

**WRITTEN STATEMENT OF  
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U.S. DEPARTMENT OF COMMERCE**

**ON THE  
INTERNAL INQUIRY INTO ALLEGED MISMANAGEMENT OF FUNDS WITHIN  
THE NATIONAL WEATHER SERVICE**

**BEFORE THE  
COMMITTEE ON APPROPRIATIONS,  
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE, AND RELATED  
AGENCIES  
U.S. HOUSE OF REPRESENTATIVES**

**JUNE 21, 2012**

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

**Introduction**

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

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

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

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

## **Financial Investigation**

### **Background**

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

From December 2011 to April 2012, the Investigative Team conducted thirty interviews of twenty one Department of Commerce employees, completed an extensive review of NWS financial records, and reviewed a large number of documents including emails, financial information, memoranda, and other material provided by witnesses in support of their testimony. Throughout the investigative process the Team consulted with the Department of Commerce Office of the Inspector General regarding the conduct of the investigation, including whom to interview and what lines of questioning to pursue. The investigation focused primarily on fiscal

years (FY) 2010 and 2011, because this was the time period referenced in the complaints received.

## **Findings**

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

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

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

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

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

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

The investigation found that these actions went unchecked in large part due to insufficient oversight over the NWS CFO's Office and a lack of appropriate budget controls over the SLT

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

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

In the time allotted for the investigation, the investigative team could not determine the full amount of expenses improperly reprogrammed during FY 2010 and 2011. I know this Committee wants the answer to this question, and I assure you no one wants this answer more than I do. I have initiated the process of contracting with an outside firm to determine the full amount of expenses improperly reprogrammed during fiscal years 2010, 2011, and possibly prior years. What I can tell you, and what we have shared with this Committee, is that for FY 2012 we are requesting a reprogramming of \$36 million to protect NWS core mission functions.

### **Response Actions**

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

The decision memos detail the 25 corrective actions that Dr. Blank and I have ordered. The first corrective action I directed was the submission to this Committee and the Senate Committee on Appropriations of a FY2012 reprogramming request for \$36 million. Our dual goals in this reprogramming request are to ensure continuity in core NWS operations and to prevent the possibility of the furlough of NWS employees. The request will take \$29.9 million from NWS programs, \$4.1 million from some non-NWS NOAA programs, and \$1.5 million from prior year de-obligations. This action sustains current levels of weather forecasts and warning services to the Nation. The reductions identified are largely targeted toward research, postponing procurements of spare parts, deferring enhancements to weather systems, and accelerating reductions proposed in the FY 2013 budget. The proposed reductions underwent a rigorous review and reflect the options available given that it is already the third quarter of the fiscal year.

Beyond the reprogramming request, the decision memos include actions that are specific to NWS, NOAA, or the entire Department. The NOAA-specific actions include a change in the supervisory structure of the NWS that strengthens oversight of the NWS CFO position by including the Deputy Assistant Administrator for Weather Services and the NOAA CFO in the

performance review process; the creation of a well-documented process that includes explicit time for programmatic decisions to align NWS budget formulation and execution with available funds, an equitable assessment of NWS programs for common services, an expansion of NOAA CFO's office supervision of summary level transfers, and the initiation of an outside financial analysis.

I want to assure you that I am personally engaged in implementing the corrective action plan. I have put my Deputy, Dr. Kathryn Sullivan, and our Acting Deputy Undersecretary for Operations, Louisa Koch, in charge of carrying out the corrective actions Dr. Blank and I have ordered and I am receiving regular updates from them. I am committed to working with Congress to ensure that processes are in place to restore proper oversight over the Weather Service budget, and that appropriate disciplinary action is taken.

## **Moving Forward**

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

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

Important components of this dialogue are the two independent studies, directed by Congress, to review NWS. The first is the NAS study of the NWS Modernization and Associated Restructuring (MAR) that Congress directed in the FY 2010 report language. The first phase of this study provided the first official history of the MAR, including lessons learned. The fundamental message delivered by the Academy of Science is that the NWS should not be placed in a position where another wholesale re-engineering effort like MAR is needed. The second phase, which should be complete this summer, reviews the NWS Strategic Plan<sup>1</sup> and Roadmap<sup>2</sup> and applies the lessons learned from MAR to advise the NWS on a way forward in a full community context.

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

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

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

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

The Request for Proposals for the follow on study was released on June 14, 2012 and we expect a contract award for this independent study by August 1, 2012.

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

The rapid change of stakeholder needs, accelerating advances in science and technology, along with varying pressures on the federal budget have highlighted the need for the Nation's weather service to be agile and quick to meet these needs and infuse new advances, while also being resilient and cost-effective in the face of changing budgets. I believe the future of NWS must be marked by more continuous innovation and change. It is my hope that your assistance and the advice of external review and guidance from the NAS and others will provide the necessary information to effect the changes needed to position the NWS for the future. I look forward to continuing this discussion with all of you in the coming months.

### **Framework for Change**

A lot of work is needed to develop detailed plans to adapt the NWS. We will start by developing a framework for change. A sustained dialogue with Congress is imperative to developing this framework. We need to learn from the past by using the National Academy of Science reports and the follow on NWS Operations Study. We will work aggressively with our stakeholders including NWS employees, emergency managers, the private weather enterprise, academia, and others who rely upon NWS products and services to balance the valid concerns of those involved and to ensure the framework for change will support what the nation needs from NWS in the future.

### **Need to Improve Communication between Administration and Congress**

During the Modernization and Associated Restructuring (MAR), NWS had direct, frequent communication with Congress and other stakeholders to address issues including consolidation, office closures, new office construction, new technology, and the composition of a 20<sup>th</sup> Century labor force. Over the past two decades, those lines of communication have weakened. I and my

agency will open substantial communication with this and other Congressional committees on the challenges, opportunities and needs NWS faces. In the end, we need the entire community working together to achieve a Weather-Ready Nation.

### **Conclusion**

To conclude, I want to assure you that I am personally engaged in implementing the corrective action plan to address the issues raised in the investigation. I am committed to working with Congress to ensure that processes are in place to restore proper oversight over the Weather Service budget, and to begin a discussion on the future direction of NWS.