



May 24, 2012

**DEPUTY SECRETARIAL DECISION MEMORANDUM**

**Subject: Decisions regarding Recommendations Contained in Report entitled  
"Internal Inquiry into Alleged Mismanagement of Funds within the National Weather  
Service"**

I have received and conducted a comprehensive review of the report entitled "Internal Inquiry into Alleged Mismanagement of Funds within the National Weather Service" (Investigative Report), which is the result of a comprehensive effort to investigate certain allegations that were made regarding financial misconduct within the National Weather Service (NWS). While complaints regarding these activities were made to various persons beginning in early 2010, I was first made aware of these problems on November 30, 2011, when Under Secretary for Oceans and Atmosphere Jane Lubchenco briefed me on the preliminary findings of an internal review of one such complaint. In recognition of the seriousness of the allegations and preliminary findings as well as the potential impact such conduct could have on a program of critical importance to the Nation, Under Secretary Lubchenco and I took immediate action to establish an investigative team led by senior executives from NOAA and the Department's Office of Budget ("Investigative Team") to review the preliminary findings and expand upon the work of the internal review. Their charge was simple: to immediately begin an internal inquiry into the alleged mismanagement of funds and provide recommendations for corrective action.

The Investigative Team spent the next five months interviewing over twenty witnesses, and reviewing and analyzing over one thousand pages of financial documents and other relevant material. While the process took longer than I initially anticipated, it was important that this investigation produce a comprehensive understanding of the extent of the problem and how it arose. The complicated nature of the transactions at issue and the number of programs and actions involved required more time than any of us could have expected when the investigation began.

The Investigative Report, which is comprised of 60 pages and over 88 exhibits, chronicles a financial unit that, for at least the past two fiscal years, operated outside the bounds of acceptable financial management. The fact that the Team did not find any evidence of fraud or personally financial gain does not lessen the severity of the misconduct. The actions of the employees involved are contrary to the high standards and appropriate behavior which Secretary Bryson and I expect from Department of Commerce employees. Under Secretary Lubchenco has assured me that appropriate disciplinary action is being taken regarding those involved.



During the last two years, I believe we have made great strides to improve the budget formulation and execution process, bringing more rigor and transparency to the process. The problems identified in the Investigative Report indicate that we have more work to do to ensure that these reforms are making their way to the sub-bureau levels. In addition, there need to be controls in place to detect and review such significant movement of expenses at an earlier stage in the process. One reason why this investigation took more time than expected was that resources were moved between units in the NWS in very indirect ways (that is, no allocated money was directly moved and no expenses were initially charged to an inappropriate program.) We need to make sure such activities are caught at an earlier stage in the future. I discuss below some steps I propose to institute to accomplish this.

Finally, the failure of senior officials both inside and outside the NWS to respond appropriately and in a timely fashion to the repeated complaints regarding the questionable financial transactions is unacceptable. Questions and complaints from employees who challenged questionable directions were disregarded within the NWS, and several efforts to complain anonymously outside the NWS did not receive appropriate attention. That these complaints were not taken seriously is a significant failure that allowed the conduct to continue much longer than it should have. I am hopeful that the reforms I announce below will begin to address this problem and that no other complaint of this nature will be missed.

Set forth below are my decisions regarding the Investigative Report's recommendations. In summary, I adopt the Investigative Team's recommendations for reforms at the Departmental level, with some modifications, and direct a few additional actions be taken that Secretary Bryson and I believe are also necessary to prevent this type of problem from occurring in the future.

1. **NOAA Decision Memo (Recommendations Nos. 1, 2, 3, 4, 5, 7, 8, and 12).** I am in receipt of Under Secretary Lubchenco's Decision Memo dated May 24, 2012, which acts upon the NOAA-specific recommendations contained in the Investigative Report. I concur in each of these decisions and *direct that NOAA provide an implementation plan for each of the decisions contained in Under Secretary Lubchenco's memo, with a timetable and milestones, no later than 30 days after the date of this memo. In addition, I want briefings regarding the process made in implementing these decisions within two months and again within six months of the date of the memo.*

2. **Review of Use and Approval of Summary Level Transfers (SLTs) across the Department with a focus on automated controls. (Recommendation No. 6).** The Investigative Team found that NWS misused SLTs to switch accounting codes assigned to past expenses from



one account to another, which allowed them to free up funds in accounts that they believed were underfunded. The use of SLTs made it more difficult to detect the movement of funds and prevented the transactions from being flagged during program reviews and audits.

When used properly, SLTs are a useful tool which provides financial officers with the flexibility to fix errors or mistakes in accounting codes for past expenses. Thus, it would be inappropriate to prohibit their use. However, this case shows the danger presented when these tools are misused.

Over the past six months, the Department of Commerce CFO/ASA has led a process to improve real-time business intelligence within the bureaus and between bureaus and the central Departmental C offices. This effort needs to be explicitly expanded to assure that the misuse of SLTs cannot recur. *Accordingly, I direct the Department of Commerce CFO/ASA to conduct a comprehensive review of how SLTs are used across the Department with a view to ensuring that they are being used appropriately and that there are proper procedures in place for approving and monitoring such transactions. In addition, I direct the Department of Commerce CFO/ASA to explore whether automated controls can be added to the existing departmental financial management system to flag SLTs that deserve additional review. Finally, I direct the Department of Commerce CFO/ASA to provide me with the results of this review no later than three months from the date of this report.*

3. Examination of bureau and line office budget formulation processes to ensure transparency and accountability. (Recommendation No. 7). The Investigative Team found that the current budget process at NWS lacked transparency and that the culture within NWS did not encourage the questioning of assumptions or provide a process for reporting questionable budget decisions. As discussed above, we have implemented a number of reforms during the past two years at the Department to bring greater rigor and transparency to the budget process but it is clear from the Investigative Report that more needs to be done.

*Accordingly, I direct the Department of Commerce CFO/ASA to examine the budget formulation processes being utilized in the bureaus and, where appropriate, in line offices within bureaus to determine whether the reforms are being appropriately implemented and cascaded. I also direct the Department of Commerce CFO/ASA to ensure that there are appropriate avenues for financial managers within the Department to raise concerns about budget issues without fear of retaliation. Finally, I direct the Department of Commerce CFO/ASA to provide me with an update on these matters no later than three months from the date of this report.*



4. **Appropriations law training for financial staff and managers with budget oversight roles, including the proper use of SLTs. (Recommendation No. 9).** The Investigative Team found that pertinent NWS employees had not received sufficient training on reprogramming or appropriations law. While the evidence suggests that most if not all of the employees who were involved were aware they were acting contrary to sound financial management procedures, it is important that we provide our financial staff with appropriate training for the issues they face. While appropriations law training has been provided to certain staff members, it was not as widely-available or as broadly designed as it needs to be.

*Accordingly, I direct the Department of Commerce Office of the General Counsel and Office of Budget to collaborate to develop a training program that addresses core appropriations law concepts, including reprogramming, the Anti-Deficiency Act, and the appropriate use of SLTs. This training program should be in place no later than August 1, 2012 and should either be available on-line when needed or be provided at least twice each year. Each bureau should designate staff that would benefit from this training and require it as part of their performance plans.*

5. **Review of the sufficiency of financial management and oversight experience in the Senior Executive Service cadre. (Recommendation No. 10).** As the Investigative Report notes, it is imperative for members of the Senior Executive Service (SES) to be prepared to discharge the financial oversight duties that are required of their positions. While some of the employees who enter the SES have experience with financial oversight, it is important that we not assume this knowledge. This is equally true for certain non-SES political appointees.

*I therefore direct the Department of Commerce Office of Budget and the Office of the General Counsel to work with the Department of Commerce Director of Human Resources to develop a training program that addresses financial oversight and basic tenets of appropriations law for appropriate SES employees and political appointees who oversee any budget processes. This training should either be available on-line when needed or be made available at least twice each year and shall be mandatory for all employees who enter the SES. Bureaus should develop a list of political appointee positions that require this training as well.*

6. **Review the adequacy of training provided to SES and political leadership in the Department regarding how to address complaints in an appropriate and timely manner. (Recommendation No. 11).** As discussed at length in the Investigative Report, the first complaint regarding the questionable financial actions was made in early 2010. However, it was not until late 2011 that a thorough review of the allegations was conducted. The failure of officials to respond appropriately and in a timely manner to complaints allowed this conduct to



continue for at least a year and half longer than it should have. Such lapses cannot be tolerated.

To address this problem, *I direct the Department of Commerce General Counsel to ensure that both SES and political leadership within the Department are trained on the proper process for reviewing and responding to complaints made regarding misconduct allegedly occurring under their supervision. In addition, I will ask the Department of Commerce Inspector General to review his processes to ensure that complaints received by his office are appropriately addressed.*

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In addition to the foregoing decisions based on recommendations made by the Investigative Team in the Investigative Report, I also want to address two other issues.

First, the selective method being used by the NWS to tax line offices for common services created a situation in which certain line offices were not paying their fair share while others were paying more than their fair share. This allowed the movement of money in a nontransparent way. Such a practice is untenable. Under Secretary Lubchenco has instructed the Acting CFO of the NWS to institute a fairer allocation method and to harmonize NWS practices with those of other NOAA line offices. In addition, *I direct the Department of Commerce CFO/ASA to conduct a review of procedures currently used by bureaus to allocate funds from sub-bureaus and line offices to common central service funds and ensure that the procedures are transparent and result in fair and objective allocations. I further direct the Department of Commerce CFO/ASA to provide me with the results of this review no later than three months from the date of this report.*

Second, the Investigative Report notes that there was inadequate supervision of financial staff within the NWS, with no clear oversight from the NOAA CFO, and no oversight within NWS except by the Assistant Administrator (AA). The Deputy AA had no oversight authority. In her decision memo, Under Secretary Lubchenco instructs the NOAA Deputy Under Secretary for Operations to review the supervisory structure of all NOAA line offices (including NWS) to ensure that line office CFO offices receive oversight from multiple sources. *I direct the Department of Commerce CFO/ASA to oversee a similar review of the reporting structure of all Bureaus within DOC that contain line offices to make sure that all line CFOs are appropriately supervised. I further direct the Department of Commerce CFO/ASA to provide me with the results of this review no later than three months from the date of this report.*



**THE DEPUTY SECRETARY OF COMMERCE**  
Washington, D.C. 20230

I hereby instruct all officers of the Department of Commerce and the National Oceanic and Atmospheric Administration to take all steps necessary to implement these decisions.

A handwritten signature in black ink that reads "Rebecca M. Blank". The signature is written in a cursive style with a large initial "R".

Deputy Secretary Rebecca Blank