted in 13 indictments, criminal information, and criminal complaints; 11 guilty pleas and convictions; 10 suspensions/debarments; more than \$19.9 million in restitution, fines, settlements, and other recoveries; more than 50 removals, suspensions, reprimands, and other personnel actions; and recovery of more than \$18 million in waste and abuse to the federal government.
- Conducting annual audits of the Department’s financial statements and information security program and practices.
- Conducting annual risk-based audits/reviews of DOC offices, programs, and activities, in which reports and recommendations for improving DOC’s operations are issued—in 2016 alone, OIG’s audit and evaluation reports included findings of \$26.5 million in questioned costs and \$3.6 million in recommended funds to be put to better use.
- Maintaining the OIG Hotline to monitor and process allegations of waste, fraud, abuse, or mismanagement in DOC.

The additional \$1.0 million from the Census Bureau and \$2.0 million from the Public Safety Trust Fund would permit OIG to provide additional oversight to the 2020 decennial census and the First Responder Network Authority without reducing oversight for DOC’s other programs. For the 2010 decennial, OIG had to redirect resources and deeply scale back oversight of the rest of the Department in order to provide sufficient oversight to the decennial.

FY 2019 Funding Estimate	
FY 2018 Appropriation	32,522
Census Transfer	2,540
NOAA Transfer	1,302
USPTO Transfer	2,000
FY 2018 Annualized CR	38,364
Plus: Inflationary Increases	565
Plus: Census Transfer Increase	1,016
Plus: FirstNet Transfer Increase	2,000
Less: General Oversight Reduction	(1,057)
Total FY 2019 OIG Budget Request	40,888

**Department of Commerce
Office of Inspector General
Salaries and Expenses
FY 2019 PROGRAM INCREASES / DECREASES / TERMINATIONS
(Dollar amounts in thousands) (Largest to Smallest)**

Increases

Page No.	Appropriation	Budget Program	Activity/Subactivity	Positions	Budget Authority
34	Office of Inspector General	Office of Inspector General	Census Oversight	6	1,016
39	Office of Inspector General	Office of Inspector General	FirstNet Oversight	7	2,000
Subtotal, Increases				13	3,016

Decreases

Page No.	Appropriation	Budget Program	Activity/Subactivity	Positions	Budget Authority
45	Office of Inspector General	Office of Inspector General	General Oversight	(7)	(1,057)
Subtotal, Decreases				(7)	(1,057)

Terminations

Page No.	Appropriation	Budget Program	Activity/Subactivity	Positions	Budget Authority
N/A	N/A	N/A	N/A	N/A	N/A
Subtotal, Terminations				N/A	N/A

Total, Increases, Decreases and Terminations 6 1,959

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS**
(Dollar amounts in thousands)

	Positions	FTE	Budget Authority	Direct Obligations
FY 2018 Annualized CR	178	177	38,364	38,364
2019 Adjustments to Base				
plus: Inflationary/Adjustments to base	0	0	565	565
2019 Base	178	177	38,929	38,929
plus: 2019 Program changes	-7	-5	-1,057	-1,057
plus: 2019 Transfer changes	13	9	3,016	3,016
2019 Estimate	184	181	40,888	40,888

		2017 Actuals		2018 Annualized CR		2019 Base		2019 Estimate		Increase/ (Decrease) Over 2019 Base	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Comparison by program:											
Inspector General	Pos./BA	177	38,626	178	38,364	178	38,929	184	40,888	6	1,959
	FTE/Obl.	162	35,901	177	44,668	177	38,929	181	40,888	4	1,959
TOTALS	Pos./BA	177	38,626	178	38,364	178	38,929	184	40,888	6	1,959
	FTE/Obl.	162	35,901	177	44,668	177	38,929	181	40,888	4	1,959
Adjustments to Obligations											
	Recoveries		0		0		0		0		0
	Unobligated Balance, start of year		(5,316)		(6,304)		0		0		0
	Unobligated Balance transferred		0		0		0		0		0
	Unobligated Balance, end of year		6,304		0		0		0		0
	Unobligated Balance expiring		1,737		0		0		0		0
Financing from transfers:											
	Transfer from other accounts (-)		(5,882)		(5,842)		(5,842)		(8,858)		(3,016)
	Transfer to other accounts (+)		0		0		0		0		0
Appropriation			32,744		32,522		33,087		32,030		(1,057)

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF REIMBURSABLE OBLIGATIONS**
(Dollar amounts in thousands)

	2017 Actuals		2018 Annualized CR		2019 Base		2019 Estimate		Increase (Decrease)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Comparison by Activity										
Inspector General	2	2,838	2	3,500	2	3,500	2	3,500	0	0
Total	2	2,838	2	3,500	2	3,500	2	3,500	0	0

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Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	2017 Actuals	2018 Annualized CR	2019 Base	2019 Estimate	Increase/ (Decrease) Over 2019 Base
Total Obligations	35,901	44,668	38,929	40,888	1,959
Offsetting Collections from:					
Federal Funds	0	0	0	0	0
Unobligated balance, start of year	(5,316)	(6,304)	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	6,304	0	0	0	0
Unobligated balance expiring	1,737	0	0	0	0
Budget Authority	38,626	38,364	38,929	40,888	1,959
Financing:					
Transfer from other accounts (-)	(5,882)	(5,842)	(5,842)	(8,858)	(3,016)
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	32,744	32,522	33,087	32,030	(1,057)

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Department of Commerce
Office of Inspector General
Salaries and Expenses
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
Annualization of 2018 Pay Raise		144
2019 Pay Raise		0
Payment to the Working Capital Fund		0
Full-year cost in 2019 of pos. financed for part year in 2018		0
Change in compensable day		101
Civil Service Retirement System (CSRS)		(15)
Federal Employees' Retirement System (FERS)		30
Thrift Savings Plan		4
Federal Insurance Contribution Act (FICA)-OASDI		8
Health insurance		52
Employees' Compensation Fund		0
Travel		0
Per diem		3
Mileage		0
Common Carrier		0
Passenger Civil Aviation Security Service Fee		0
Rent payments to GSA		36
Postage		0
GSA Steam		0
Water		0
Electricity		0
NARA		0
Other services:		0
Working capital fund		122

General Pricing Level Adjustment:

Printing and reproduction		0
Transportation of things		0
Rent payments to others		0
Other Services (Non-Fed)		54
Communications and Miscellaneous		5
Supplies and materials		2
Equipment		19
Other		0
TOTAL ADJUSTMENTS TO BASE	<u>0</u>	<u>565</u>

Department of Commerce
Office of Inspector General
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Program: Inspector General

		2017 Actuals		2018 Annualized CR		2019 Base		2019 Estimate		Increase/ (Decrease) Over 2019 Base	
Subprogram:		Positions	Amount	Amount	Positions	Amount	Positions	Amount	Positions	Amount	
Executive Direction & Counsel	Pos./BA	17	2,311	17	2,295	17	2,329	17	2,329	0	0
	FTE/Obl.	16	2,148	17	2,672	17	2,329	17	2,329	0	0
Audits & Evaluations	Pos/BA	125	26,699	126	26,518	126	26,909	129	28,345	3	1,436
	FTE/Obl.	115	24,816	125	30,876	125	26,909	127	28,345	2	1,436
Investigations	Pos/BA	35	9,616	35	9,551	35	9,691	38	10,214	3	523
	FTE/Obl.	31	8,937	35	11,120	35	9,691	37	10,214	2	523
Total	Pos/BA	177	38,626	178	38,364	178	38,929	184	40,888	6	1,959
	FTE/Obl.	162	35,901	177	44,668	177	38,929	181	40,888	4	1,959

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**Department of
Commerce Office of
Inspector General
Salaries and Expenses
PROGRAM AND PERFORMANCE: REIMBURSABLE
OBLIGATIONS**

(Dollar amounts in thousands)

Activity: Office of Inspector General
Subactivity: Office of Inspector
General

		2017 Actuals		2018 Annualized CR		2019 Base		2019 Estimate	
Comparison by Program		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Inspector General	Pos/BA	2	2,838	2	3,500	2	3,500	2	3,500
	FTE/Obl.	2	2,838	2	3,500	2	3,500	2	3,500
Total	Pos/BA	2	2,838	2	3,500	2	3,500	2	3,500
	FTE/Obl.	2	2,838	2	3,500	2	3,500	2	3,500

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
JUSTIFICATION OF PROGRAM AND PERFORMANCE**

Activity: Office of Inspector General
Subactivity: Office of Inspector General

The Department of Commerce Office of Inspector General (OIG) was established in FY 1979 as an independent oversight agency under the general supervision of the Secretary of Commerce. OIG's mission is to protect the integrity of the Department's programs and operations through independent oversight. OIG achieves its mission by conducting audits, evaluations, and investigations to uncover fraud, waste, and abuse in the Department's programs and activities. OIG remains committed to keeping Departmental decision-makers informed of both long-standing and emerging problems through OIG's audits and investigations, so timely corrective actions can be taken.

OIG has a base personnel level of 178 positions in FY 2019, a base funding level of \$38,929,000. This funding includes transfers of \$2 million from USPTO, \$1.302 million from NOAA for satellite oversight, and \$2.540 million from the Census Bureau, as well as inflationary increases of \$0.565 million. OIG's headquarters office is located in Washington, D.C., with field offices located in Atlanta, Denver, and Seattle.

OIG's Audits

To date in 2017, OIG's oversight activities include:

- *2020 Decennial Census*. OIG's ongoing oversight monitors activities of the Bureau as it prepares for the decennial census. In March 2017, OIG reported on the Bureau's 2016 test of its nonresponse follow-up (NRFU) field operations. OIG auditors found, as in past Bureau tests, problems with the Bureau's cost estimates, test design, test methodology, and the ability to assess NRFU's operational control system. Another March 2017 report raised concerns regarding the Bureau's controls over information individuals have already provided to governmental and nongovernmental entities (i.e., administrative records and third-party data). In May 2017, OIG reported on the Bureau's 2016 Address Canvassing Test. One finding was that in-office address canvassing will cost significantly more than initially estimated; another was that active block resolution may not finish in time for the 2020 in-field address canvassing operation in August 2019.
- *First Responder Network Authority (FirstNet) and National Telecommunications and Information Administration (NTIA)*. OIG's oversight work on FirstNet and related activities has continued to provide stakeholders with valuable information and updates on progress in implementing a nationwide public safety broadband network (NPSBN). OIG has provided recommendations to

improvements such areas as state and federal consultations and interagency agreements—key building blocks to implementing an effective NPSBN.

- *Information Technology (IT) Security.*
 - OIG's audits assist the Department in strengthening its IT security posture. In March 2017, OIG reported on IT security measures protecting USPTO systems that utilize databases to store business information. OIG auditors found that USPTO's IT security posture was undermined due to inadequate security practices, including impaired security of cloud services.
 - As required by the Cybersecurity Information Sharing Act of 2015 (CISA), the Intelligence Community OIG is leading a joint review by inspector generals at seven agencies, including Commerce OIG, of cybersecurity information sharing. As part of this review, OIG assessed the Department's implementation of sharing cybersecurity information, the results of which will be used by the group to create an interagency report on the on the actions of the executive branch of the federal government to carry out this law.
- *NOAA Satellites.* OIG's weather satellites oversight highlights important risks of schedule delays and data gaps. In February 2017 OIG reported on NOAA's Geostationary Operational Environmental Satellite—R Series (GOES-R) integration and test activities, and OIG issued findings on NOAA's cost estimation, award fee determination, increased costs and risk stemming from a delay in definitizing a system re-plan, the lack of transparency in project management reviews, and inconsistent calculating of and reporting on coverage gap probability. Potential monetary benefits related to these findings were more than \$20 million in questioned costs and nearly \$4 million in funds to be put to better use.
- *Trade.* OIG's trade audits highlight challenges in the International Trade Administration's (ITA's) Enforcement and Compliance (E&C) office efforts to ensure timely regulatory reviews. In February 2017, OIG reported on ITA E&C's efforts to ensure timely/accurate preliminary and final determinations for antidumping and countervailing duty (AD/CVD) proceedings, and found that ITA E&C's quality assurance policies are applied inconsistently for calculations, and 22 percent of regulatory cases miss their original deadlines.
- *Financial and Administrative Operations.*
 - OIG audits the Department's unliquidated obligations (ULOs) and identified contracts that should be closed out and funds that should be returned to the Treasury. As a follow-up to OIG's June 2013 audit report—which reviewed the Department's ULO balances as of December 31, 2011—OIG issued four audit reports on obligation and deobligation review policies and procedures of DOC operating units. These four reports include potential monetary benefits (funds to be put to better use) of more than \$20 million.
 - OIG's review of the Department's 2016 compliance with improper payment requirements found the Department met Office of Management and Budget (OMB) criteria.

- OIG's November 2017 review of the Department's second quarter, FY 2017 Digital Accountability and Transparency Act of 2014 (DATA Act) submission found that a material weakness exists related to controls over the DATA Act submission processes, and that a significant deficiency exists related to access controls over the Department's grant and procurement systems.
- OIG's reviews assess the quality of Department responses to Congressional requests. As detailed in a December 2016 memorandum, OIG analyzed biweekly conference spending reports provided by the Department and identified instances where USPTO was not reporting information as required under appropriation legislation.
 - In November 2016, OIG evaluated whether NOAA National Weather Service (NWS) had adequate controls in place to ensure compliance with applicable laws and regulations for personnel support acquired through service contracts. OIG identified deficiencies concerning NWS' control over the administration and oversight of service contracts, and a need to strengthen controls over retention of key documents and reporting of information to Congress.
 - OIG's annual letter to OMB on the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) updates stakeholders on related Department activities. In a January 2017 correspondence with the acting director of OMB, OIG detailed what actions were taken in FY 2016 to fulfill Charge Card Act and OMB implementation requirements. This included performing annual risk assessments of the Department and submitting semiannual reports to OMB on employee card-usage violations and resulting actions taken to OMB.
 - OIG's audits report on the Department's management of large grant programs. In March 2017, OIG reported on the Economic Development Administration's FY 2014 and 2015 solicitation, evaluation, and selection processes for Public Works and Economic Adjustment Assistance grant recipient selections. In November 2016, OIG reported on the results of an audit of a \$30 million grant to Louisiana's Office of Coastal Protection and Restoration Authority by NOAA's Office of Habitat Conservation.

OIG's ongoing work includes audits or reviews of the following:

- *Office of the Secretary/Department-wide.* Ongoing work includes such topics as 2017 Federal Information Security Management Act (FISMA) compliance; the Department's 2017 consolidated financial statements; the Office of the Secretary's working capital fund; Departmental implementation of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requirements; 2018 top management and performance challenges; the Department's implementation of the 2017 Cybersecurity Information Sharing Act; and audit of the Department's DATA Act submission.
- *Census Bureau.* Ongoing work includes such topics as the Bureau's interactive review address canvassing operation; the Bureau's cybersecurity risk management framework implementation; the Bureau's noncompetitive contracts; Census blanket purchase agreements, 2020 Census local office leasing; 2020 Census background check preparedness; ; 2020 Census area office planning; 2018 end-to-end test address canvassing operation, the Bureau's noncompetitive contracts; and the Bureau's blanket purchase agreements.
- *FirstNet.* Ongoing work includes such topics as FirstNet's management of the Band 14 Incumbent Spectrum Relocation Grant

Program and an audit of the recent contract with AT&T to deploy a network that provides first responders with priority and pre-emption to communications systems during emergencies.

- *ITA*. Ongoing work includes such topics as ITA's cloud-based systems security posture.
- *Minority Business Development Agency (MBDA)*. Ongoing work includes such topics as business development programs.
- *National Institute of Standards and Technology (NIST)*. Ongoing work includes such topics as security and foreign national access and oversight and practices to close out contract files.
- *NOAA*. Ongoing work includes such topics as real property management; Joint Polar Satellite System (JPSS) program performance and Polar Follow-On (PFO) baseline establishment; GOES-R series development, testing, and transition into operations; ship fleet maintenance and repairs; use of blanket purchase agreements; and Pacific Coastal Salmon Recovery fund grants to Washington state Recreation and Conservation Office and Northwest Indian Fisheries Commission.
- *NTIA*. Ongoing work includes such topics as the grant to the Los Angeles Regional Interoperable Communications System Authority Project.
- *USPTO*. Ongoing work includes such topics as performance indicators for prioritized countries; Patent Trial and Appeal Board pendencies; Trademark Next Generation program management; FY 2017 financial statements, monetary awards for patent examiners; and follow-up on recommendations from OIG-13-032, *USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain*.

OIG also conducts annual audits of the Department's financial statements and information security program and practices; prepares semiannual reports summarizing OIG activities; and completes an annual audit plan prior to the start of the fiscal year, supported by an annual risk assessment of Department offices and programs.

OIG's Investigations

OIG's investigative work in 2018 resulted in several significant achievements, including criminal and administrative actions, public reports, and other efforts that led to improvements to the Department's programs and operations. OIG's investigations resulted in 13 indictments, criminal informations, and criminal complaints; 11 guilty pleas and convictions; 10 suspensions/debarments of contractors and grantees; more than \$19.9 million in restitution, fines, settlements, and other recoveries; and more than 50 personnel actions (that is, removals, suspensions, reprimands, or other actions). In addition, more than \$18 million in waste, abuse, and other losses to the federal government was identified through the investigative work. A select number of OIG's recent investigative accomplishments include:

- *An investigation of a member of Congress and associates leads to conviction and sentencing*. A joint investigation resulted in the indictment and conviction of a member of Congress and four of his associates for participating in a racketeering conspiracy, including the misuse of a NOAA educational grant to pay off campaign debts. A member of the U.S. House of

Representatives and four others were indicted on 29 counts including bribery, money laundering, bank fraud, and false statements to a financial institution. In June 2016—following the trial which began in May 2016—the House member was convicted of racketeering and all other counts charged in the case. In December 2016, the House member was sentenced to 10 years in prison and ordered to pay more than \$600,000 restitution.

- *Japanese auto part company pleads guilty in antitrust case and agrees to pay \$7.2 million.* An OIG investigation led to the indictment of a Japanese automotive parts company, its U.S. subsidiary, and four executives for their participation in an international conspiracy to eliminate competition in the sale of automotive parts sold in the U.S. and elsewhere. The indictment charges that the conspirators fixed prices and rigged bids for the sale of automotive parts. In November 2016, the company pleaded guilty and agreed to pay a \$7.2 million fine for its role in the criminal conspiracy.
- *An investigation of USPTO's time and attendance system.* In August 2016, an OIG review of USPTO patent examiners' claimed work hours showed approximately 138 thousand unsupported hours, equating to nearly \$8.8 million in potential waste over a 9-month period. Approximately 28 percent of the total unsupported time consisted of overtime hours. OIG further identified more than 288 thousand unsupported hours, equating to more than \$18.3 million in potential waste over a 15-month period. Because OIG used a conservative methodology to identify unsupported hours, the total could be twice as high as reported in this investigation. OIG also found that USPTO's policies limit the agency's ability to prevent and detect time and attendance abuse. USPTO accepted OIG's recommendations, including reevaluating examiner production goals, updating them for efficiencies from automation and other enhancements, and requiring all examiners to provide supervisors with their work schedules regardless of performance and rating.
- *An investigation concerning travel and other improprieties in the office of a politically-appointed official.* In September 2016, OIG issued a report on its investigation into travel and other improprieties taking place in the office of a high-ranking political appointee within the Department. OIG found that the political appointee and another staff member received unjustified reimbursements in violation of the Federal Travel Regulation and Department policy. OIG also found that a staff member provided inaccurate or knowingly false information to Department officials about the political appointee's travel. In addition, OIG found that the appointee's agency spent thousands of dollars on potentially unauthorized or otherwise questionable expenses associated with office suite renovations the appointee requested. The Department fully concurred with the recommendations OIG made to correct the abuses, as well as deter similar abuses, and has taken steps to implement them.
- *An investigation leading to sentencing in a veteran fraud case.* A former National Guard captain was sentenced to 3 years in prison and ordered to pay \$646 thousand in restitution for lying about his combat history and fraudulently receiving benefits from numerous agencies, including the Department of Commerce.
- *A former Commerce employee convicted of bribing a federal official.* An ex-DOC employee was convicted of bribery, conspiracy to commit bribery, and funneling more than \$200,000 through restaurants. Sentencing is scheduled for September 2017. The individual, who pled guilty to bribing a former Bureau of Industry and Security (BIS) employee, was sentenced on June 30, 2017, to 24 months of probation and home detention for 12 months. The individual was also ordered to pay a \$25,000 fine, a \$200 special assessment, and a monetary judgment of more than \$1 million.

- *Sentencing scheduled for a major fraud case involving a Commerce contractor's CEO.* OIG found that, between March 2013 and December 2014, the president and chief executive officer (CEO) of a company made false statements to the General Services Administration (GSA), enabling them to gain contracts via the GSA Schedule. In September 2013, the Department awarded the company a total of seven contracts to perform tasks in support of the Afghanistan Investment and Reconstruction Task Force. The company obtained \$3.1 million in contracts based upon their false statements. In addition to the fraud in receiving the contract, the company fraudulently billed the government nearly \$1.2 million in danger pay and travel, security, and labor expenses. The CEO pled guilty to one count of major fraud against the United States (18 U.S.C. § 1031); sentencing is scheduled for September 2017.
- *An investigation related to the Broadband Technology Opportunities Program (BTOP) in West Virginia.* OIG found that West Virginia reimbursed a BTOP grant subrecipient roughly \$4.7 million for unallowable costs.

Challenges Facing the Department of Commerce

OIG focuses its oversight efforts on the top management and performance challenges for the Department, which include:

1. **Delivering a Timely 2020 Census That Maintains or Improves Data Quality but Costs Less Per Household Than the 2010 Census**
 - *Maintaining Bureau leadership continuity is critical to ensure that a reengineered, cost-effective decennial census occurs on schedule and produces quality results.* The former director—who began his 5-year term in August 2013—left the Bureau on June 30, 2017. Because the Director of the Census Bureau is a Presidential appointee, there is a likelihood that the position will remain vacant for some time, given the inevitable delay involved in the nomination and confirmation process. With some early 2020 Decennial Census operations underway, as well as the 2018 End-to-End Test, time is running out for a new director to guide the next decennial census to a successful outcome.
 - *Developing an accurate 2020 Census life-cycle cost estimate (LCCE) that can be validated by stakeholders.* In the September 2015 report on the 2014 Census Test, OIG found that the 2020 Census LCCE was not auditable. Also, on three occasions (that is, the 2014 Census Test, the 2014–2015 Address Validation Field Test/Partial Block Canvassing Test, and the 2015 Census Test), the Bureau's tests failed to capture cost data that could be used to validate and update the 2020 Decennial Census LCCE. The Bureau has accounting weaknesses as well; in the May 2014 audit report on 2020 Census research, OIG found significant deficiencies in the Decennial Program's method for recording salary costs. (Since the report was issued, the Bureau has taken steps to ensure employees are correctly recording their time.) Finally, the May 2017 audit of the Bureau's Address Canvassing Test observed substantial cost overruns that are not reflected in the 2020 Decennial Census LCCE. In May 2017 Secretary Ross initiated an LCCE review and delivered an updated estimate to Congressional appropriators and stakeholders in September 2017. The new \$15.6 billion 2020 Census lifecycle cost estimate includes a request for a \$187 million adjustment for fiscal year 2018. We currently do not plan to validate the new estimate as GAO initiated a review in January 2018.

- *Implementing new, reengineered processes and systems in time to perform as needed.* During its research and testing phase, the Bureau planned to inform its 2020 Decennial Census operational design by analyzing the results of tests conducted throughout the decade. As reported in several 2014 and 2015 OIG audits and evaluations, OIG observed that limitations to those tests made it difficult for the Bureau to make operational design decisions that are based on empirical data and accurately estimate the cost of the 2020 Decennial Census. The Bureau has one final opportunity—the 2018 End-to-End Test—to test new operational design components, which the Bureau will rely on to conduct an accurate, high-quality, and cost-effective 2020 Decennial Census.

2. Ensuring the Continuity of Environmental Satellite Observations

- *Transitioning NOAA's GOES-16 and JPSS-1 into operations.* Several issues with GOES-16 components have been identified during the satellite's post-November 2016-launch testing that will result in reduced functionality or future performance problems. Nevertheless, GOES-16 promises significant performance improvements over the legacy satellites once it is fully operational. Additionally, with the launch of JPSS-1 in November 2017, NOAA passed a significant hurdle to mitigating the risk of a gap in data from a polar-orbit satellite. However, the potential for a data gap will remain elevated until JPSS-1 data are sufficiently tested and then assimilated in operational forecast models.
- *Managing risk in the acquisition and development of the next-in-series satellites.* The next satellite in the GOES-R series—GOES-S—is scheduled to launch in the second quarter of FY 2018. Prior to launch, the GOES-R Series program must make modifications to GOES-S in response to issues identified with GOES-16 that pose a risk to the schedule, as well as issues identified in satellite integration and environmental testing. Also, the JPSS program must manage risks with development of the JPSS-2 spacecraft and instruments.
- *Revising Polar Follow-On (PFO) program baselines in accordance with the Administration's priorities.* In December 2016, the Deputy Secretary signed a decision memorandum formally establishing cost and schedule baselines for the PFO program, which funds the JPSS-3 and JPSS-4 missions. However, NOAA's FY 2018 budget submission requested only 43 percent of the funds its previously-established PFO program cost baseline required for FY 2018. In the submission, NOAA proposed to continue development of the JPSS-3 and -4 missions while it re-plans the PFO program. NOAA will need to inform stakeholders of the ramifications of changes to its approach for PFO, with explanations of the risks to weather forecasts and other uses of JPSS data.
- *Assessing the viability of using commercial data in weather forecasts.* The Weather Research and Forecasting Innovation Act of 2017 directs NOAA to submit to Congress a strategy to enable the procurement of quality commercial weather data. Before that law was enacted, NOAA had already begun efforts to assess commercial weather data. In

communications to stakeholders, the National Environmental Satellite, Data, and Information Service (NESDIS) has indicated it will continue to issue requests for information to the commercial sector in efforts to identify new, emerging, or existing observing system capabilities that could meet NOAA's mission requirements. Management will need to regularly inform stakeholders of the challenges stemming from the nascent commercial weather data industry and the ramifications these may have for the eventual operational use of commercial data.

3. Securing Department Systems and Information

- *Continuing security improvements for the Department's national security systems.* OIG's 2016 work identified that the Department faced significant challenges to securing its national security systems. While the Department has made progress in addressing the issues identified, it must maintain management oversight to ensure that appropriate security is implemented and maintained for these critical systems.
- *Ensuring security controls are effectively implemented and conducting high-quality security control assessments.* OIG's 2016 FISMA audit work found that the security plans for the systems reviewed did not adequately describe how security controls were employed. Furthermore, it was found that security control assessments for those systems were not conducted with sufficient rigor to determine whether controls were implemented correctly. The ongoing audit of Census Bureau systems has revealed similar problems with its security control assessments. The Bureau must ensure that security control assessments for its 2020 Decennial Census systems can effectively determine and report control implementation status.
- *Securing cloud-based systems.* In a recent USPTO audit—as well as in ongoing ITA work—OIG has found that the Department has misunderstood security responsibilities for cloud-based systems, leading operating units to incorrectly rely on the cloud service provider to implement security, leaving deficient the security for these systems.
- *Implementing multi-factor authentication for all privileged users.* OIG's 2016 work found that multi-factor authentication for users within the Department had not been fully implemented. Also, in an August 2016 audit report on NOAA IT security, OIG found that a major cybersecurity attack that had been successfully staged against NOAA could have been significantly reduced had multi-factor authentication been fully implemented within the attacked systems.
- *Implementing a cohesive approach to cybersecurity across the Department.* The Department has developed the Enterprise Security Operations Center (ESOC), which provides access to threat indicators and intelligence that is being responded to across operating units. In a July 2017 audit of the Department's implementation of CISA, OIG found that—because a variety of security tools are used within operating units—effective integration of ESOC services with existing operating unit security programs has been slow. In addition, the Department's outdated cybersecurity-related policies provide no clear direction for operating units to adequately implement their security programs, which increases the risk of noncompliance with current federal requirements for securing information systems.

4. Deploying Nationwide Public Safety Broadband Network (NPSBN)

- *Ensuring the successful execution of the contract awarded to AT&T.* Under the contract awarded to AT&T, FirstNet will provide AT&T \$6.5 billion in payments and the exclusive use of 20 megahertz of high-value, telecommunications spectrum, in exchange for the implementation and operation of the NPSBN. The value and complexity presents significant challenges to FirstNet and the Department. FirstNet employed an objectives-based approach in its request for proposal rather than a traditional requirements-driven model throughout the NPSBN contracting process. FirstNet must now monitor AT&T's performance to ensure it successfully meets the terms of the contract.
- *Strengthening operational controls.* As a relatively new federal entity, FirstNet has experienced growing pains as it establishes an effective control environment. As noted in a December 2014 audit report on FirstNet's management of financial disclosure and monitoring of contracts, FirstNet encountered multiple issues with (a) controls over financial disclosures, (b) monitoring of potential conflicts of interest, (c) human resources, (d) contracting practices, and (e) oversight of hiring. Subsequently, OIG identified the need for FirstNet to strengthen its controls in areas such as hiring, outreach, and the use of interagency agreements. Adding and strengthening controls will continue to remain important as the building of the nationwide network progresses and FirstNet takes on additional responsibilities.

5. Efficiently and Effectively Enforcing Laws That Promote Fair and Secure Trade

- *Enhancing U.S. economic competitiveness through efficient administration of trade enforcement remedies and effective export promotion activities.* In 2017, the Department's international trade emphasis shifted from promotion to enforcement. The President's FY 2018 budget justification for ITA increases funding and staff for the bureau's E&C business unit, which handles trade enforcement and compliance functions, including AD/CVD investigations. Enhancing E&C's capacity to self-initiate AD/CVD investigations requires additional guidance and training for staff who may not be accustomed to conducting these cases.
- *Facilitating U.S. exports by implementing export control reform changes while enhancing enforcement.* BIS has achieved a significant increase in total export license applications processed, due to the export control reform initiative started in 2010, which sought to establish a more effective export control system by eventually creating a single control list, licensing agency, enforcement agency, and information technology platform. With an increase in license applications comes the need to strengthen enforcement efforts to ensure exporters comply with the Export

Administration Regulations (EAR). BIS must ensure that it has plans in place for effective use of additional enforcement resources as it continues to implement changes brought about by the export control reform initiative.

6. Modernizing the Department's Legacy IT Systems

- *Identifying a long-term solution to replace Commerce Business Solutions (CBS).* The lack of a centralized and integrated financial management system continues to create reporting and oversight challenges for the Department, including the ability to effectively report financial data and monitor financial activity across its operating units. The Department and most of its operating units use an outdated financial management system (originally implemented more than 20 years ago) that has become increasingly difficult to maintain, as well as a resource challenge to modify for compliance with new federal requirements. The Department's ability to oversee and manage Department-wide financial activities is impeded by CBS' limited functionality, high support costs, lack of system integration, and lack of centralized reporting capabilities. Thus, continued reliance on CBS is an immediate high risk for the Department.
- *Transitioning USPTO from legacy to next-generation IT systems.* USPTO operations personnel rely on IT services to examine applications, manage rights, and collect revenue for business operations. However, several major systems are behind schedule and over budget. For example, USPTO's Trademark Next Generation implementation is 5 years behind schedule and the original tentative completion costs of \$53 million in 2011 have increased to more than \$200 million (an increase of nearly 300 percent). USPTO expects that work will continue until at least FY 2019. Additionally, since 2011, USPTO has been developing and modernizing its IT systems used to support patent operations through a new Patent End-to-End processing system. While USPTO has made progress, additional improvements are still needed.
- *Developing and implementing an effective Ship Maintenance Management System (SAMMS).* OIG's ongoing audit of SAMMS found that NOAA did not consistently use SAMMS to coordinate ship maintenance and repairs of its fleet. SAMMS continued to have implementation, utilization, and accuracy problems even after more than 24 years of deployment. Furthermore, over previous years, NOAA has used funds intended for SAMMS operations to satisfy other requirements, thus possibly contributing to some of the system operational problems. The Department needs to continue assessing its operations and modernizing its business processes accordingly. In addition, agency business processes must also support effective internal control and provide for access to reliable information.

7. Implementing Processes to Improve Management of the Department's Contracts and Cooperative Agreements

- *Strengthening processes to govern the appropriate use of noncompetitive contracts and maximize use of competition.* Government-wide guidance called on agencies to maximize the use of full and open competition and to govern the appropriate use and oversight of all contract types to minimize risk and maximize value to the government. Our work has found that the Department faces challenges in awarding high-risk contracts without considering the possibility of using less risky contract types. Our recent work on the Census Bureau and NOAA has focused particularly on (a) sole-

source contracts (which are high risk because they are negotiated without the benefit of a competition and carry the risk of overspending) and (b) blanket purchase agreements. And while a blanket purchase agreement is not inherently high risk, the various call orders issued under them have lacked sufficient oversight and competition.

- *Developing and maintaining a competent acquisition workforce to support the Department's mission.* The Department requires a robust and well-qualified acquisition workforce in order to award and administer increasingly complex acquisitions and successfully implement new major initiatives, like category management. Nevertheless, the Department continues to face workforce challenges.
- *Improving oversight and monitoring of minority business centers to ensure accurate reporting of program goals and efficient use of program funds.* MBDA faces the challenge of ensuring cooperative agreement funds are administered appropriately and that recipients are accomplishing stated goals. Without adequate internal controls and oversight, millions of dollars in cooperative agreement funds may not be administered efficiently and effectively, thus raising questions about how effectively these funds are being spent.
- *Fostering high ethical standards throughout the Department and its contracting programs to maintain the public trust.* Our investigations continue to uncover fraud and misconduct related to Departmental contracts and grants. Over the last 4 fiscal years, contract and grant fraud allegations accounted for about 26 percent of OIG investigations. OIG efforts in these cases resulted in more than \$9.9 million in restitution, fines, seizures, and civil settlements for the government; 14 criminal convictions; and at least two more subjects still awaiting criminal trial or civil settlement. In addition, the Department must work harder to foster high ethical standards throughout its federal government contracting programs. In recent years, OIG has repeatedly investigated—and substantiated—claims that the Department's bureaus are improperly awarding lucrative government contracts to former employees or relatives of federal employees without full and open competition.

High-Risk Areas Requiring Enhanced Oversight

There are three areas of high risk to the Department that require significant or enhanced oversight that cannot be funded from within OIG's base resources. The gaps are:

- **2020 Decennial Census.** The 2020 Census is particularly high risk due to its potential vulnerabilities to fraud, waste, abuse, and mismanagement. Testing of critical operations and systems is currently underway, while many components of the 2020 design are susceptible to uncertainty and change. For example, some 2020 Census systems have not been fully tested and integrated, changes are occurring to the on-going 100 percent in-office address canvassing operation, in-field address canvassing workload has increased and the procedures have not been finalized and tested, NRFU field data collection device will be tested for the first time in 2018 and at only one location, Partnership program is behind schedule, and an eliminated operation referred to as update/leave has just been added back to the list of operations. The 2017 Census Field Tests on tribal lands and in Puerto Rico were cancelled and the 2018 End-to-End test faces uncertainty shifting from three locations for address canvassing to one location for the higher-cost, higher-risk NRFU operation. There will be no field testing of the update/enumerate operation prior to the actual decennial operation. OIG requests an increase to its transfer

from Census of \$1.0 million (for a transfer totaling \$3.556 million) for 2 years to cover the actual 2020 decennial census. Receiving this additional funding would contribute to Census getting back on track in regards to preparing for the upcoming census and that the census could potentially avoid (a) system failures, (b) higher-than-projected costs, (c) significantly-decreased oversight capacity, and (d) a high number of complaints—as seen in 2010.

- *FirstNet.* FirstNet is entering the operational phase of the FirstNet program, with critical milestones achievements needed to maintain its reputation among public safety and federal stakeholders. FirstNet and its partner in developing the network (AT&T) must not only create and integrate this network nationwide, but also market and sell these services to enough first responders in 56 states and territories to sustain the network and FirstNet. Some estimates of the network's implementation cost have been as high as \$45 billion. Multiple unknown scenarios—including those related to state opt-outs and the public safety subscriber base—increase the risk that the network implementation will not be successful and/or remain sustainable.
- *Trade.* The President's goal of ensuring fair and secure trade places greater reliance on ITA and BIS. ITA will now initiate AD/CVD reviews—something ITA has little experience with. If poorly administered, the program will be at risk for administrative and legal challenges and ineffective implementation. BIS has experienced a major increase in total export license applications due to the transfer of tens of thousands of items from the Department of State's U.S. Munitions List to DOC's Control List. To ensure sensitive U.S. goods are properly delivered, BIS must properly manage the increase in demand for its oversight and provide adequate resources to ensure sensitive commodities are licensed for export only to foreign end users that have been thoroughly vetted.

Summary of OIG's Change Requests

OIG requests an increase of \$1,016,000 to its current transfer of \$2,540,000 for a total of \$3,556,000 from Census for 2 years to cover the actual 2020 decennial census. Receiving this additional funding would contribute to Census remaining on track in regards to preparing for the upcoming census and that the census could potentially avoid system failures, higher-than-projected costs, significantly-decreased oversight capacity, and a high number of complaints—as seen in 2010. OIG requests an appropriation of \$2.0 million from the Public Safety Trust Fund for oversight of the First Responder Network Authority (FirstNet) to fund dedicated oversight of FirstNet. OIG requests a decrease of \$1.057 million from general oversight of the Department of Commerce.

Significant Adjustments-to-Base (ATBs)

In addition to the program increases, OIG requests an increase of \$565,000 to fund pay increases in FY 2018 and FY 2019 as well as inflationary changes to OIG's costs of operations.

For FY 2019, OIG requests a total increase of \$1.959 million, 6 positions, and 4 FTE.

Program Budget Profile
(Dollar amounts in
thousands)

Funding Requirements	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Office of Inspector General	38,626	38,364	40,888	41,685	41,483	42,312	43,159
Total Dollars	38,626	38,364	40,888	41,685	41,483	42,312	43,159
Total Positions	177	178	184	184	184	184	184

OIG's Deliverables & Schedule:

OIG's major deliverables include the following:

- A report on the top management and performance challenges facing the Department (published in October)
- A semiannual report summarizing work OIG completed or initiated in the previous 6 months (published in March and September)
- Reports on audits and evaluations (performed according to OIG's annual audit plan, which may be modified to address new priorities)
- Responses to Congressional requests, including testimony (as necessary)
- A financial audit report of the Department and its bureaus (provided in November)
- Recommendation tracking, ensuring that OIG's recommendations are appropriately implemented by management (ongoing)
- Issuance of several public investigative reports (ongoing)
- Evaluating and determining how to address approximately 1,200 hotline complaints a year (ongoing)
- Conducting casework on more than 100 criminal, civil, and administrative investigations and typically initiating and closing about 70 investigations per year (ongoing)
- An annual risk assessment and audit plan (published in October)

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**Department of Commerce
Office of Inspector General
Salaries and Expenses
INCREASES FOR FY 2019
(Dollar amount in thousands)**

		2019 Base		2019 Estimate		Increase (Decrease)	
		Personnel	Amount	Personnel	Amount	Personnel	Amount
	Pos./BA	16	2,540	22	3,556	6	1,016
Census	FTE/Obl.	12	2,540	16	3,556	4	1,016

OIG requests an increased transfer of \$1,016,000 and 6 positions for increased oversight of 2020 Census activities for two years, for a total transfer from the Census Bureau of \$3.556 million.

The decennial census is unique in that it is a Constitutionally-mandated activity that must meet its deadline. This program carries extra concern for the OIG due to its potential vulnerabilities to fraud, waste, abuse, and mismanagement. This decade, OIG must oversee the completion of the Bureau’s 35 separate—but interrelated—operations to count the nation’s population and expand the scope and breadth of operational coverage.

To oversee 2010 Census operations, OIG was forced to divert almost its entire workforce—around 100 people, including its legal and administrative staff—to decennial census oversight activities. During this time, OIG received more than 780 Census-related complaints, which was significantly higher than the average of about 100 complaints per year. These complaints had to be researched and—if appropriate—investigated, meaning even more time and resources to be diverted away from oversight. This diversion was detrimental to OIG’s other 98 programmatic oversight areas within the Department. The Bureau is already behind in its testing for 2020 and many components of the 2020 design are held up by uncertainty and change. For example: 2020 Census systems have not been tested; changes are occurring to the on-going 100 percent in-office address canvassing operation; in-field address canvassing workload has increased and the procedures have not been finalized and tested; the nonresponse follow-up (NRFU) field data collection device will be tested for the first time in 2018 and at only one location; the Partnership program is behind schedule; and an eliminated operation referred to as update/leave has just been added back to the list of operations. The 2017 Census Field Test was cancelled and the 2018 End-to-End test faces uncertainty shifting from three locations for address canvassing to one location for the higher-cost, higher-risk NRFU operation. Receiving this additional funding would contribute to Census getting back on track with preparing

for the upcoming decennial census and the Bureau potentially avoiding (a) system failures, (b) higher-than-projected costs, (c) significantly-decreased oversight capacity, and (d) a high number of complaints, as seen in 2010.

Proposed Solution

To avoid having to delay or forego other OIG work to ensure adequate Census coverage, OIG will add six personnel to handle the short-term increased workload. Additional funding would allow for the necessary oversight of multiple 2020 decennial census operations, hotline and investigative support, and result in 5 to 10 additional oversight products each year. For the 2020 decennial census, OIG will identify potential problem areas by obtaining Bureau datasets (for example, production, payroll, and financial) throughout the operations to identify high-risk areas and take targeted action. By synthesizing information, OIG will analyze office performance across numerous variables, identify outliers, and visit offices with concerning trends.

In order to achieve these goals and provide targeted oversight of the Bureau without reducing the level of oversight to other areas of the Department, OIG will require an increase in audit and investigation staff in FY 2019, as 2020 decennial census operations are starting. This increase will position OIG to meet the extensive oversight demands of the census.

Base Resources Assessment

Congress provided a transfer of \$2.54 million from the Census Bureau to OIG for activities associated with carrying out investigations and audits related to the Bureau.

Schedule & Deliverables

This funding would provide support to cover multiple 2020 decennial census operations, hotline and investigative support, and result in an additional 5 to 10 oversight products each year for FY 2019 through FY 2023.

Performance Changes:

	2019	2020	2021	2022	2023
Performance Measures:					
Number of audits/products w/ increase	11	11	9	4	4
Number of audits/products w/o increase	4	4	4	4	4
Dollars recovered or put to better use w/ increase	\$8M	\$11M	\$11M	\$5M	\$5M
Dollars recovered or put to better use w/o increase	\$5M	\$5M	\$5M	\$5M	\$5M

Cost and Benefits:

Direct Obligations:

	2019	2020	2021	2022	2023
Uncapitalized	1,016	1,016	0	0	0
Budget Authority	1,016	1,016	0	0	0
Outlays	894	1,016	122	0	0
FTE	12	16	2	0	0

Transfer Change Personnel Detail

Program: Office of Inspector General

Subprogram: Office of Inspector General

Title:	Location	Grade	Number of Positions	Annual Salary	Total Salaries
Statistician	Washington DC	15	1	152,760	152,760
Criminal Investigators	Washington DC	13	2	109,900	219,800
Auditor/Program Analyst	Washington DC	12	2	92,421	184,842
Program Analyst	Washington DC	11	1	77,109	77,109
Total			<u>6</u>		<u>634,511</u>
					0
less Lapse		25%	<u>2</u>		<u>(158,628)</u>
Total full-time permanent (FTE)			<u>4</u>		<u>475,883</u>
2018 Pay Raise of 1.9%					9,042
2019 Pay Raise of 0%					<u>0</u>
Total					<u>484,925</u>

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent

Other than full-time permanent

Number

4

0

4

Authorized Positions:

Full-time permanent

Other than full-time permanent

Total

6

0

6

Transfer Change Detail by Object Class

Activity: Office of Inspector General

Subactivity: Office of Inspector General

Object Class		FY 2019 Change (\$000)
11	Personnel compensation	
11.1	Full-time permanent	\$485
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	5
11.9	Total personnel compensation	490
12	Civilian personnel benefits	127
21	Travel and transportation of persons	24
22	Transportation of things	0
23.1	Rental payments to GSA	74
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	20
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	128
25.3	Purchases of goods & services from Gov't accounts	112
26	Supplies and materials	3
31	Equipment	38
99	Total obligations	1,016

		2019 Base		2019 Estimate		Increase (Decrease)	
		Personnel	Amount	Personnel	Amount	Personnel	Amount
FirstNet	Pos./BA	0	0	7	2,000	7	2,000
	FTE/Obl.	0	0	5	2,000	5	2,000

Summary:

The U.S. Department of Commerce (DOC), Office of Inspector General (OIG) requests an increase of \$2.0 million from the First Responder Network Authority (FirstNet) to fund dedicated oversight. Due to the scope, complexity, and financial magnitude for FirstNet—as well as the Department's current lack of experience in this area—FirstNet requires more thorough oversight to ensure the Department successfully implements the Nationwide Public Safety Broadband Network (NPSBN). OIG requires this funding to ensure sufficient oversight of FirstNet.

The NPSBN that FirstNet and AT&T are developing could cost as much as \$47 billion by the time it is fully operational. It is one of the most significant challenges facing the Department. So much about the development of the NPSBN is currently unknown, including factors that will affect costs, revenues, cooperation among the states, and the sustainability of FirstNet itself. There is no guarantee that the new network will be successful or remain sustainable.

Impact if not Funded:

FirstNet was established without a mandated oversight provision, and OIG received no additional funding for its oversight. As a result, OIG reassessed oversight priorities and redirected available resources to address FirstNet's emerging challenges as best as possible without seriously reducing oversight of the rest of DOC.

To provide effective OIG oversight of (a) FirstNet and (b) the network it is developing with AT&T within its current resources, OIG would have to reallocate its resources significantly from its oversight of the rest of DOC. As it currently stands, OIG receives dedicated oversight funding for the following risk areas of high interest:

- The U.S. Census Bureau.
- The U.S. Patent and Trademark Office.
- Satellite procurement and construction managed by the National Oceanic and Atmospheric Administration (NOAA).

Without adequate oversight funding for FirstNet, OIG would have to shift resources away from other areas of interest, such as the National Institute of Standards and Technology, all NOAA other than satellites, and the Department's trade bureaus.

Initial Oversight Focus:

Using funding from a transfer from FirstNet, OIG will add 7 personnel, two dedicated contract personnel for technical expertise and contract support for auditing to provide the capacity needed to provide sufficient and effective oversight of FirstNet. OIG's plan is to designate three teams of auditors and program analysts, an investigator, and a general specialist. These positions will be supplemented by contract support for technical expertise, as needed. We expect that these teams will conduct three to four additional audits each year—as well as investigative oversight—in the following areas:

Public safety adoption. Independent oversight is needed to determine if AT&T is meeting mandatory public safety adoption targets. AT&T's contract sets public-safety adoption goals in each state or territory. If these goals are not met, the success of the NPSBN would be at considerable risk.

Network upgrades. Independent examination is needed of how FirstNet will manage state payments made for network upgrades. Payments to FirstNet from AT&T—beyond those used to cover FirstNet operating costs—will be held by FirstNet until a technology upgrade is required. OIG would provide independent oversight to ensure that FirstNet uses the money as intended, as distinct from operational expenses or other potential redirections of funds.

Task orders. Over the life of the contract, FirstNet will issue up to \$6.5 billion in task orders to AT&T for the development of the NPSBN. Independent oversight of these task orders is critical to ensure that effective contracting processes are in place and that AT&T meets its contractual requirements.

Security of the NPSBN. Prior to award, it appeared that the NPSBN would reside on 20 MHz of Band 14 spectrum. AT&T quickly offered its entire 170 MHz commercial network to be available for FirstNet. It is unclear whether the AT&T commercial network will meet public safety security requirements. OIG would, for example, provide an independent assessment of key security features of the NPSBN to assess the adequacy of network-wide IT security.

Rural coverage. As a requirement of the Middle Class Tax Relief and Job Creation Act of 2012 that established FirstNet—and because of continued Congressional interest—an independent assessment of the effectiveness of FirstNet's plans to provide sufficient rural coverage is needed, including whether stakeholders agree that coverage targets were achieved.

Fees. FirstNet is self-funding and authorized to assess and collect fees to assure its sustainability, and the National Telecommunications and Information Administration (NTIA) must review and approve these fees on an annual basis. OIG would, for example, evaluate FirstNet's process for setting, collecting, and evaluating the viability of fees, and the NTIA's process for reviewing and approving those fees. The review could assess the fairness, efficiency, and accountability of the fee setting and collecting process.

Network hardening. OIG would, for example, assess whether the physical components of AT&T's commercial network can achieve public safety hardening standards. It is currently unclear whether a commercial network can be hardened in a manner that will meet public safety's reliability needs. Such a review could assess whether the network has sufficient resilience.

Unanticipated events. OIG will have greater flexibility to meet unanticipated events prompting audits, investigations, or responses to Congressional requests without requiring a reallocation of OIG resources away from FirstNet oversight.

Base Resource Assessment:

OIG has no dedicated base funding for FirstNet oversight.

Schedule and Deliverables

This funding would support oversight of (a) FirstNet operations and (b) development and implementation of the NPSBN, in addition to hotline and investigative support. When factoring anticipated responses to Congressional requests and hearings, this could result in five to ten FirstNet oversight products each year.

Performance Changes:

	2019	2020	2021	2022	2023
<u>Performance Measures:</u>					
Number of audits/products w/ increase	4	5	5	5	5
Number of audits/products w/o increase	2	1	2	1	2
Dollars recovered or put to better use w/ increase (\$,000)	10,000	15,000	15,000	15,000	15,000
Dollars recovered or put to better use w/o increase (\$,000)	5,000	3,000	5,000	3,000	5,000
<u>Cost and Benefits</u>					
Direct Obligations					
Uncapitalized	2,000	2,000	2,000	2,000	2,000
Budget Authority	2,000	2,000	2,000	2,000	2,000
Outlays	1,760	2,000	2,000	2,000	2,000
FTE	5	7	7	7	7
Benefits, in \$,000	5,000	12,000	10,000	12,000	10,000

FUNDING CHANGE PERSONNEL DETAIL

Program Change Personnel Detail

Program: Office of Inspector General

Subprogram: Office of Inspector General

Title:	Location	Grade	Number of Positions	Annual Salary	Total Salaries
Auditor	Washington DC	15	1	152,760	152,760
Auditor	Washington DC	14	1	129,869	129,869
Program Analyst	Washington DC	14	1	129,869	129,869
Criminal Investigator	Washington DC	14	1	129,869	129,869
Statistician	Washington DC	13	1	109,900	109,900
Auditor	Washington DC	13	1	109,900	109,900
Program Analyst	Washington DC	12	1	92,421	92,421
Total			<u>7</u>		<u>854,588</u>
less Lapse		25%	<u>2</u>		<u>(213,647)</u>
Total full-time permanent (FTE)			5		640,941
2018 Pay Raise of 1.9%					12,178
2019 Pay Raise of 0%					0
Total					<u>653,119</u>
Personnel Data			<u>Number</u>		
Full-Time Equivalent Employment					
Full-time permanent			5		
Other than full-time permanent			0		
Total			<u>5</u>		
Authorized Positions:					
Full-time permanent			7		
Other than full-time permanent			0		
Total			<u>7</u>		

FUNDING DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Transfer Change Detail by Object Class

Activity: Office of Inspector General

Subactivity: Office of Inspector General

Program Change: Office of Inspector General

		FY 2019
Object Class		Change (\$000)
11	Personnel compensation	
11.1	Full-time permanent	\$653
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	7
11.9	Total personnel compensation	660
12	Civilian personnel benefits	172
21	Travel and transportation of persons	28
22	Transportation of things	0
23.1	Rental payments to GSA	86
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	23
24	Printing and reproduction	1
25.1	Advisory and assistance services	0
25.2	Other services	840
25.3	Purchases of goods & services from Gov't accounts	142
26	Supplies and materials	4
31	Equipment	44
99	Total obligations	2,000

**Department of Commerce
Office of Inspector General
Salaries and Expenses
INCREASES FOR FY 2019
(Dollar amount in thousands)**

		2019 Base		2019 Estimate		Increase (Decrease)	
		<u>Personnel Amount</u>		<u>Personnel Amount</u>		<u>Personnel Amount</u>	
Program	Pos./BA	0	0	-7	-1,057	-7	-1,057
Decrease	FTE/Obl.	0	0	-5	-1,057	-5	-1,057

OIG requests a program decrease of \$1,057,000 from general oversight operations. This decrease will result in a personnel reduction of 7 positions and three audit products.

Base Resources Assessment

OIG has a base of \$38,929,000 for FY 2019, including transfers of \$1,302,000 from NOAA PAC, \$2,000,000 from USPTO, and \$2,580,000 from Census.

Performance Changes:

	2019	2020	2021	2022	2023
Performance Measures:					
Number of audits/products w/ decrease	37	37	37	37	37
Number of audits/products w/o decrease	40	40	40	40	40
Dollars recovered or put to better use w/ decrease	(\$5M)	(\$5M)	(\$5M)	(\$5M)	(\$5M)
Dollars recovered or put to better use w/o decrease	\$0M	\$0M	\$0M	\$0M	\$0M
Cost and Benefits:					
Direct Obligations:					
Uncapitalized	(1,057)	(1,057)	(1,057)	(1,057)	(1,057)
Budget Authority	(1,057)	(1,057)	(1,057)	(1,057)	(1,057)
Outlays	(1,057)	(1,057)	(1,057)	(1,057)	(1,057)
FTE	(7)	(7)	(7)	(7)	(7)
Benefits, in \$,000	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)

Program Change Personnel Detail
Program: Office of Inspector General
Subprogram: Office of Inspector General

Title:	Location	Grade	Number of Positions	Annual Salary	Total Salaries
Program Analyst/Auditors	Washington DC	13	(2)	109,900	(219,800)
Program Analyst/Auditors	Washington DC	12	(3)	92,421	(277,263)
Program Analyst/Auditors	Washington DC	11	(2)	77,109	(154,218)
Total			(7)		(651,281)
less Lapse		25%	(2)		162,820
Total full-time permanent (FTE)			(5)		(488,461)
2018 Pay Raise of 1.9%					(9,281)
2019 Pay Raise of 0%					0
Total					(497,742)

Personnel Data

Full-Time Equivalent Employment
 Full-time permanent
 Other than full-time permanent
 Total

Number
(5)
0
(5)

Authorized Positions:

Full-time permanent
 Other than full-time permanent
 Total

(7)
0
(7)

Program Change Detail by Object Class

Activity: Office of Inspector General

Subactivity: Office of Inspector General

		FY 2019
Object Class		Change (\$000)
11	Personnel compensation	
11.1	Full-time permanent	(498)
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	(5)
11.9	Total personnel compensation	(503)
12	Civilian personnel benefits	(131)
21	Travel and transportation of persons	0
22	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	(23)
24	Printing and reproduction	0
25.1	Advisory and assistance services	0
25.2	Other services	(150)
25.3	Purchases of goods & services from Gov't accounts	(202)
26	Supplies and materials	(4)
31	Equipment	(44)
99	Total obligations	(1,057)

Summary of Transfer and Program Change Object Class Totals

Program: Office of Inspector General

Subprogr: Office of Inspector General

		FY 2019
Object Class		Change (\$000)
11	Personnel compensation	
11.1	Full-time permanent	640
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	7
11.9	Total personnel compensation	647
12	Civilian personnel benefits	168
21	Travel and transportation of persons	52
22	Transportation of things	0
23.1	Rental payments to GSA	160
23.2	Rental Payments to others	0
23.3	Communications, utilities and miscellaneous charges	20
24	Printing and reproduction	1
25.1	Advisory and assistance services	0
25.2	Other services	818
25.3	Purchases of goods & services from Gov't accounts	52
26	Supplies and materials	3
31	Equipment	38
99	Total obligations	1,959

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Department of Commerce
Office of Inspector General
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

		2017	2018 Annualized			Increase/ (Decrease) Over 2019 Base
Object Class		Actuals	CR	2019 Base	2019 Estimate	
11.0	Personnel compensation	\$19,266	19,596	19,811	20,451	640
11.1	Full-time permanent- non wage	0	0	0	0	0
11.3	Other than full-time permanent	36	0	0	0	0
11.5	Other personnel compensation	285	285	289	296	7
11.9	Total personnel compensation	19,587	19,881	20,100	20,747	647
12.1	Civilian personnel benefits	6,253	6,945	7,050	7,218	168
13.0	Benefits to former personnel	0	0	0	0	0
21.0	Travel and transportation of persons	182	708	711	763	52
22.0	Transportation of things	4	9	9	9	0
23.1	Rental payments to GSA	2,045	2,145	2,181	2,341	160
23.2	Rental payments to others	0	0	0	0	0
23.3	Commun., util., misc. charges	451	571	576	596	20
24.0	Printing and reproduction	9	14	14	15	1
25.1	Advisory and Assistance Services	0	0	0	0	0
25.2	Other services	3,643	6,040	3,471	4,289	818
25.3	Purchase of goods and services from gov't accou	2,079	6,437	3,599	3,651	52
26.0	Supplies and materials	77	100	102	105	3
31.0	Equipment	1,214	1,818	1,116	1,154	38
42.0	Insurance Claims and Indemnities	357	0	0	0	0
99.0	Total Direct Obligations	35,901	44,668	38,929	40,888	1,959

Less prior-year recoveries	0	0	0	0	0
Less Transfers	(5,882)	(5,842)	(5,842)	(8,858)	(3,016)
Less unobligated balance from prior years	(5,316)	(6,304)	0	0	0
Plus unobligated balance, expiring	1,737	0	0	0	0
Plus unobligated balance, end of year	6,304	0	0	0	0
Total Appropriation	32,744	32,522	33,087	32,030	(1,057)

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent	162	177	177	181	4
Other than full-time permanent	0	0	0	0	0
Total	162	177	177	181	4

Authorized Positions:

Full-time permanent	177	178	178	184	6
Other than full-time permanent	0	0	0	0	0
Total	177	178	178	184	6

**Department of Commerce
Office of Inspector General
Salaries and Expenses APPROPRIATION
LANGUAGE AND CODE CITATION**

Appropriation: Office of Inspector General

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978 (5 U.S.C. App.), [\$32,000,000] *\$34,030,000, of which \$2,000,000 shall be derived from the Public Safety Trust Fund for activities associated with carrying out investigations and audits related to the First Responder Network Authority (FirstNet).*

5 U.S.C. App.1-11, as amended by P.L. 100-504 and P.L. 110-354.

Section 2 of the Inspector General Act of 1978 (5 U.S.C. App.3), as amended, provides that “In order to create independent and objective units – (1) to conduct and supervise audits and investigations relating to programs and operations of the establishments listed in section 11(2)...there is hereby established in each of such establishments an Office of Inspector General.” Section 11(2) of the Act reads, “the term ‘establishment’ means the Department of Commerce”

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**Department of Commerce
Office of Inspector General
Salaries and Expenses ADVISORY
AND ASSISTANCE SERVICES**
(Obligations in thousands)

	2017 Actual	2018 Annualized CR	2019 Estimate
Consulting services	0	0	0
Management and professional services	0	0	0
Special studies and analyses	0	0	0
Management and support services for research and development	0	0	0
Total	0	0	0

Note:

1. The Inspector General Act of 1978 authorizes the Office of Inspector General to obtain such temporary technical assistance as needed to carry out the requirements of the Act.

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**Department of Commerce
 Operating Unit of Commerce
 Salaries and Expenses
 PERIODICALS, PAMPHLETS AND AUDIOVISUAL PRODUCTS
 (\$ in thousands)**

	2016 Actuals	2017 Actuals	2018 Annualized CR	2019 Estimate
Periodicals	11	14	14	14
Pamphlets	0	0	0	0
Audiovisuals	0	0	0	0
Total	11	14	14	14

*Pursuant to the Inspector General Act of 1978 (P.L. 95-452), the Inspector General shall prepare semiannual reports summarizing the activities of the office during the 6-month periods ending March 31 and September 30. According to the Act, these reports shall include details of major problems, abuses, and deficiencies identified during the previous 6 months, together with recommendations for corrective action. The reports must cite any recommendations reported earlier that have not been acted upon, describe any OIG requests for information assistance that were unreasonably refused, and show the amount of funds recovered as a result of audit recommendations. The Department head may provide comments but may not change these semiannual reports.

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**Department of Commerce
Office of Inspector General**

Salaries and Expenses AVERAGE

GRADE AND SALARIES

	2017 Actual	2018 Annualized CR	2019 Estimate
Number of SES	9	9	9
Average EX Grade*	NA	NA	NA
Average GS/GM Grade	13	13	13
Average GS/GM	\$107,347	\$100,837	\$101,794

*The Senior Executive Service (SES) Performance Appraisal System went into effect September 30, 2004 and eliminated level/grades for SES positions. The current SES Pay System includes minimum and maximum dollar amounts for those agencies with OPM-certified performance appraisal systems and minimum and maximum dollar amounts for those without OPM-certified performance appraisal programs. Because of this change, it is not possible to calculate average SES grade.

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**Department of Commerce
Office of Inspector General**

INSPECTOR GENERAL REFORM ACT OF 2008 REPORTING REQUIREMENTS

In accordance with the requirements of Section 6(f)(3) of the Inspector General Act of 1978, as amended, OIG submits the following information related to its requested budget for FY 2019:

OIG FY 2019 Request to Department of Commerce: \$41,050,000 Department of Commerce FY 2019 Allowance to OIG: \$39,373,000

Dollar amounts in thousands					
	2017 Actuals	2018 Annualized CR	2019 Base	2019 Estimate	Increase/ (Decrease)
	BA	BA	BA	BA	BA
Aggregate Funding	38,626	38,364	38,929	40,888	1,959
OIG Funding	38,626	38,364	38,929	40,888	1,959

Amounts provided for training and for support of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) are as follows:

Dollar amounts in thousands					
	2017 Actuals	2018 Annualized CR	FY 2019 Base	FY 2019 Estimate	Increase/ (Decrease)
Training	298	352	355	355	0
Amounts for support of CIGIE	27	108	108	131	23

OIG certifies that the training amount for FY 2019 listed above represents the total training requirement for OIG.

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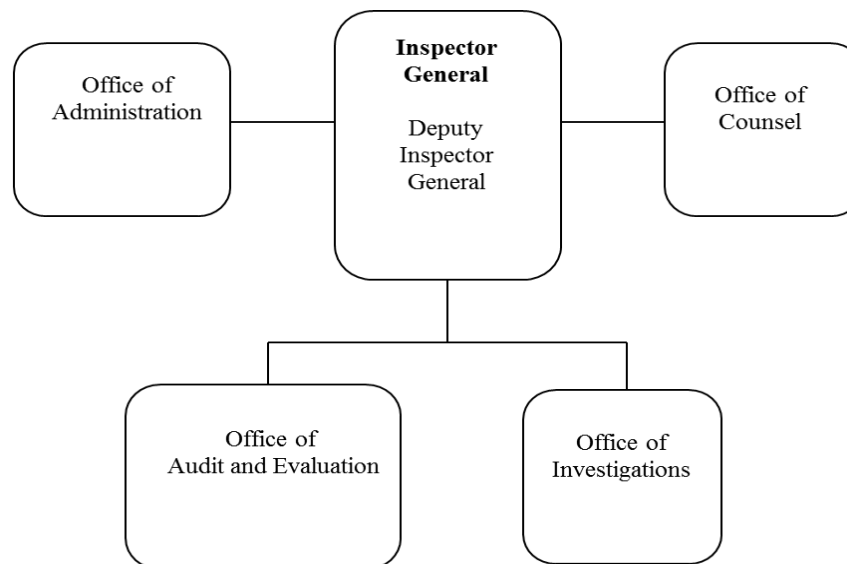
FY 2019 Performance Planning Backup

MISSION STATEMENT

The Office of Inspector General (OIG's) mission is to improve programs and operations through independent and objective oversight by providing current and timely analysis of affairs to multiple stakeholders, to include the Secretary of Commerce, Department of Commerce (DOC) senior leaders, Congress, and the American taxpayers.

OVERVIEW

OIG provides auditing, investigative, and other services as a means to combat fraud, waste, abuse, and mismanagement of the 99 programmatic operations within the Department. OIG has authority to inquire into all program and administrative activities of the Department, including those performing under contracts, grants, cooperative agreements, and financial assistance awards.

ORGANIZATIONAL STRUCTURE

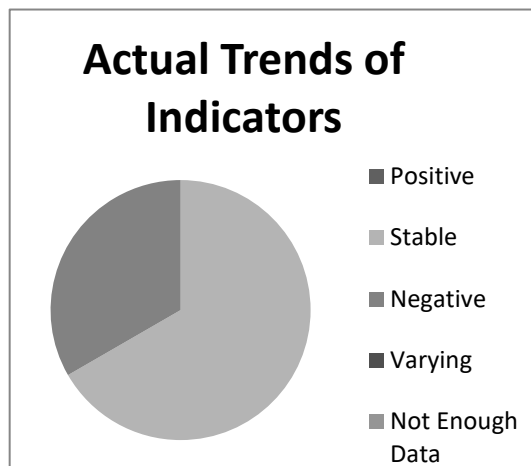
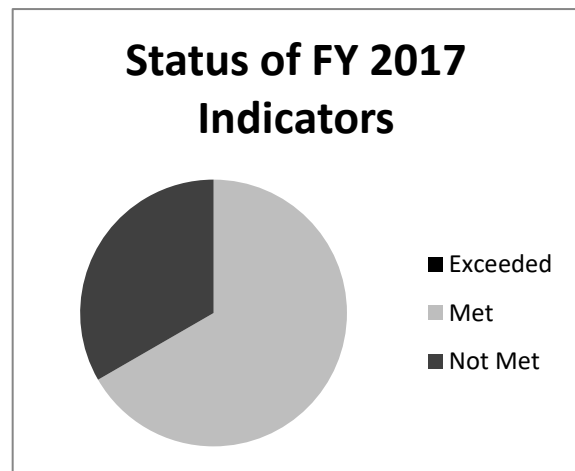
Performance Indicator Information

Summary of Performance

The Office of the Inspector General (OIG) has three indicators. Two indicators were met (66.66%), and one indicator was not met (33.33%). All 3 indicators or 100% of our indicators had trends with more than three years of historical data. Of those indicators with trends, two indicators had a stable trend (66.66%), and one indicator had a negative or varying trend (33.33%).

Summary of Indicator Performance

Indicator	Target	Actual	Status	Trend
Percent of OIG recommendations accepted by Departmental and bureau management (OIG)	95%	95%	Met	Stable
% of investigative cases completed within 365 days (OIG)	70%	70%	Met	Stable
Dollar value of financial benefits identified by OIG (millions)	\$70	\$56.4	Not Met	Negative



Detailed Indicator Plans and Performance**Current / Recurring Indicators****5.3 - Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service**

Indicator	Percent of OIG recommendations accepted by Departmental and bureau management (OIG)							
Category	Supporting (non-Strategic Plan)							
Type	Outcome							
Description	Many improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG's effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG's recommendations is the extent to which they are accepted by Commerce management.							
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target	90%	95%	95%	95%	95%	95%	95%	95%
Actual	94%	96%	100%	94%	100%	95%		
Status	Exceeded	Exceeded	Exceeded	Not Met	Exceeded	Met		
Trend	Positive							
Explanation (if not met in 2017)	N/A							
Actions to be taken / Future Plans	Continue collecting data.							
Adjustments to targets	N/A							
Notes	N/A							
Information Gaps	N/A							

5.3 - Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service

Indicator	% of investigative cases completed within 365 days (OIG)							
Category	Supporting (non-Strategic Plan)							
Type	Process							
Description	Mean and median number of days it took Office of Investigations to complete a case.							
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target	70%	70%	70%	70%	70%	70%	70%	70%
Actual	58%	53%	48%	56.4%	62.3%	70%		
Status	Not Met	Not Met	Not Met	Not Met	Not Met	Met		
Trend	Positive							
Explanation (if not met in 2017)	N/A							
Actions to be taken / Future Plans	Continue collecting data.							
Adjustments to targets	N/A							
Notes	N/A							
Information Gaps	N/A							

5.3 - Strengthen the Department's capacity to achieve its objectives, maximize return on program investments, and deliver quality, timely service

Indicator	Dollar value of financial benefits identified by OIG (millions)							
Category	Supporting (non-Strategic Plan)							
Type	Outcome							
Description	A key measure of the value of OIG's work is its dollar return on investment. Financial benefits include: (1) questioned costs agreed to by management, (2) funds put to better use, and (3) administrative, civil, and criminal recoveries.							
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Target	\$30	\$30	\$70	\$70	\$70	\$70	\$70	\$70
Actual	\$33.5	\$175.8	\$361.5	\$181.7	\$86.4	\$56.4		
Status	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded	Not Met		
Trend	Negative							
Explanation (if not met in 2017)	The issuance of several audits with significant return on investment was delayed into FY 2018.							
Actions to be taken / Future Plans	Continue collecting data.							
Adjustments to targets	N/A							
Notes	N/A							
Information Gaps	N/A							

Resource Requirements Table

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actuals	2018 Annualized CR	2019 Base	Increase/ Decrease	FY 2019 Request
Goal 5: Operational Excellence									
Total Budget Authority									
Direct	30,199	34,000	35,449	36,853	32,744	38,364	38,929	1,959	40,888
Reimbursable	1,775	2,838	3,683	3,357	2,838	3,500	0	3500	3,500
Total	31,974	37,000	39,132	40,210	35,582	41,864	38,929	5,459	44,388
Total Positions	144	169	177	177	177	178	178	6	184
Positions do not include staff funded by the Working Capital fund.									