



# U.S. DEPARTMENT OF COMMERCE

---

PERFORMANCE & ACCOUNTABILITY REPORT



FISCAL YEAR

2011



## DEPARTMENT OF COMMERCE WEB ADDRESSES

### FOR PLANNING AND PERFORMANCE

#### Department of Commerce

<http://www.commerce.gov/>

Department of Commerce Strategic Plan,  
Performance Reports and Performance Plans  
[http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm)

#### Economic Development Administration

Annual Reports

<http://www.eda.gov/AboutEDA/Annualreport.xml>

#### International Trade Administration

Strategic Plan

[http://trade.gov/pdfs/ITA\\_stratplan2007.pdf](http://trade.gov/pdfs/ITA_stratplan2007.pdf)

#### Minority Business Development Agency

Portal/Annual Report

<http://www.mbda.gov>

#### Bureau of Industry and Security

Annual Report

<http://www.bis.doc.gov/>

#### Census Bureau

<http://www.census.gov>

#### Economics and Statistics Administration

<http://www.esa.doc.gov/>

#### Bureau of Economic Analysis

<http://www.bea.gov>

◆ BEA's Mission, Vision, Values, and Role  
<http://bea.gov/about/mission.htm>

◆ BEA Strategic Plan for FY 2010-FY 2014  
[http://bea.gov/about/pdf/strategic\\_plan\\_matrix\\_2010-2014.pdf](http://bea.gov/about/pdf/strategic_plan_matrix_2010-2014.pdf)

◆ Release Dates for 2011  
[http://www.bea.gov/newsreleases/news\\_release\\_sort\\_national.htm](http://www.bea.gov/newsreleases/news_release_sort_national.htm)

#### National Institute of Standards and Technology

◆ NIST Performance Evaluation  
[http://www.nist.gov/director/planning/impact\\_assessment.cfm](http://www.nist.gov/director/planning/impact_assessment.cfm)

◆ NIST Strategic Planning  
<http://www.nist.gov/director/planning/planning.cfm>

◆ NIST Technology Innovation Program  
<http://www.nist.gov/tip/>

◆ NIST Manufacturing Extension Partnership – Making a Difference Brochure  
<http://www.mep.nist.gov/impacts/making-a-difference.pdf>

#### National Technical Information Service

<http://www.ntis.gov/>

#### U.S. Patent and Trademark Office

<http://www.uspto.gov>

◆ Performance and Accountability Report  
<http://www.uspto.gov/web/offices/com/annual/>

◆ President's Budget and Strategic Plan  
<http://www.uspto.gov/web/offices/ac/comp/budg/index.html>

#### National Telecommunications and Information Administration

Annual Reports

<http://www.ntia.doc.gov/ntiahome/annreports.html>

#### National Oceanic and Atmospheric Administration

Strategic Planning and Performance

<http://www.ppi.noaa.gov/about-us/>

#### Office of Inspector General

<http://www.oig.doc.gov/>

### BUDGET AND PERFORMANCE CONTACTS

#### Departmental Management

Bill Tatter, btatter@doc.gov,  
202-482-5979  
William Tootle, wtootle@doc.gov,  
202-482-4891

#### Office of Inspector General

John Webb, jwebb@oig.gov,  
202-482-1719  
Kathleen Frampton, kframpton@oig.doc.gov,  
202-482-4530

#### Economic Development Administration

Hilary Sherman, hsherman@eda.doc.gov,  
202-482-3357  
Kerstin Millius, kmillius@eda.doc.gov,  
202-482-3280

#### Census Bureau

James S. Belton, james.s.belton@census.gov,  
301-763-3593  
Camellia Burris, camellia.burris@census.gov,  
301-763-3145

#### Economics and Statistics Administration/ Bureau of Economic Analysis

Douglas Follansbee, dfollansbee@doc.gov,  
202-482-5103

#### International Trade Administration

Matthew Bright, matthew.bright@trade.gov,  
202-482-3504

#### Bureau of Industry and Security

Gay Shrum, gay.shrum@bis.doc.gov,  
202-482-1058  
Brad Burke, brad.burke@bis.doc.gov,  
202-482-6006

#### Minority Business Development Agency

Ron Marin, rmarin@mbda.gov,  
202-482-3341

#### National Oceanic and Atmospheric Administration

Heidi Keller, heidi.keller@noaa.gov,  
202-482-2855

#### U.S. Patent and Trademark Office

Robert Fawcett, robert.fawcett@uspto.gov,  
571-272-7006

#### National Institute of Standards and Technology

Francisco Balicao, francisco.balicao@nist.gov,  
301-975-5510  
Jason Boehm, jason.boehm@nist.gov,  
301-975-8678

#### National Technical Information Service

Angie Martin, amartin@ntis.gov,  
703-605-6455  
Mary Houff, mhouff@ntis.gov,  
703-605-6611

#### National Telecommunications and Information Administration

Charles Franz, cfranz@ntia.doc.gov,  
202-482-1826



# U.S. DEPARTMENT OF COMMERCE



PERFORMANCE & ACCOUNTABILITY REPORT



FISCAL YEAR

# 2011



## THE DEPARTMENT AT A GLANCE

### HISTORY AND ENABLING LEGISLATION

The Department of Commerce was originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591) and was subsequently renamed the U.S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. 1512). The defined role of the new Department was “to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States.”

### MISSION

The Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

#### Program Bureaus

- Economic Development Administration (EDA)
- Economics and Statistics Administration (ESA)
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- International Trade Administration (ITA)
- Bureau of Industry and Security (BIS)
- Minority Business Development Agency (MBDA)
- U.S. Patent and Trademark Office (USPTO)
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- National Telecommunications and Information Administration (NTIA)
- National Oceanic and Atmospheric Administration (NOAA)

### STRATEGIC THEMES

#### PROGRAMMATIC THEMES

- *Economic Growth*
- *Science and Information*
- *Environmental Stewardship*

#### MANAGEMENT THEMES

- *Customer Service*
- *Organizational Excellence*
- *Workforce Excellence*

### LOCATION

The Department is headquartered in Washington, D.C., at the Herbert Clark Hoover Building, which is located on eight acres of land covering three city blocks. The Department also has field offices in all states and territories and maintains offices in more than 86 countries worldwide.

### EMPLOYEES

As of September 30, 2011, the Department had approximately 48,000 employees.

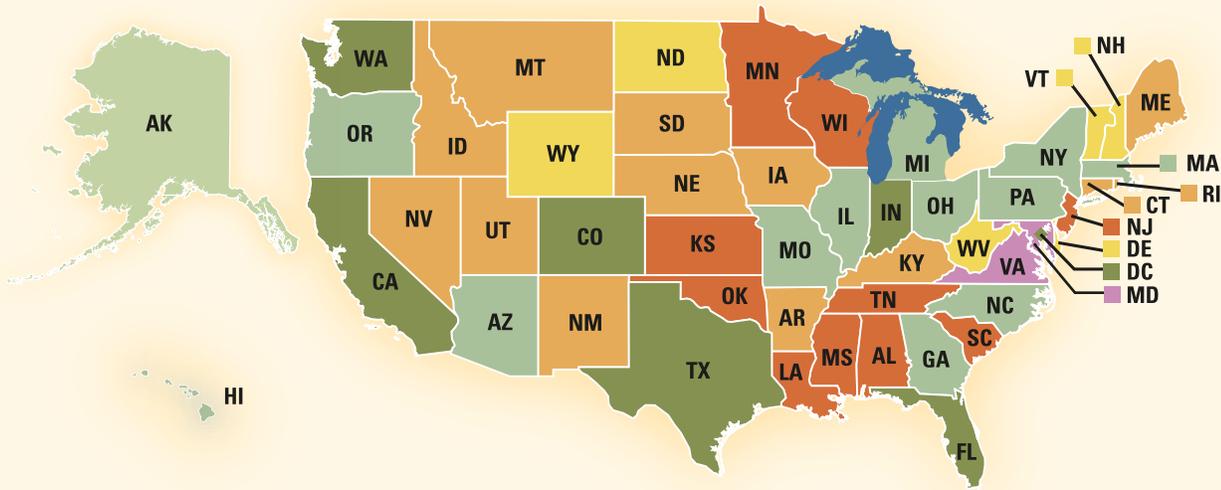
### FINANCIAL RESOURCES

The Department’s FY 2010 and FY 2011 budgets were approximately \$7.9 billion and 5.7 billion respectively (budget authority).

### INTERNET

The Department’s Internet address is [www.commerce.gov](http://www.commerce.gov).

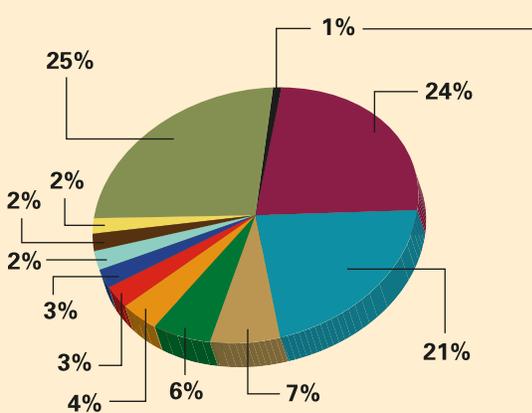
## DEPARTMENT OF COMMERCE EMPLOYEES



### NUMBER OF EMPLOYEES



## DEPARTMENT OF COMMERCE EMPLOYEES BY LOCATION



Maryland	11,864	Colorado	1,293
Virginia	10,205	Texas	1,200
District of Columbia	3,355	Florida	1,058
Indiana	2,939	New York	930
California	2,101	Other States	12,112
Washington	1,394	Other Nations/ Territories	344

### Other Nations/Territories in which Department of Commerce has Staff

Afghanistan	Hong Kong	Portugal
American Samoa	Hungary	Puerto Rico
Argentina	India	Qatar
Australia	Indonesia	Romania
Austria	Iraq	Russia
Belgium	Ireland	Saudi Arabia
Brazil	Israel	Senegal
Bulgaria	Italy	Serbia
Canada	Japan	Singapore
Chile	Jordan	Slovakia
China	Kazakhstan	South Africa
Columbia	Kenya	South Korea
Costa Rica	Kuwait	Spain
Croatia	Libya	Sweden
Czech Republic	Malaysia	Switzerland
Dominican Republic	Mexico	Taiwan
Ecuador	Morocco	Thailand
Egypt	Netherlands	Tunisia
El Salvador	Nigeria	Turkey
Finland	Northern Mariana Islands	Ukraine
France	Pakistan	United Arab Emirates
Germany	Panama	United Kingdom
Ghana	Peru	Vietnam
Greece	Philippines	
Guam	Poland	

# TABLE OF CONTENTS

Statement from the Secretary	VI
How to Use this Report	XI

## **Management’s Discussion and Analysis 1**

Mission and Organization	2
FY 2011 Performance and Financial Highlights	3
The Department of Commerce Process for Strategic Planning and Performance Reporting	7
Performance, FTE, and Funding Summary	17
Management Controls	27
Federal Managers’ Financial Integrity Act (FMFIA) of 1982	28
Federal Financial Management Improvement Act (FFMIA) of 1996	34
Report on Audit Follow-up	34
Biennial Review of Fees	34
American Recovery and Reinvestment Act (ARRA) of 2009 Programs	35
Priority Goals	49

## **FY 2011 Performance Section 61**

<b>Theme 1: Economic Growth</b>	<b>63</b>
Strategic Goal – Innovation and Entrepreneurship: <i>Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses (USPTO, EDA, NIST, NTIA)</i>	67
Strategic Goal – Market Development and Commercialization: <i>Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups (EDA, MBDA, ITA, NIST)</i>	88
Strategic Goal – Trade Promotion and Compliance: <i>Improve our global competitiveness and foster domestic job growth while protecting American security (ITA, BIS, NTIA)</i>	100
<b>Theme 2: Science and Information</b>	<b>115</b>
Strategic Goal: <i>Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems (NTIS, NTIA, ESA/CENSUS, ESA/BEA, NOAA)</i>	117
<b>Theme 3: Environmental Stewardship</b>	<b>137</b>
Strategic Goal: <i>Promote economically-sound environmental stewardship and science (NOAA)</i>	139
<b>Theme 4: Customer Service</b>	<b>159</b>
Strategic Goal: <i>Create a culture of outstanding communication and services to our internal and external customers (DM)</i>	159

Theme 5: Organizational Excellence	163
Strategic Goal: <i>Create a high-performing organization with integrated, efficient, and effective service delivery (DM, OIG)</i>	163
Theme 6: Workforce Excellence	170
Strategic Goal: <i>Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department’s mission (DM)</i>	170

<b>FY 2011 Financial Section</b>	<b>177</b>
----------------------------------	------------

Message from the Chief Financial Officer	178
Financial Management and Analysis	179
Debt Management	187
Payment Practices	189
Analysis of FY 2011 Financial Condition and Results	190
Limitations of the Financial Statements	194
Principal Financial Statements	195
Consolidated Balance Sheets	197
Consolidated Statements of Net Cost	198
Consolidated Statements of Changes in Net Position	199
Combined Statements of Budgetary Resources	200
Notes to the Financial Statements	201
Consolidating Balance Sheet	263
Required Supplementary Information	267
Required Supplementary Stewardship Information	275
Independent Auditors’ Report	291

<b>Appendices</b>	<b>303</b>
-------------------	------------

Appendix A: Performance and Resource Tables	305
Appendix B: Crosswalk between FY 2011 – FY 2016 (new) and FY 2007 – FY 2012 (old) Strategic Plans	356
Appendix C: Stakeholders and Crosscutting Programs	374
Appendix D: 2011 Management Challenges and Actions Taken	375
Appendix E: 2012 Management Challenges	401
Appendix F: Improper Payments Information Act (IPIA) of 2002, as Amended, Reporting Details	439
Appendix G: Summary of Financial Statement Audit and Management Assurances	446
Appendix H: Undisbursed Balances in Expired Grant Accounts	447
Appendix I: Glossary of Key Acronyms	449

# STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's fiscal year (FY) 2011 Performance Accountability Report (PAR). The PAR highlights the Department's accomplishments and the challenges we faced in FY 2011, as well as provides information on our financial management and performance. The Department helps make U.S. businesses more innovative for economic growth and opportunity. Every day, the Department promotes innovation, entrepreneurship, competitiveness, and stewardship informed by world-class scientific research and information. The Department achieves its mission through its 12 bureaus in partnership with U.S. businesses.

Through weather forecasts, climate and ocean monitoring, marine resource management, and support for marine commerce, the National Oceanic and Atmospheric Administration's (NOAA) services have a daily impact on our lives and U.S. commerce. The Economics and Statistics Administration (ESA), including the Census Bureau and the Bureau of Economic Analysis (BEA), provides the economic and demographic information necessary to evaluate growth, understand markets, and make sound decisions for the future. The National Telecommunications and Information Administration (NTIA), through broadband grants and spectrum reform, is expanding the information highway to propel job growth and competitiveness. The National Institute of Standards and Technology (NIST) and U.S. Patent and Trademark Office (USPTO) are critical to supporting innovation and advancing U.S. commerce. Economic development and commercialization activities supported by the Economic Development Administration (EDA) and the Minority Business Development Agency (MBDA) turn ideas into jobs. Export promotion and economic security activities at the International Trade Administration (ITA) and the Bureau of Industry and Security (BIS) directly support our Nation's international competitiveness and help U.S. companies sell more of what they make in countries around the world.

Our FY 2011 accomplishments and our challenges are highlighted within the three programmatic themes of our strategic plan: Economic Growth, Science and Information, and Environmental Stewardship.

## Economic Growth

The Department, through ITA continued to strengthen the economy by promoting exports and protecting against unfair trade practices. ITA assisted over 20,000 companies with export transactions worth over \$54 billion. Additionally, ITA successfully removed 56 trade barriers in 31 different countries that have directly benefitted U.S. industry and competitiveness, and has issued 268 anti-dumping and countervailing duty determinations covering a variety of products. ITA also continues to assist small and medium-sized businesses to compete in international markets through counseling and innovative programs like the Market Development Cooperator Program. On average, every government dollar invested in this program has generated \$172 of exports.

In FY 2011, EDA led a number of successful efforts to coordinate federal resources and streamline processes and procedures. EDA championed two interagency funding competitions in FY 2011: the i6 Green challenge and the Jobs and Innovation Accelerator Challenge. The i6 Green Challenge combines the resources of six different agencies in order to encourage and reward innovative approaches to accelerating technology commercialization, new venture formation, job creation, and economic growth across the United States. The Jobs and Innovation Accelerator Challenge leveraged the resources of 16 different federal agencies to support the development and implementation of locally driven economic development strategies that foster the development of high-growth clusters and accelerate the benefits of regional innovation cluster-based economic development. EDA also implemented an overhaul of its grant award process in order to enhance the transparency of its decision-making process and to provide applicants with information on the status of their application as quickly as possible. EDA now provides

winners of its quarterly funding competitions with letters of non-binding commitment within 20 business days of its quarterly competition deadline. EDA is also committed to providing feedback to any prospective applicant on the application merits and deficiencies of their application within 15 business days of submission to EDA.

MBDA promotes the ability of minority businesses to succeed in the local, national, and global economies. MBDA continued its upward trend of increasing contract and financial awards, rising from \$1.6 billion in FY 2005 to \$3.5 billion in FY 2011. One of MBDA's goals is to increase the number of new job opportunities. In that regard, MBDA has increased the number of new jobs created from 2,270 in FY 2005 to 4,200 in FY 2011.

In FY 2011, the President announced that the Administration released a series of regulations and requests for comment as part of the implementation of the new U.S. export control system. The Administration also deployed its Export Control Reform Initiative Web page at [www.export.gov](http://www.export.gov). This Web page features the government's first-ever consolidated electronic screening list, which will enhance exporter compliance. Prior to this release, exporters had to check different lists published in different formats, maintained by different departments, or read the Federal Register every day for names that are not published on any list, to ensure they were not exporting to someone who is sanctioned or otherwise requires special scrutiny before receiving U.S. origin goods. For the first time, exporters can download a single electronic list of the literally thousands of names maintained across the U.S. government for whom there is an export control restriction or special requirement. This will provide significant time-saving and compliance benefits, particularly to small businesses. All these steps—more clearly identifying what is controlled, how it is controlled, and how to screen to ensure that items do not end up where they should not—are tangible results in implementing the Administration's common sense approach to export controls. This clarity ensures that our export control system works as it was intended, as a key tool in protecting our national security.

BIS is currently helping to implement the long-term goals of the Export Control Reform Initiative. In the near term, the initiative will result in the transfer of a significant number of export-controlled items from the jurisdiction of the State Department's Directorate of Defense Trade Controls to BIS. BIS will need to increase its outreach efforts to educate exporters about changes in export control regulations and provide the necessary guidance to ensure compliance with new regulations.

With a focus on measurement science, standards, and technology, the laboratories and programs of NIST provide the tools and infrastructure critical to enable the innovation, development, and deployment of advanced technologies. In the area of healthcare NIST published a set of approved procedures for testing information technology (IT) systems for electronic health records which are necessary to create confidence in and accelerate deployment of the technology. NIST also issued draft recommendations for securely configuring and using technologies for cloud computing. The federal Chief Information Officer asked NIST to lead government efforts on developing standards for data portability, cloud interoperability, and security. NIST researchers also developed the world's most advanced low-temperature scanning probe microscope with unprecedented energy resolution for uncovering key properties of grapheme, which is highly anticipated to play a revolutionary role in the future of devices such as computers and batteries. NIST continued its contributions to enhance building, occupant, and firefighter safety nationwide by issuing 11 new recommendations for building and fire codes at state and local levels based on its detailed investigation of the Sofa Super Store fire (Charleston, SC, 2007). To strengthen the competitiveness of our Nation's domestic manufacturing base, the NIST Hollings Manufacturing Extension Partnership (MEP) provided a range of tools and services which supported its clients, primarily small manufacturers, in generating an estimated \$2.8 billion in increased sales, \$1.8 billion in capital investment, and \$1.4 billion in cost savings during FY 2010 (MEP results have a one-year time lag). The NIST Technology Innovation Program (TIP) supported small and medium-sized businesses in their pursuit of high-risk, high-reward research in areas of critical national need, including civil infrastructure and manufacturing, by leveraging a federal investment of \$136 million in 38 grants since the program's inception for a total investment of \$280.0 million, including awardee cost-share contributions.

NTIA, in collaboration with the Federal Communications Commission, launched the National Broadband Map on February 17, 2011. This map publicly displays the geographic areas where broadband service is available; the technology used to provide the service; the speeds of the service; and broadband service availability at public schools, libraries, hospitals, colleges, universities, and public buildings. NTIA created [DigitalLiteracy.gov](http://DigitalLiteracy.gov), in partnership with nine federal agencies, to provide librarians, teachers, workforce trainers, and others a central location to share digital literacy content and best practices. Anyone can use the Web

site to identify the skills needed for various jobs, locate suitable training, and search for employment. The Broadband Technology Opportunities Program is on track to meet—and in most cases exceed—its program goals, delivering significant progress in areas such as infrastructure construction, computer center launches, and delivery of training to new broadband users.

NTIA participated with other Department operating units in the Internet Policy Task Force (IPTF), which is conducting comprehensive reviews of the nexus between privacy policy, copyright, global free flow of information, cybersecurity, and innovation in the Internet economy. In December 2010, the IPTF released a privacy report with initial recommendations, outlining a framework to increase protection of consumers' data while supporting innovation and evolving technology. One of the recommendations was the adoption of baseline privacy principles concerning how online companies collect and use personal information, a consumer online "bill of rights."

In order to strengthen the very infrastructure that marshals new innovation to the marketplace, USPTO made important strides in FY 2011. USPTO undertook a series of initiatives to improve the speed and quality of patent processing, in an ongoing effort to further strengthen its examination capacity. USPTO has also been aggressively re-engineering many systems and processes, including its internal IT systems. USPTO is working toward a 21st century system that is smarter, better, faster, and stronger for all stakeholders. For the first time in several years, the number of patent applications awaiting first action dropped below 700,000—an important milestone that shows USPTO is helping to usher technological innovations from the drawing board into the economic sphere more quickly. USPTO also issued its 8,000,000th patent, an important signal of the technological vigor and creative industry underpinning a healthy and highly-productive U.S. intellectual property system. For the fifth consecutive year, Trademarks Office exceeded its pendency targets for first action and final disposition. Finally, patent reform legislation—passed in summer 2011 by Congress, and signed into law in September 2011 by the President—is pivotal to USPTO operations. The America Invents Act ensures that USPTO remains sufficiently resourced to modernize its IT infrastructure, hire more examiners, and swiftly implement new cost-effective provisions that will increase the efficiency and the quality of its patent system.

## Science and Information

BEA and the Census Bureau continued to upgrade the quality and availability of critical economic and demographic information for policymakers, business leaders, and the public. After successfully completing the field operations for the 2010 Decennial Census, the Census Bureau compiled the data to determine the final population counts of each state and the Nation and released it on December 21, 2010. Population data from the Decennial Census, which is mandated by the Constitution, supports the reapportionment of Congress as well as state and local legislative bodies, and is also used to allocate over \$400.0 billion in annual federal program funds. The Census Bureau completed the 2010 Census more than \$1.7 billion under budget, largely due to exceeding the estimated mail-back response rate and higher worker productivity.

In FY 2011, for the first time ever, the American Community Survey released five-year estimates, comprised of data collected from 2005 to 2009. These estimates are now available for every state, county, city, town, place, American Indian Area, Alaska Native Area, and Hawaiian Home Land, as well as for census tracts and block groups. In FY 2011, the Census Bureau released nearly 400 economic reports, including 120 principal economic indicators. Responses to censuses and surveys provide information on a wide range of activities, industries, and outputs. All targeted current survey programs achieved their response rate targets for FY 2011. In April 2011, the Census Bureau introduced a new profile of U.S. importing companies to complement the existing profile of U.S. exporting companies. The profile provides information on the value of goods imported and number of importing companies, based on several company characteristics, for the years 2008 and 2009. This new report provides information never before available about the U.S. import trade market, and introduces new capabilities to analyze companies that participate in importing and exporting.

In FY 2011, ESA released reports on women's economic and social well being, foreign direct investment, intellectual property and patent reform, broadband usage, and STEM (science, technology, engineering, and math) employment. Economic indicators are now released on Twitter. ESA also launched a blog in an effort to improve economic literacy and help journalists and the public better understand data releases.

One of BEA's primary goals in 2011 was to maintain and improve the relevance and usefulness of its economic accounts. It successfully released the 2011 flexible annual revision, which included several important improvements to the National Income and Product Accounts. BEA also continued its multi-year efforts to improve its international economic accounts by aligning them with international standards. It released the annual revision of the U.S. International Transactions Accounts, which included improvements in classifications within services as well as the exclusion of expenditures of foreign nationals working at international organizations in the United States. BEA continues to develop significant improvements to economic measures of health care. It also launched an updated, more user-friendly Web site that includes new interactive tables and charts. The new Web site makes BEA's data products easier to access and provides greater transparency of U.S. economic statistics to customers.

In 2006, NOAA introduced the annual Arctic Report Card, establishing a baseline of conditions at the beginning of the 21st century to monitor the quickly changing conditions in the Arctic. This year's report, released on October 21, 2010, found that the Arctic region continues to heat up, affecting local populations and ecosystems as well as weather patterns in the most populated parts of the Northern Hemisphere. Greenland is experiencing record-setting high temperatures, ice melt, and glacier area loss; summer sea ice continues to decline; and sea ice thickness continues to thin.

In 2011, the National Climatic Data Center released the 1981-2010 Climate Normals, which serve as a point of reference for typical climate conditions at a given location. Normals are three-decade averages of numerous climatological variables, most notably temperature and precipitation, and are used by numerous stakeholders such as builders, insurers, and engineers for planning and risk management; energy companies to predict fuel demand; farmers to help make decisions on both crop selection and planting times; and agribusinesses to monitor departures from normal conditions throughout the growing season and to assess past and current crop yields. This once-a-decade release updates the Normals for more than 7,500 locations across the United States.

## **Environmental Stewardship**

NOAA's major coastal goal is to enable the advancement of resilient coastal communities and economies. Given the current economic challenges, this strategic focus on coastal communities is critical. In FY 2011, NOAA's authoritative environmental and geospatial data advanced the marine transportation system, which is worth \$742 billion and employs 13 million people, with 2,515 square nautical miles of hydrographic surveys in navigationally significant areas, and with the launch of a new nautical chart system to significantly enhance maintenance and production of over 1,000 nautical charts when fully operational. NOAA's Lake Erie Experimental Harmful Algal Bloom forecasts protected public health in Ohio, and in the state of Washington minimized economic impacts that have a potential to reach \$22.0 million in losses when razor clam digging closures occur.

NOAA's National Weather Service (NWS) exceeded warning performance targets for the May 22, 2011 violent tornado that devastated a large portion of Joplin, MO. The Joplin tornado was the first single tornado in the United States to result in over 100 fatalities since the Flint, MI, tornado of June 8, 1953. NWS first forecasted severe weather for the Joplin area three days in advance, and issued a Tornado Watch four hours prior to the tornado and a Tornado Warning with lead time of 19 minutes before the tornado entered Joplin, which exceeded average warning lead times for all tornadoes by six minutes. While the early warnings saved countless lives, improvements in science and technology are required in order to see further improvements in warning lead times and build toward a more weather-ready Nation.

For each of the severe weather events in 2011, NWS forecasters relied upon proven operational and experimental models, which have been rapidly advancing forecasting capabilities and helping the United States become a more weather-ready Nation. More than nine hours before the Tuscaloosa tornado outbreak, NOAA Research's High-Resolution Rapid Refresh (HRRR) model accurately predicted the storms general location and severity. Hurricane Irene served as a real-world trial for the experimental global weather model FFIM (flow-following, finite-volume icosahedral model), which skillfully forecasted Hurricane Irene's track and heaviest precipitation three days before the storm made landfall over North Carolina's Outer Banks. Hurricane Irene also

demonstrated the accuracy and utility of the experimental Coastal and Inland Flooding Observation and Warning (CI-FLOW) system that improves forecasts of inland and coastal flooding events and helps users to better react, respond, and recover.

As a result of the Magnuson-Stevens Acts of 1976 and 2007, fisheries harvested in the United States today are scientifically monitored, regionally managed, and legally enforced under 10 national standards of sustainability. NOAA is on track to have annual catch limits and accountability measures in place for all 528 federally-managed fish stocks and complexes by the end of 2011. NOAA's annual *Status of Stocks Report to Congress* showed a 63 percent improvement from 2000-2010 in the Fish Stock Sustainability Index for the 230 most economically significant stocks, and also reported that three additional stocks have been rebuilt, bringing the total number of stocks rebuilt over the last 10 years to 21.

### **Customer Service and Organizational Excellence and Workforce Excellence**

CommerceConnect extended its local reach to 17 locations across the country from Los Angeles, CA to Boston, MA. CommerceConnect made considerable progress in establishing an operational infrastructure to support the growth of the initiative, expand inter-bureau collaboration, and implement a Department-wide customer-oriented business model, including training over 175 Department staff to participate in the initiative; engaging over 770 business clients (vs. 90 clients in FY 2010); and providing over 1,160 referrals (vs. 333 referrals in FY 2010) to Department and other federal, state, local, and non-profit programs that address their specific needs. Referrals are critically important because among other things they help companies obtain financing for operations and expansion, improve the efficiency of their operations, protect their intellectual property, increase their exports, access data and information for more effective decision-making, and a host of other activities critical to the Nation's growth and economic prosperity. Approximately 75 percent of the referrals made have been acted upon by clients.

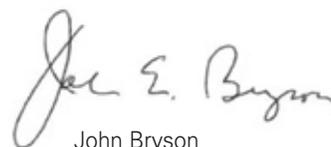
The Department's financial data and performance results for FY 2011 are provided together in this report in response to the Reports Consolidation Act of 2000. This information is crucial in helping us to effectively administer our programs, determine their success, and make adjustments that may be necessary to improve the quality of program operation and service delivery.

For the 13th year in a row, the independent auditors tasked with reviewing our financial statements have provided an unqualified opinion. Our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, and, in accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

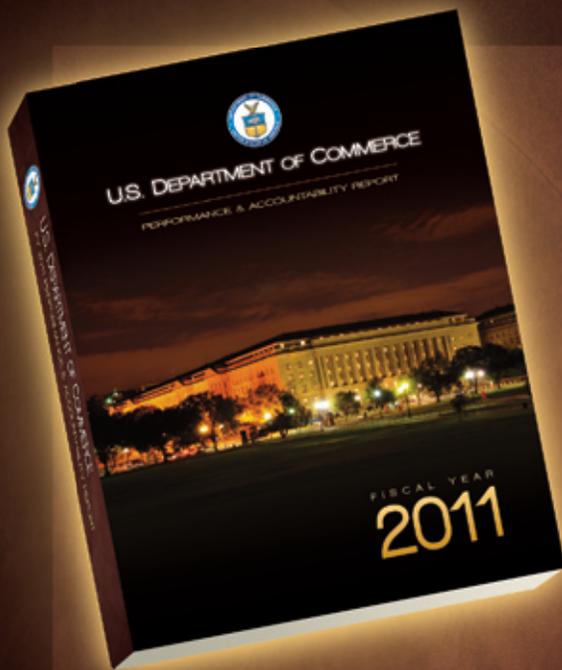
The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of Inspector General (OIG), the Government Accountability Office (GAO), and others to assist in this effort. Based on activities undertaken during FY 2011, the Department's system of internal controls, taken as a whole, is consistent with FMFIA.

### **In Conclusion**

Again, I am proud to submit this report on the FY 2011 performance of the Department, and hope it provides a useful summary of the results of the Department and its 48,000 employees.



John Bryson  
Secretary of Commerce  
November 15, 2011



# HOW TO USE THIS REPORT

**T**his Performance and Accountability Report (PAR) for FY 2011 provides the Department of Commerce's financial and performance information, enabling the President, Congress, and the American people to assess the Department's performance as provided by the requirements of the:

- Reports Consolidation Act of 2000 and other laws
- Government Management Reform Act of 1994
- Government Performance and Results Act (GPRA) of 1993
- Chief Financial Officers (CFO) Act of 1990
- Federal Managers' Financial Integrity Act (FMFIA) of 1982.

The assessment of the Department's performance contained in this report compares performance results to the Department's strategic goals and performance goals. The Department's Strategic Plan, Performance Plan, and annual PARs are available on the Department's Web site at [http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm).

The Department welcomes feedback on the form and content of this report.

This report is organized into the following major components:

## **STATEMENT FROM THE SECRETARY OF COMMERCE**

The Secretary's statement includes an assessment of the reliability and completeness of the financial and performance information presented in the report and a statement of assurance on the Department's management controls as required by the FMFIA.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section, and Appendices. The MD&A includes an overview of the Department's organization, a summary of the performance, full-time equivalents (FTE) and funding of the Department, summary of the performance process, current status of systems and internal control weaknesses, and summaries of the American Recovery and Reinvestment Act (ARRA) of 2009 funding as it applies to FY 2011 and Priority Goals.

## **PERFORMANCE SECTION**

This section provides the annual performance information as required by Office of Management and Budget (OMB) Circular A-11 and GPRA. Included in this section is a detailed discussion and analysis of the Department's performance in FY 2011. For each service and major office, the results are presented by each of the six Secretarial themes, strategic goals within themes, and objectives within goals.

## **FINANCIAL SECTION**

This section contains the details of the Department's finances in FY 2011. A message from the Department's Chief Financial Officer (CFO), is followed by the information on the Department's financial management, debt management, payments management, audited financial statements, other supplemental financial information, and the independent auditors' report.

## **APPENDICES**

This section provides summary charts of performance information, a listing of key stakeholders, a discussion of management challenges including actions taken to address them as well as the FY 2012 management challenges, financial information, a discussion of undisbursed expired grant accounts, and a glossary of acronyms. The definitions and data sources of performance measures appears at the end of the Web site version of the PAR located at <http://www.osec.doc.gov/bmi/budget/>. The 2011 and 2012 Management Challenges sections were imported from an OIG report and therefore, unlike the rest of the PAR is not Section 508 compliant.

For additional copies of this report, please call the Department of Commerce, Office of Budget, at 202-482-4648 or email either Bill Tatter at [BTatter@doc.gov](mailto:BTatter@doc.gov) or William Tootle at [WTootle@doc.gov](mailto:WTootle@doc.gov). A listing of Web addresses and email addresses of other Departmental and bureau staff appears on the inside front cover.





# MANAGEMENT'S DISCUSSION AND ANALYSIS

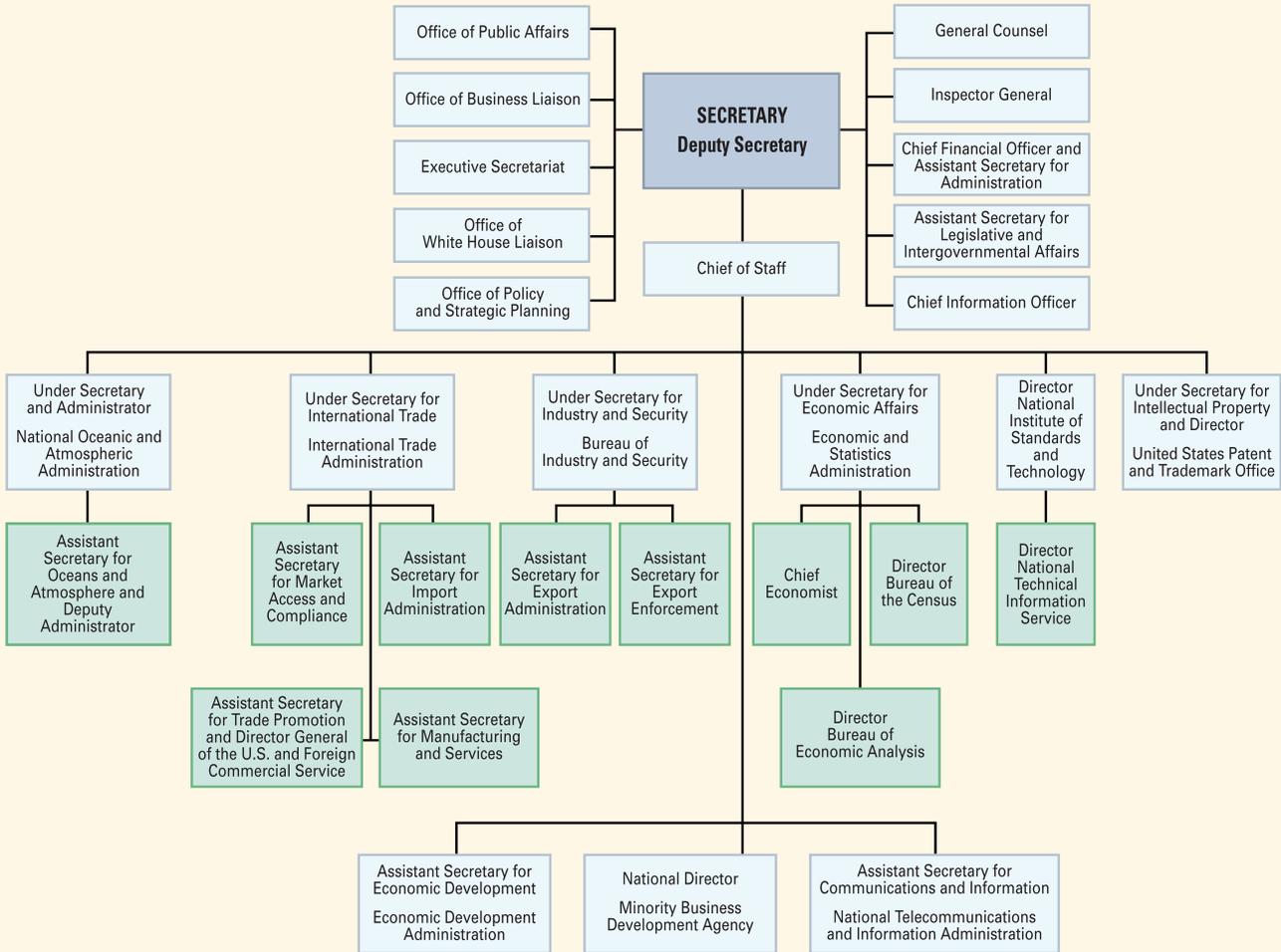


## MISSION AND ORGANIZATION

### MISSION

THE DEPARTMENT OF COMMERCE CREATES THE CONDITIONS FOR ECONOMIC GROWTH AND OPPORTUNITY BY PROMOTING INNOVATION, ENTREPRENEURSHIP, COMPETITIVENESS, AND STEWARDSHIP.

### U.S. DEPARTMENT OF COMMERCE

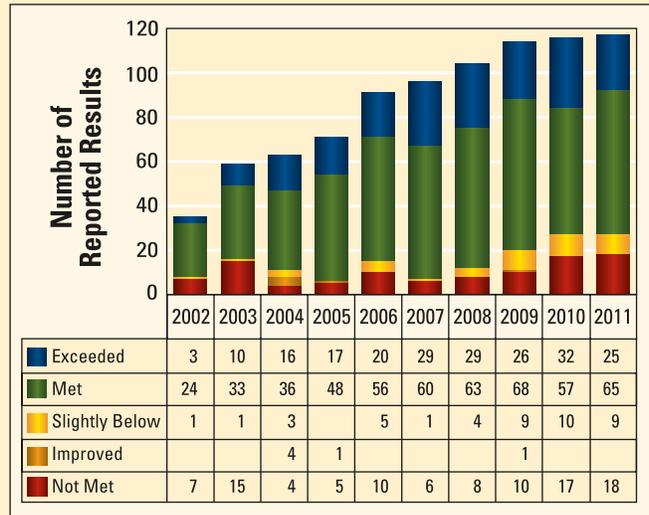


FY 2011 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 117 performance targets, 77 percent were at or above target, eight percent slightly below target, and 15 percent not on target. Below are the funding and full-time equivalent (FTE) levels by strategic goal and financial highlights. It should be noted that FY 2010 was an unusual year in which the Department conducted the 2010 Decennial Census, resulting in a large increase in FTE and funding for FY 2010. Beginning on page 17 is a summary of the performance results by theme. This summary provides a snapshot of the targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each theme.

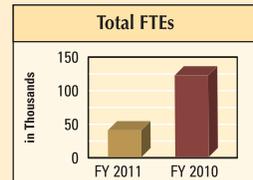
PERFORMANCE RESULTS



The total number of measures for each year may differ from the FY 2010 PAR, in part because of the new strategic plan. Past year measures that were discontinued or that do not apply to the new strategic plan are not included in these totals.

See Appendix A: Performance and Resources Tables for individual reported results.

(Dollars in Millions) <sup>1</sup>	Percentage Change	FY 2011	FY 2010
<b>For the Years Ended September 30, 2011 and 2010</b>			
<b>Obligations by Themes:</b>			
Theme 1: Economic Growth <sup>2</sup>	-49.0%	\$ 4,227.4	\$ 8,295.6
Theme 2: Science and Information <sup>2</sup>	-51.9%	\$ 4,655.6	\$ 9,683.0
Theme 3: Environmental Stewardship	-13.8%	\$ 1,939.7	\$ 2,249.3
Themes 4-6: Management Themes	-3.1%	\$ 91.2	\$ 94.1
<b>TOTAL OBLIGATIONS</b>	<b>-46.3%</b>	<b>\$10,913.9</b>	<b>\$20,322.0</b>
<b>Full Time Equivalents (FTEs) by Strategic Goal:</b>			
Theme 1: Economic Growth <sup>2</sup>	+5.0%	15,703	14,959
Theme 2: Science and Information <sup>2</sup>	-81.5%	18,768	101,419
Theme 3: Environmental Stewardship	0.0%	5,260	5,260
Themes 4-6: Management Themes	-4.3%	334	349
<b>TOTAL FTEs</b>	<b>-67.2%</b>	<b>40,065</b>	<b>121,987</b>

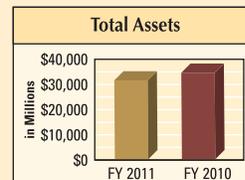


<sup>1</sup>Performance funding may differ from funding shown in financial statements because the performance funds do not include one-time funds for unexpected events (e.g., Hurricane Katrina) or reimbursable work that cannot be planned. In these cases, the funding is not factored into bureau performance amounts. Also funding reflects obligations as opposed to costs. An example of the difference is the NTIA Broadband Technology Opportunities Program where over \$4 billion was obligated in FY 2010, however the costs incurred was significantly less.

<sup>2</sup> For Theme 1, the funding and FTE decreased significantly as a result of the NTIA Broadband Technology Opportunities Program being completed by the end of FY 2010. For Theme 2, the funding and FTE decreased significantly in FY 2011 as a result of the 2010 Decennial Census being completed in FY 2010.

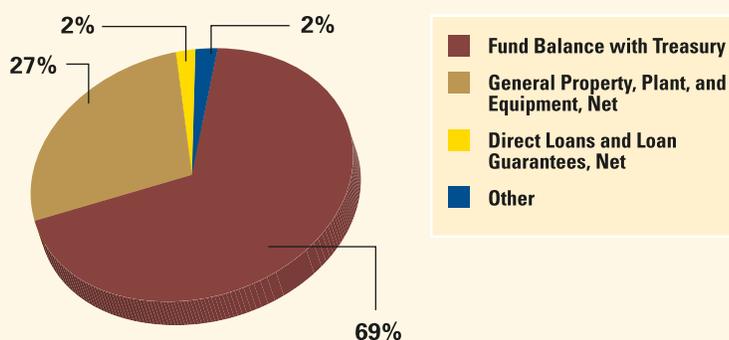
## FINANCIAL HIGHLIGHTS

(Dollars in Thousands)	Percentage Change	FY 2011	FY 2010
<b>As of September 30, 2011 and 2010</b>			
<b>Condensed Balance Sheets:</b>			
<b>ASSETS:</b>			
Fund Balance with Treasury	-16%	\$ 21,661,030	\$ 25,785,547
General Property, Plant, and Equipment, Net	+13%	8,362,263	7,394,711
Direct Loans and Loan Guarantees, Net	+5%	566,250	540,147
Other	+14%	809,498	712,365
<b>TOTAL ASSETS</b>	<b>-9%</b>	<b>\$ 31,399,041</b>	<b>\$ 34,432,770</b>
<b>LIABILITIES:</b>			
Unearned Revenue	+3%	\$ 1,374,524	\$ 1,332,395
Spectrum Auction Proceeds Liability to Federal Communications Commission	-93%	2,436	33,838
Federal Employee Benefits	+5%	808,482	769,035
Accounts Payable	-7%	431,735	462,693
Accrued Grants	-22%	595,721	766,204
Debt to Treasury	+4%	540,001	517,930
Accrued Payroll and Annual Leave	+3%	578,952	561,154
Other	+9%	259,277	236,916
<b>TOTAL LIABILITIES</b>	<b>-2%</b>	<b>\$ 4,591,128</b>	<b>\$ 4,680,165</b>
<b>NET POSITION:</b>			
Unexpended Appropriations	-28%	\$ 9,219,657	\$ 12,882,192
Cumulative Results of Operations	+4%	17,588,256	16,870,413
<b>TOTAL NET POSITION</b>	<b>-10%</b>	<b>\$ 26,807,913</b>	<b>\$ 29,752,605</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>-9%</b>	<b>\$ 31,399,041</b>	<b>\$ 34,432,770</b>
<b>For the Years Ended September 30, 2011 and 2010</b>			
<b>Condensed Statements of Net Cost:</b>			
<i>Theme 1: Economic Growth</i>		\$ 2,865,357	
<i>Theme 2: Science and Information</i>		3,955,362	
<i>Theme 3: Environmental Stewardship</i>		2,413,081	
<i>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>			\$ 7,878,604
<i>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</i>			1,262,005
<i>Strategic Goal 3: Promote Environmental Stewardship</i>			4,523,471
<b>TOTAL NET COST OF OPERATIONS</b>	<b>-32%</b>	<b>\$ 9,233,800</b>	<b>\$ 13,664,080</b>
Total Gross Costs	-25%	\$ 12,419,854	\$ 16,527,409
Less: Total Earned Revenue	+11%	(3,186,054)	(2,863,329)
<b>Total Net Cost Of Operations</b>		<b>\$ 9,233,800</b>	<b>\$ 13,664,080</b>



REVIEW OF FINANCIAL POSITION AND RESULTS

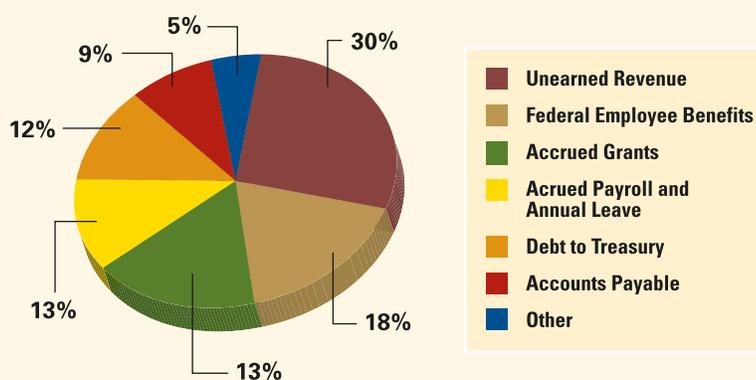
COMPOSITION OF THE DEPARTMENT'S FY 2011 ASSETS



ASSETS

The Department had total assets of \$31.4 billion as of September 30, 2011. This represents a decrease of \$3.0 billion or 9 percent over total assets of \$34.4 billion at September 30, 2010. The decrease of \$4.1 billion or 16 percent in Fund Balance with Treasury was primarily due to significantly decreased appropriations and significantly increased rescissions for Census Bureau as a result of the completion of the 2010 Decennial Census, and a significant increase in payments to grantees for NTIA's Broadband Technology Opportunities Program. General Property, Plant, and Equipment, Net (PP&E) increased \$968 million or 13 percent, mainly due to an increase in NOAA Construction-in-progress of \$1.2 billion, primarily for satellite programs. Other Assets increased by \$97 million or 14 percent, primarily due to an increase of \$73 million in NOAA Accounts Receivable with an oil company for restoration activities related to the 2010 Deepwater Horizon oil spill.

COMPOSITION OF THE DEPARTMENT'S FY 2011 LIABILITIES



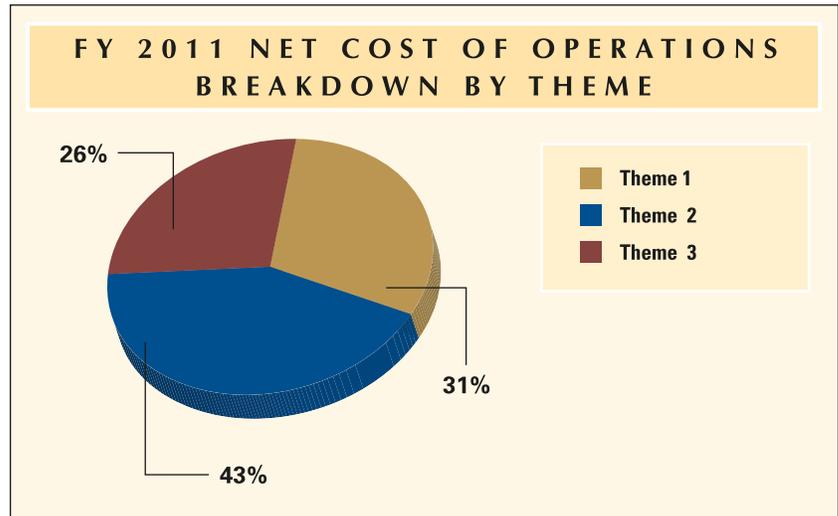
LIABILITIES

The Department had total liabilities of \$4.6 billion as of September 30, 2011. This represents a decrease of \$89 million or 2 percent as compared to total liabilities of \$4.7 billion at September 30, 2010. Accrued grants decreased by \$170 million or 22 percent, primarily resulting from a decrease of \$103 million in EDA's Accrued Grants, mainly due to reduced grantee expenditures related to previous funding received under the American Recovery and Reinvestment Act of 2009, and received under a FY 2010 supplemental appropriation for a major storms and flooding disaster that occurred in 2010. NTIA's Accrued Grants also decreased by \$79 million, mainly due to a refinement in the grant accrual methodology for the Broadband Technology Opportunities Program. Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC) decreased by \$32 million or 93 percent, due to the payment of FCC administrative fees for developing and implementing the auction program. Federal Employee Benefits increased by \$39 million or

5 percent, primarily due to an increase of \$21 million in the NOAA Corps Retirement System Liability, and from the effect of increased Decennial Census employees on the valuation of the Department's Actuarial FECA Liability.

**NET COST OF OPERATIONS**

In FY 2011, Net Cost of Operations amounted to \$9.2 billion, which consists of Gross Costs of \$12.4 billion less Earned Revenue of \$3.2 billion. Theme 1 includes Gross Costs of \$5.3 billion related to enabling economic growth through innovation and entrepreneurship, market development and commercialization, and trade promotion and compliance. Theme 2 includes Gross Costs of \$4.4 billion related to promoting science and information by generating and communicating new cutting-edge scientific understanding of technical, economic, social, and environmental systems. Theme 3 includes Gross Costs of \$2.7 billion related to promoting economically-sound environmental stewardship and science.



The Department is reporting the Net Cost of Operations according to the Department's new *FY 2011-2016 Strategic Plan*, which replaces strategic goals with themes, and modifies performance objectives and measures accordingly. Because the new themes and old strategic goals are not equivalent, a comparative analysis of FY 2011 themes and FY 2010 strategic goals is not feasible. Total Gross Costs decreased by \$4.1 billion or 25 percent, mainly due to the significant decrease in Gross Costs of \$5.0 billion in Census Bureau's Decennial and Periodic Censuses major program, which primarily reflects significant decreases in 2010 Decennial Census costs. Gross Costs for NTIA's Broadband Technology Opportunities Program increased by \$403 million as a result of significantly increased grantee expenditures.

Total Earned Revenue increased by \$323 million or 11 percent. There was an increase in Earned Revenue of \$118 million for USPTO's Patents major program, primarily resulting from an overall increase in transactions volume for the various types of Patents program fees. NOAA's Earned Revenue increased by \$108 million, primarily resulting from an increase of \$95 million in Earned Revenue for restoration activities related to the 2010 Deepwater Horizon oil spill. Census Bureau's Earned Revenue increased by \$63 million, primarily due to increased services performed for the Department of Housing and Urban Development in FY 2011, and due to Earned Revenue in FY 2011 from a new reimbursable agreement with the Department of Labor.

THE DEPARTMENT OF COMMERCE PROCESS FOR

STRATEGIC PLANNING AND PERFORMANCE REPORTING

MANAGEMENT STRATEGIC FRAMEWORK, PERFORMANCE PLANNING AND REPORTING AT A GLANCE

Beginning in FY 2010, in order to better manage its programs, the Department took a Balanced Scorecard approach to management, by not only emphasizing budget and finance, but also customer, internal business process, and learning and growth perspectives into management activities. This approach added an additional layer to the performance structure involving Secretarial themes that appears between the mission statement and the strategic goals. Secretarial themes focus on the priorities of the Secretary. In addition, the Department took a more integrated, crosscutting approach with regard to its programs. In the prior strategic plan, bureau programs were associated with only one strategic goal and often only objective (the lone exception being the National Institute of Standards and Technology (NIST) which had one program (Hollings Manufacturing Extension Partnership (MEP)) in goal 1 and the remainder of its programs in goal 2). While the National Oceanic and Atmospheric Administration (NOAA) encompassed an entire strategic goal, it did not cross into any of the other two strategic goals. In the current Departmental Balanced Scorecard and the new FY 2011 – FY 2016 Strategic Plan which follows the structure of the Balanced Scorecard, seven of the 13 bureaus cross themes, goals and/or objectives, giving a greater emphasis to the Secretary’s three programmatic themes of Economic Growth, Science and Information, and Environmental Stewardship, and the three management themes of Customer Service, Organizational Excellence, and Workforce Excellence along with a greater integration of programs. Individual bureau scorecards follow the structure of the Departmental scorecard while providing greater detail about their programs.



The FY 2011 – FY 2016 Strategic Plan put forth a set of three programmatic themes and three organizational themes to guide the Department in accomplishing its mission to create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. Within these themes the Department has a set of goals and objectives that more clearly define the structure of accomplishing this mission. Strategic goals describe objectives that define the results that the bureaus aimed to achieve. These are long-term objectives that often involve the work of more than one Department bureau. Within each objective are associated indicators and targets to measure the Department’s impact on a continuous basis. The strategic plan can be found at [http://www.osec.doc.gov/bmi/budget/DOCStrategicPlan\\_June\\_6\\_signed\\_final.pdf](http://www.osec.doc.gov/bmi/budget/DOCStrategicPlan_June_6_signed_final.pdf).

In addition, the FY 2012 Congressional Budget submission reflected this new structure, shown in the bureaus’ Annual Performance Plans (APP) that appear as Exhibit 3A in the FY 2012 Congressional Budget submission. In that submission, the Department’s bureau-specific performance goals and measures align with the Department’s new strategic themes, goals, and objectives. The performance goals in the APPs link with the resource requirements for the past, current, and

upcoming fiscal years. Each plan is integrated with the President's Budget submission to Congress, at the bureau level. The FY 2012 Budget submission and its associated APPs can be found at <http://www.osec.doc.gov/bmi/budget/>.

This FY 2011 PAR also aligns with the new strategic plan and provides a public accounting of the Department's FY 2011 performance results thus completing the Department's performance management process for the fiscal year. The Web address of the FY 2011 PAR is <http://www.osec.doc.gov/bmi/budget/>. Appendix A of the FY 2011 PAR provides historical results of the Department's performance, matching targets against actuals going as far back as FY 2002 and funding and FTE to FY 2007.

### **How the Department Selects Its Performance Outcomes and Measures**

Performance objectives articulated in the introductory material for each strategic goal in the strategic plan and APP convey a sense of how the Department creates value for the U.S. public. Performance measures depict tangible progress by Department program activities toward these goals. The Department has tailored performance measures to be more outcome-oriented (described in the next section). When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of Department programs, and are meant to broadly illustrate how the Department adds value to the U.S. economy. The FY 2011 PAR depicts a top-level, integrated system for managing for results within the Department, but is not an exhaustive treatment of all Department programs and activities. This report should also be read with each Department bureau's own performance results to gain a comprehensive picture of the Department's accomplishments in FY 2011. More in-depth performance results for FY 2011 and prior years are available in Appendix A, and other information about the bureaus can be found on individual bureau Web sites. The directory of Web sites is located on the inside front cover of this report and provides a good foundation for researching additional information. Descriptions of any changes between FY 2010 and FY 2011 as well as descriptions including validation and verification information of each measure can be found on the Department's Web site at <http://www.osec.doc.gov/bmi/budget/>. This Web site provides all measure descriptions for each bureau as part of the FY 2012 annual budgets for each bureau incorporated as Exhibit 3A (APP) of each bureau's budget submission and the soon to be released FY 2013 Congressional Budget submission.

### **Performance Validation and Verification**

The Department uses a broad range of performance outcomes and measures to make reporting useful and reliable. It is imperative to demonstrate that performance measures are backed by accurate and reliable data; valid data are important to support management decisions on a day-to-day basis. The data and the means to validate and verify the measures are also diverse. As in the measures descriptions above, validation and verification tables appear in the APPs of each bureau's FY 2011 budget submissions. These tables identify each measure, and the following information: (1) data source, (2) frequency, (3) data storage, (4) internal control procedures, (5) data limitations, and (6) any actions to be taken. This information is available at <http://www.osec.doc.gov/bmi/budget/>.

The Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process of performance based upon each bureau's individual balanced scorecards, expanding the Department's scorecard into bureau-specific activities that feed into the Department's scorecard. Performance measures are associated with the bureaus' scorecards, flowing into the Department's scorecard and into the Performance and Accountability Report (PAR).

### **Performance Controls and Procedures**

**Leadership:** In the past, the Department has conducted quarterly performance reviews, during which bureau heads report to the Deputy Secretary on the current status of bureau performance. These reviews are continuing in various forms

with the new administration. Progress towards Government Performance and Results Act (GPRA) measures appear in this report.

**Performance Data:** The Department's performance measurement data are collected by its 13 bureaus, each with systems to manage their data validation and verification processes. Some of these are automated systems and others are manual processes. Data can be divided into three types: financial data, data management methods, and data from manual processes. Some examples include: jobs created or retained (Economic Development Administration (EDA)), lead time of tornado warnings (NOAA), and trademark applications filed electronically (U.S. Patent and Trademark Office (USPTO)).

**Financial Data:** As stated above, the Department has a high degree of confidence in its financial data. Normal audit and other financial management controls maintain the integrity of these data elements. During the FY 2011 Consolidated Financial Statement audit, tests and review of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. Further, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of the Office of Management and Budget (OMB) Circular A-123, and based on the results of this evaluation, the Department provided reasonable assurance that its internal control over financial reporting was operating effectively.

### Departmental Performance Structure

In the past, the Department focused on three different, yet inter-related aspects of economic growth and opportunity—growth, innovation, and environment—with each aspect reflected in each of the Department's strategic goals. A fourth goal—management integration—was linked to all three goals, focusing on various aspects of improving the management of the Department. Appendix B shows a crosscut of how the old strategic plan and its three program goals track to the new FY 2011 – FY 2016 Strategic Plan with its six themes, eight goals, and 27 objectives.

The programmatic themes are the realm of the bureaus while the management themes (Customer Service, Organizational Excellence, and Workforce Excellence) focus on Departmental Management and the Office of Inspector General (OIG) though the management themes do have elements from other bureaus. Nearly all of the funding occurred in the three programmatic themes, though no theme dominated the other with occasional fluctuations occurring that changed the respective percentages.

Because the Department significantly revised the Strategic Plan structure for the FY 2011 PAR, it is difficult, if not impossible, to track discontinued measures the Department used in previous years for historical comparison purposes. Furthermore, since one of the primary purposes of the PAR is to examine the Department's performance in FY 2011, a comparison using past discontinued measures does not provide a true reflection of historical trends through FY 2011, particularly in those cases in which bureaus discontinued certain measures because they didn't accurately reflect the work of the bureau. Therefore, performance historical tables reflect past trends using the measures that the Department reports on in FY 2011.

### SUMMARY DESCRIPTION OF BUREAUS

---

The following are summary descriptions of each bureau in budget appropriation order with applicable strategic goals and objectives listed at the end of each description.

The **Departmental Management (DM)** develops and implements policy affecting U.S. and international activities as well as internal goals and operations of the Department. DM serves as the primary liaison with the executive branch and

Congressional and private sector groups, and acts as the management and administrative control point for the Department. Executive Direction develops and implements Departmental policies and coordinates bureau program activities to accomplish the Department's mission while Departmental Staff Services develops and implements the Department's internal policies, procedures, and other administrative guidelines. **CUSTOMER SERVICE, ORGANIZATIONAL EXCELLENCE, AND WORKFORCE EXCELLENCE**

The **Office of Inspector General (OIG)** ensures that the Department's employees and others managing federal resources comply with applicable laws and regulations, and actively work to prevent fraud, waste, and abuse in program operations. The OIG monitors and tracks the use of taxpayer dollars in federally-funded programs with its purpose being to keep Departmental officials and Congress fully and currently informed about issues, problems, and deficiencies relating to the administration of programs and operations and the need for corrective action. **ORGANIZATIONAL EXCELLENCE**

The **Economic Development Administration (EDA)** directly supports the Department's goal to maximize U.S. competitiveness and enable economic growth for U.S. industries, workers, and consumers with the objective to foster domestic economic development as well as export opportunities. To achieve this objective, EDA promotes a favorable business environment through strategic investments in public infrastructure. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and sudden, severe economic challenges. **ECONOMIC GROWTH**

The **Census Bureau** is the leading source of quality data about the Nation's people and economy. The Census Bureau measures those trends and segments of the U.S. population and economy most critical to continued U.S. success and prosperity. The Census Bureau provides benchmark measures of the U.S. population, economy, and governments, and provides current measures of the U.S. population, economy, and governments. The Census Bureau's cyclical programs include the Economic Census and the Census of Governments, conducted every five years, and the Decennial Census program, conducted every 10 years. **SCIENCE AND INFORMATION**

The **Bureau of Economic Analysis (BEA)** produces some of the Nation's most important economic statistics, including GDP and the balance of payments. BEA promotes a better understanding of the U.S. economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner. Although a relatively small agency, BEA's economic statistics are among the Nation's most closely watched. BEA's statistics influence critical decisions made by policymakers, business leaders, households, and individuals affecting interest and exchange rates, tax and budget projections, business investment plans, and the allocation of over \$200 billion in federal funds. **SCIENCE AND INFORMATION**

The **International Trade Administration (ITA)** works to create prosperity by promoting trade and investment, ensuring fair trade and compliance with trade laws and agreements, and strengthening the competitiveness of U.S. industry. Within ITA, the *Manufacturing and Services (MAS)* unit analyzes the domestic and international aspects of U.S. competitiveness by working with U.S. industries to evaluate the needs of the MAS sectors, conducting economic and regulatory studies aimed at strengthening U.S. industry, obtaining input and advice from U.S. industries for trade policy setting, and participating, as appropriate, with ITA trade policy and negotiation advancement initiatives. The *Market Access and Compliance (MAC)* unit concentrates on the development of strategies to overcome market access obstacles faced by U.S. businesses. MAC monitors foreign country compliance with numerous trade-related agreements and identifies compliance problems and other market access obstacles. The *Import Administration (IA)* helps ensure fair trade by administering the U.S. antidumping and countervailing duty (AD/CVD) laws in a manner consistent with U.S. international obligations. IA works extensively with U.S. businesses on a regular basis to educate them about U.S. trade laws related

to dumping and foreign government subsidies and how to act if they are injured by those practices. *Trade Promotion and The U.S. and Foreign Commercial Service (US&FCS)* broadens and deepens the base of U.S. exports by providing U.S. companies with reliable advice on the range of public and private assistance available, and knowledgeably supports all other federal trade promotion services. **ECONOMIC GROWTH**

The **Bureau of Industry and Security (BIS)** advances U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and by promoting continued U.S. strategic technology leadership. BIS (1) regulates the export of sensitive "dual use" goods and technologies in an effective and efficient manner; (2) enforces export control, antiboycott, and public safety laws; (3) cooperates with and assists other countries on export control and strategic trade issues; (4) assists U.S. industry in complying with international arms agreements; (5) monitors the viability of the U.S. defense industrial base; (6) evaluates the effects on national security of foreign investments in U.S. companies; and (7) supports continued U.S. technology leadership in industries that are essential to national security. **ECONOMIC GROWTH**

The **Minority Business Development Agency (MBDA)** promotes the ability of minority business enterprises (MBE) to grow and to participate in the global economy through a range of activities that include funding a network of centers that provide MBEs a variety of business assistance services. MBDA, through its direct federal client services and its network of funded centers (1) fosters the expansion of opportunities for minority-owned businesses in the global marketplace; (2) identifies sources of financial capital for minority-owned firms; (3) develops and upgrades electronic tools to provide access to growth markets through automated matching of MBEs to public and private sector opportunities; (4) provides management and technical assistance to minority-owned businesses; and (5) advocates for the increased use of electronic commerce and new technologies by MBEs. **SCIENCE AND INFORMATION, ENVIRONMENTAL STEWARDSHIP**

The **National Oceanic and Atmospheric Administration (NOAA)** promotes environmental stewardship. NOAA encompasses part of the Science and Information Theme and all of the Environmental Stewardship Theme. **SCIENCE AND INFORMATION, ENVIRONMENTAL STEWARDSHIP**

NOAA is divided into two primary appropriation accounts, Operations, Research, and Facilities; and Procurement, Acquisition, and Construction for both of which the following six programs apply:

- The **National Ocean Service (NOS)** provides scientific, technical, and management expertise to promote safe navigation; protects and restores coastal and marine resources damaged by natural or human-induced threats; and manages and preserves coastal and ocean environments.
- The **National Marine Fisheries Service (NMFS)** manages and conserves the living marine resources within the 200-mile U.S. Exclusive Economic Zone. NMFS is dedicated to the stewardship of living marine resources through science-based conservation and management.
- The **Office of Oceanic and Atmospheric Research (OAR)** provides the research and technology development necessary to improve NOAA climate, weather, coastal, and ocean services. OAR supplies the scientific information to advise national policy decisions in such areas as climate change, air quality, coastal resource management, and stratospheric ozone depletion.
- The **National Weather Service (NWS)** provides weather, hydrologic, and climate forecasts and warnings for the United States, its territories, adjacent waters, and ocean areas, for the protection of life and property and the enhancement of the national economy.

- The **National Environmental Satellite, Data and Information Service (NESDIS)** operates the polar-orbiting and geostationary operational environmental satellites, develops the converged polar-orbiting satellite series with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), and manages NOAA's environmental data collections for use in studying long-term environmental change.
- **Program Support** provides overall NOAA management, planning, and administrative support for NOAA. Program Support promotes environmental literacy and develops and sustains a world-class workforce. Program Support provides for repair, restoration, and other construction efforts, along with NOAA-wide environmental compliance and safety issues. With Program Support, the Office of Marine and Aviation Operations operates and maintains NOAA's ships and aircraft and uses them to collect data to support NOAA's mission.

The **U.S. Patent and Trademark Office (USPTO)** fosters innovation and competitiveness by providing high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property (IP) policy, and delivering IP information and education worldwide. Two distinct business lines, Patents and Trademarks, administer the patent and trademark laws which provide protection to inventors and businesses for their inventions and corporate and product identifications, and encourage innovation and scientific and technical advancement of U.S. industry through the preservation, classification, and dissemination of patent and trademark information. **ECONOMIC GROWTH**

The **National Institute of Standards and Technology (NIST)** promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that improve economic security and quality of life. NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other technologies and services needed by U.S. industry to compete in the 21st century. The *NIST laboratories* provide the measurement science and physical standards that are essential components of the technology infrastructure underpinning U.S. innovation. NIST's *Technology Innovation Program (TIP)* supports innovative, high-risk, high-reward research in areas of critical national need where the government has a clear interest due to the magnitude of the problems and their importance to society. Through federal-state-local and private sector partnerships, NIST's *Hollings Manufacturing Extension Partnership (MEP)* provides technical and business assistance to manufacturers through a nationwide network of centers in all 50 states and Puerto Rico. The *Baldrige National Quality Program* promotes proven quality and performance management practices to strengthen U.S. companies, educational organizations, and health care providers. Recognized worldwide, the program furthers organizational excellence through education, outreach, and annual awards. **ECONOMIC GROWTH**

The **National Technical Information Service (NTIS)** collects and preserves scientific, technical, engineering, and other business-related information from federal and international sources, and disseminates it to the U.S. business and industrial research community. **SCIENCE AND INFORMATION**

The **National Telecommunications and Information Administration (NTIA)** develops domestic and international telecommunications and information policy for the executive branch; ensures the efficient and effective management and use of the federal radio spectrum; and performs state-of-the-art telecommunications research, engineering, and planning. **ECONOMIC GROWTH, SCIENCE AND INFORMATION**

On the following pages is a listing of the key measures of each of the bureaus in the Department. This list is not all-inclusive. Further information concerning these and other performance measures can be found in Appendix A. The status of a given measure is either exceeded (more than 125 percent of the target), met (100 to 125 percent of target), slightly below (95 to 99 percent of the target), or not met (below 95 percent of target).

KEY PERFORMANCE MEASURES				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
<b>Theme 1: Economic Growth</b>	Final rejection allowance compliance rate (USPTO)	95.6% - 96.5%	95.6%	Met
	Patent total pendency (months) (USPTO)	34.8	33.7	Met
	Trademark final compliance rate (USPTO)	97.0%	97.0%	Met
	Trademark average total pendency (months), excluding suspended and inter partes proceedings (USPTO)	12.5	10.5	Met
	Private investment leveraged (nine year totals) (EDA)	\$1,940M	\$3,960M	Exceeded
	Jobs created/retained (nine year totals) (EDA)	57,800	56,058	Slightly Below
	Dollar value of contract awards obtained (MBDA)	\$1.10B	\$1.40B	Exceeded
	Dollar value of financial awards obtained (MBDA)	\$0.90B	\$2.10B	Exceeded
	Cumulative number of TIP projects funded (NIST)	38	38	Met
	Miles of broadband networks deployed (NTIA)	10,000	18,545 <sup>1</sup>	Exceeded
	New and upgraded computer workstations (NTIA)	10,000	16,060 <sup>1</sup>	Exceeded
	New household and business subscribers to broadband (NTIA)	25,000	111,829 <sup>1</sup>	Exceeded
	Qualitative assessment and review of technical quality and merit using peer review (NIST)	Complete annual peer review	Completed	Met
	Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis (ITA)	\$350M	\$1.8B	Exceeded
	Increased sales attributed to Hollings MEP centers receiving federal funding (NIST)	\$2,500M from FY 2010 funding	\$2,770M from FY 2010 funding <sup>2</sup>	Met
	Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	\$1,200M from FY 2010 funding	\$1,420M from FY 2010 funding <sup>2</sup>	Met
	Percentage of advocacy bids won (ITA)	18%	9.9%	Not Met
	Commercial diplomacy success (cases) (annual) (ITA)	172	243	Exceeded
	Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge (BIS)	850	1,073	Exceeded
	Percent of industry-specific trade barriers addressed that were removed or prevented (ITA)	30%	35%	Met
Number of compliance and market access cases resolved successfully (ITA)	50%	51%	Met	
Value of compliance and market access cases resolved successfully (ITA)	\$2.5B	\$0.23B	Not Met	

<sup>1</sup> As of June 30, 2011.

<sup>2</sup> Estimate as of June 30, 2011. Once final numbers are in, the status may change to "Exceeded."

(continued)

KEY PERFORMANCE MEASURES <i>(continued)</i>				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
<b>Theme 2: Science and Information</b>	Number of information products disseminated (NTIS)	47,800,000	48,958,993	Met
	Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (ESA/CENSUS)	At least 90% of key activities completed on schedule	At least 90% of key activities completed on schedule	Met
	Achieve pre-determined collection rates for Census Bureau censuses and surveys to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability	Met Percentages	Met
	Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	<ul style="list-style-type: none"> <li>● 100% of Economic Indicators released on time</li> <li>● At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>● 100% of Economic Indicators released on time</li> <li>● At least 90% of key prep activities completed on time</li> </ul>	Met
	Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (ESA/BEA)	62	62	Met
	Accuracy: Percent of GDP estimates correct (ESA/BEA)	> 85%	89%	Met
	Severe weather warnings for tornadoes – Lead time (minutes) (NOAA)	12	15	Exceeded
	Severe weather warnings for tornadoes (storm-based) – Accuracy (%) (NOAA)	70%	76%	Met
	Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	106	89	Exceeded
	Hurricane forecast intensity error (48 hours) (difference in knots) (NOAA)	13	15	Not Met
	<b>Theme 3: Environmental Stewardship</b>	Error in global measurement of sea surface temperature (NOAA)	0.50°C	0.51°C
Fish stock sustainability index (FSSI) (NOAA)		586	587	Met
Percentage of fish stocks with adequate population assessments and forecasts (NOAA)		60.4% (139/230)	55.7% (128/230)	Not Met
Number of habitat acres restored (annual) (NOAA)		8,888	15,420	Exceeded
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)		19,219	17,274	Not Met
Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year) (NOAA)		36%	43%	Exceeded

(continued)

KEY PERFORMANCE MEASURES <i>(continued)</i>				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
<b>Theme 3: Environmental Stewardship</b> <i>(continued)</i>	Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)	2,400	2,278	<b>Not Met</b>
	Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity (NOAA)	83.0%	84.3%	<b>Met</b>
<b>Theme 4: Customer Service</b>	There are not any performance measures yet for Theme 4. Measures for this theme will appear in the FY 2012 PAR.			
<b>Theme 5: Organizational Excellence</b>	Improve the management of information technology (DM)	<ul style="list-style-type: none"> <li>● IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>● Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>● Increase security training completion rate to 80% for privileged users (role-based)</li> <li>● Deploy 80% of the required NCSD 3-10 communications capabilities. Expand cyber intelligence communications channel to all operating unit Computer Incident Response Teams</li> </ul>	<ul style="list-style-type: none"> <li>● All IT investments within 10% of cost and schedule</li> <li>● Reviews completed</li> <li>● 89% completion rate</li> <li>● NCSD 3-10 did not receive funding</li> </ul>	<b>Met</b>
	Dollar value of financial benefits identified by the OIG (OIG)	\$39.0M	\$33.6M	<b>Not Met</b>

*(continued)*

KEY PERFORMANCE MEASURES <i>(continued)</i>				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
<b>Theme 5: Organizational Excellence</b> <i>(continued)</i>	Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency</li> <li>Complete FY 2011 A-123 assessment of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Eliminated significant deficiency</li> <li>Completed A-123 assessments</li> </ul>	<b>Met</b>
<b>Theme 6: Workforce Excellence</b>	Acquire and maintain diverse and highly qualified staff in mission-critical occupations (DM)	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 80-day hiring goals mandated by OPM</li> <li>Train 100-200 participants on leadership development programs via ALDP, ELDP, and APCP</li> <li>Train 180-200 participants via Careers in Motion</li> </ul>	<ul style="list-style-type: none"> <li>Four occupations</li> <li>83 days</li> <li>103 participants</li> <li>382 participants</li> </ul>	<b>Exceeded</b>

PERFORMANCE, FTE, AND FUNDING SUMMARY

THEME 1: ECONOMIC GROWTH

PERFORMANCE SUMMARY

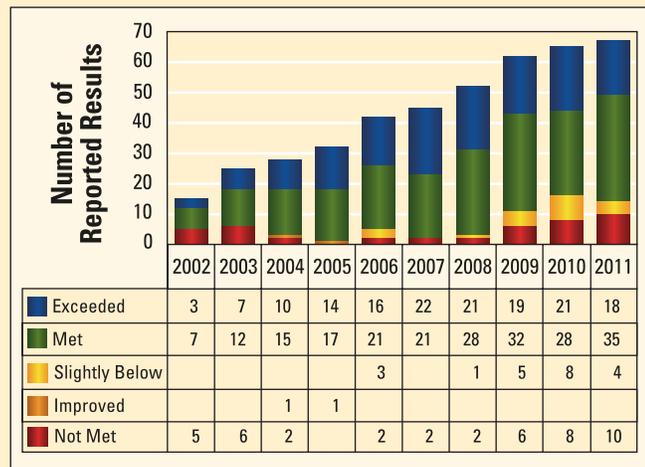
**F**or this theme, in FY 2011, the Department met or exceeded 79 percent of the targets it had set for the year. As a general rule, the Department has increased its performance slightly from FY 2002 through FY 2011 in terms of having met/exceeded 76 percent of the targets in 2002.

The following three strategic goals (and their applicable bureaus) apply to this theme.

- **Strategic Goal – Innovation and Entrepreneurship:** Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses (USPTO, EDA, NIST, and NTIA)
- **Strategic Goal – Market Development and Commercialization:** Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups (EDA, MBDA, ITA, and NIST)
- **Strategic Goal – Trade Promotion and Compliance:** Improve our global competitiveness and foster domestic job growth while protecting American security (ITA and BIS)

Of all the themes within the Department, the Economic Growth theme accounted for 39 percent of the total funding, and 39 percent of the full-time equivalent (FTE). Within the Economic Growth theme, the Innovation and Entrepreneurship goal accounted for 84 percent of the FTE and 78 percent of the theme funding. This goal includes all of the U.S. Patent and Trademark Office (USPTO) and portions of the Economic Development Administration (EDA), the National Institute of Standards and Technology (NIST), and the National Telecommunications and Information Administration (NTIA). Market Development, the smallest of the three goals in terms of FTE and funding, accounted for 3 percent of FTE and 9 percent of the theme funding. This goal includes all of the Minority Business Development Agency (MBDA), and portions of EDA, the International Trade Administration (ITA), and NIST. The Trade Promotion goal accounted for 13 percent of FTE and 13 percent of the theme funding. This goal includes all of the Bureau of Industry and Security (BIS), and portions of ITA.

ECONOMIC GROWTH PERFORMANCE RESULTS

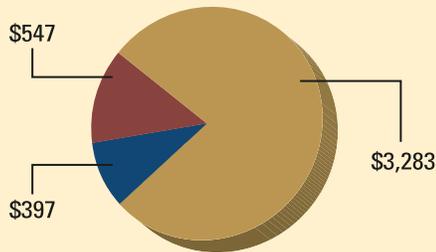


See Appendix A: Performance and Resource Tables for individual reported results.

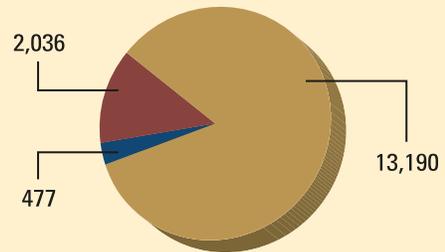
SUMMARY OF FUNDING, FTE, AND PERFORMANCE RESULTS

ECONOMIC GROWTH TOTAL RESOURCES

FUNDING (Dollars in Millions)



FTE



■ Innovation/Entrepreneurship    ■ Market Development    ■ Trade Promotion

**STRATEGIC GOAL – INNOVATION AND ENTREPRENEURSHIP:** *Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses*

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
1	Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)	\$2,111.7	9,842	9 of 10
2	Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)	\$49.2	150	1 of 1
3	Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)	\$231.9	180	7 of 11
4	Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)	\$118.7	168	5 of 5
5	Provide measurement tools and standards to strengthen manufacturing, enable innovation and enhance efficiency (NIST)	\$771.6	2,850	4 of 6

**STRATEGIC GOAL – MARKET DEVELOPMENT AND COMMERCIALIZATION: *Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups***

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
6 <sup>1</sup>	Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)	\$20.5	16	N/A
7	Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)	\$201.1	187	3 of 5
8	Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)	\$175.6	274	5 of 5

<sup>1</sup> The measures that apply to this objective also apply to Objective 3 and are reflected in the status of that objective.

**STRATEGIC GOAL – TRADE PROMOTION AND COMPLIANCE: *Improve our global competitiveness and foster domestic job growth while protecting American security***

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
9	Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)	\$336.5	1,176	3 of 6
10	Implement an effective export control reform program to advance national security and overall economic competitiveness (BIS)	\$102.9	351	8 of 9
11	Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)	\$2.3	8	1 of 1
12	Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies (ITA)	\$99.1	501	7 of 8

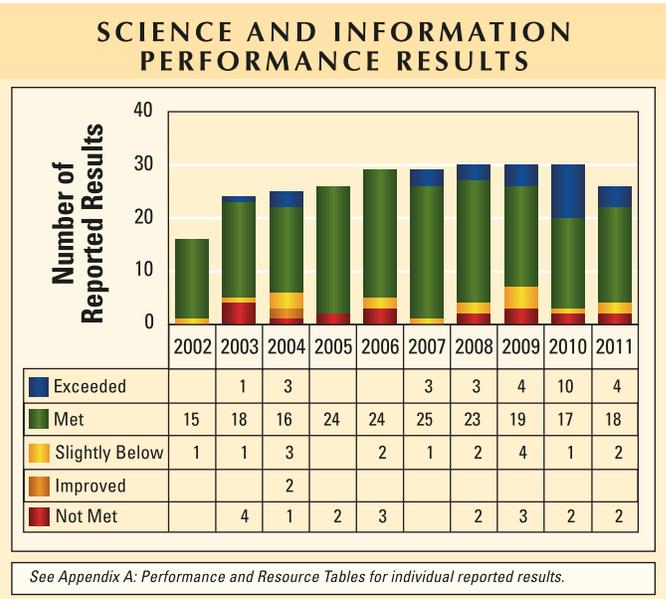
**THEME 2: SCIENCE AND INFORMATION**

**PERFORMANCE SUMMARY**

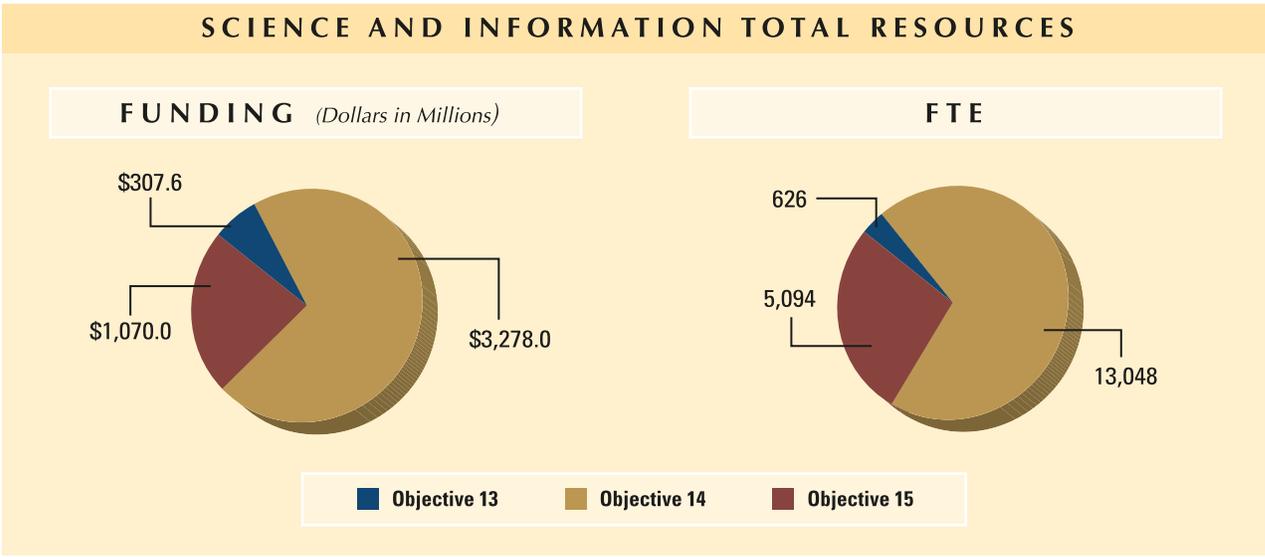
**F**or this theme, in FY 2011, the Department met or exceeded 85 percent of the targets it had set for the year. The Department has decreased its performance from FY 2002 through FY 2011 in terms of having met/exceeded 94 percent of the targets in 2002.

This theme has only one strategic goal, that being, "Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems." The Economics and Statistics Administration' (ESA) Census Bureau and Bureau of Economic Analysis (BEA), the National Oceanic and Atmospheric Administration (NOAA), the National Technical Information Service (NTIS), and NTIA all contribute to this goal and theme.

Off all the themes within the Department, the Science and Information theme accounted for 42 percent of the total funding, and 47 percent of the FTE.



**SUMMARY OF FUNDING, FTE, AND PERFORMANCE RESULTS**



**STRATEGIC GOAL: *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems***

<b>OBJECTIVE NUMBER</b>	<b>OBJECTIVE</b>	<b>FUNDING (Dollars in Millions)</b>	<b>FTE</b>	<b>TARGETS MET OR EXCEEDED</b>
13	Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)	\$307.6	626	4 of 4
14	Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)	\$3,278.0	13,048	7 of 8
15	Improve weather, water, and climate reporting and forecasting (NOAA)	\$1,070.0	5,094 <sup>1</sup>	11 of 14

<sup>1</sup> Estimate.

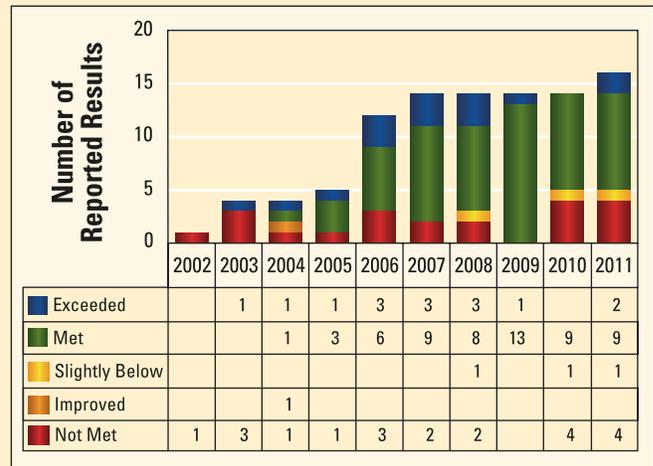
**THEME 3: ENVIRONMENTAL STEWARDSHIP**

**PERFORMANCE SUMMARY**

**F**or this theme, in FY 2011, the Department met or exceeded 69 percent of the targets it had set for the year. As a general rule, the Department has substantially increased its performance from FY 2002 through FY 2011 in terms of having met/exceeded zero percent of the targets in 2002. However, it should be noted that only one measure that the Department tracked in FY 2011 appeared in FY 2002. Regarding this theme, nearly all the measures that initially appeared in FY 2002 have since been discontinued, replaced by measures that better reflected the activities of the programs involved. Thus, a comparison with FY 2002 provides little, if any, benefit to tracking performance trends.

This theme has only one strategic goal, that being, "Promote economically-sound environmental stewardship and science." NOAA is the only bureau that contributes to this theme. Environmental Stewardship accounted for 18 percent of funding and 13 percent of FTE.

**ENVIRONMENTAL STEWARDSHIP PERFORMANCE RESULTS**

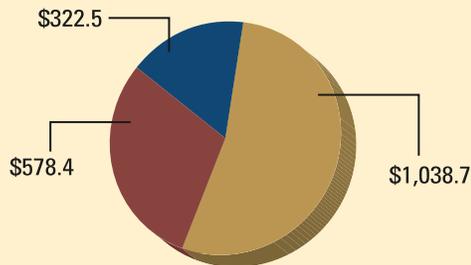


See Appendix A: Performance and Resource Tables for individual reported results.

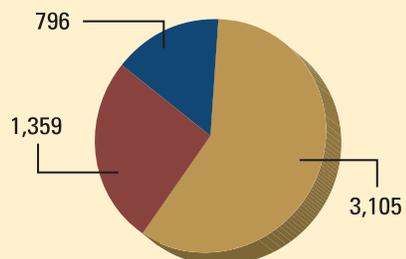
**SUMMARY OF FUNDING, FTE, AND PERFORMANCE RESULTS**

**ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES**

**FUNDING** (Dollars in Millions)



**FTE<sup>1</sup>**



■ Objective 16    ■ Objective 17    ■ Objective 18

<sup>1</sup> Estimates.

<b>STRATEGIC GOAL: <i>Promote economically-sound environmental stewardship and science</i></b>				
<b>OBJECTIVE NUMBER</b>	<b>OBJECTIVE</b>	<b>FUNDING <i>(Dollars in Millions)</i></b>	<b>FTE<sup>1</sup></b>	<b>TARGETS MET OR EXCEEDED</b>
16	Support climate adaptation and mitigation (NOAA)	\$322.5	796	3 of 4
17	Develop sustainable and resilient fisheries, habitats, and species (NOAA)	\$1,038.7	3,105	3 of 5
18	Support coastal communities that are environmentally and economically sustainable (NOAA)	\$578.4	1,359	5 of 7

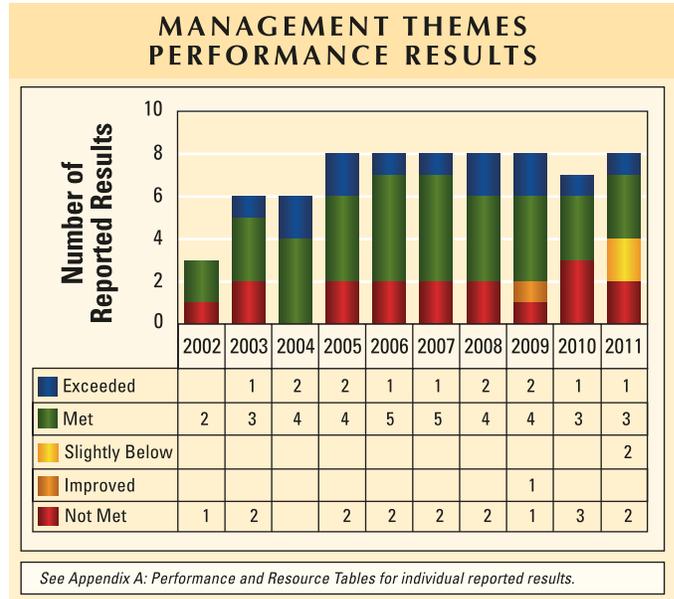
<sup>1</sup> Estimates.

**MANAGEMENT THEMES (THEMES 4, 5, AND 6)**

The following three management themes have been grouped together since their combined activities reflect that of only two bureaus: Departmental Management (DM) and the Office of the Inspector General (OIG).

- Customer Service
- Organizational Excellence
- Workforce Excellence

In addition, since the Department did not implement the new FY 2011 – FY 2016 Strategic Plan until FY 2011, the Department has not yet developed FY 2011 performance targets for Objectives 19-21, 26, and 27. The Department will show measures and targets for these objectives beginning in FY 2012.



**PERFORMANCE SUMMARY**

For these themes, in FY 2011, the Department met or exceeded 50 percent of the targets it had set for the year. The Department has decreased its performance slightly from FY 2002 through FY 2011 in terms of having met/exceeded 67 percent of the targets in 2002. The following strategic goals and objectives apply to these themes.

**THEME 4: CUSTOMER SERVICE**

**STRATEGIC GOAL: Create a culture of outstanding communication and services to our internal and external customers**

- **Objective 19:** Provide streamlined services and a single point of contact assistance for customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)
- **Objective 20:** Promote information access and transparency through the use of technology, fuller understanding customer requirements, and new data products and services that add value to customers (DM)
- **Objective 21:** Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)

**THEME 5: ORGANIZATIONAL EXCELLENCE**

**STRATEGIC GOAL:** Create a high-performing organization with integrated, efficient, and effective service delivery

- **Objective 22:** Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)
- **Objective 23:** Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)
- **Objective 24:** Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)

**THEME 6: WORKFORCE EXCELLENCE**

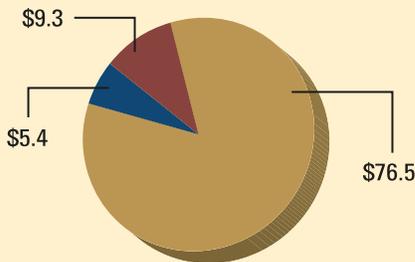
**STRATEGIC GOAL:** Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission

- **Objective 25:** Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)
- **Objective 26:** Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)
- **Objective 27:** Provide an environment that empowers employees and creates a productive and safe workplace (DM)

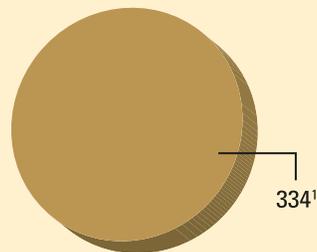
**SUMMARY OF FUNDING, FTE, AND PERFORMANCE RESULTS**

**MANAGEMENT THEMES TOTAL RESOURCES**

**FUNDING** (Dollars in Millions)



**FTE**



■ Customer Service   ■ Organizational Excellence   ■ Workforce Excellence

<sup>1</sup> For the FY 2011 PAR, DM has placed all of its FTE in the Organizational Excellence theme. In future reports, DM will allocate its FTE among the three themes. All of DM's FTE appear in Organizational Excellence.

The tables below show the strategic goals and objectives for the Customer Service, Organizational Excellence, and Workforce Excellence themes that have FY 2011 funding, FTE, and performance results. Note that the Department has provided funding and FTE for Objective 21, but did not yet develop performance measures for FY 2011.

THEME 4: CUSTOMER SERVICE				
STRATEGIC GOAL: <i>Create a culture of outstanding communication and services to our internal and external customers</i>				
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
19	Provide streamlined services and a single point of contact assistance for customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)	\$0.9	0	N/A
21	Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)	\$8.4	0	N/A

THEME 5: ORGANIZATIONAL EXCELLENCE				
STRATEGIC GOAL: <i>Create a high-performing organization with integrated, efficient, and effective service delivery</i>				
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
22	Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)	\$59.2	334	2 of 5
23	Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)	\$3.9	0	0 of 1
24	Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)	\$13.4	0	1 of 1

THEME 6: WORKFORCE EXCELLENCE				
STRATEGIC GOAL: <i>Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission</i>				
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE	TARGETS MET OR EXCEEDED
25	Recruit, grow, develop, and retain a high-performing diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)	\$5.4	0	1 of 1

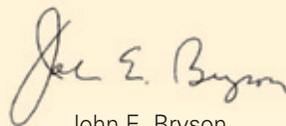
## MANAGEMENT CONTROLS

The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2011, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. As a result, the Department is able to provide an unqualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA for FY 2011.

The supplemental funding received under the American Recovery and Reinvestment Act (ARRA) of 2009 continued to receive comprehensive programmatic and administrative attention throughout the Department in order to achieve the legislative goals attributable to it. Funds have been awarded and expended for authorized purposes in as prompt and efficient a manner as possible while safeguarding against fraud, waste, and abuse. Reporting associated with this funding has been performed clearly, transparently, and comprehensively. Monitoring has been and will continue to be conducted to insure that recipients are meeting the goals stated in their application and as incorporated into award documents, and will also focus on the results of these activities.

In addition, the Department assessed the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2011, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, no material weaknesses related to internal control over financial reporting were identified between July 1, 2011 and September 30, 2011.

Based on reviews conducted by the Department, it has been able to determine that its financial systems are in conformance with government-wide requirements.



John E. Bryson  
Secretary of Commerce  
November 15, 2011

**FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982**

The objective of the Department's management control system is to provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- assets are safeguarded against waste, loss, and unauthorized use of appropriations;
- revenues and expenditures applicable to Agency operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2011, the Department reviewed its management control system in accordance with the requirements of FMFIA, OMB, and Departmental guidelines.

**SECTION 2 OF FMFIA – INTERNAL MANAGEMENT CONTROLS**

Section 2 of FMFIA requires that federal agencies report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of Inspector General (OIG), evaluations conducted by other federal agencies such as the Office of Personnel Management, and other specifically requested studies. The diverse reviews that took place during FY 2011 relative to non-financial controls provide assurance that Department systems and management controls comply with standards established under FMFIA.

Information technology (IT) security continued to receive considerable focus throughout the year. Beginning in FY 2001, the Department had reported IT security as a material weakness every year until FY 2010 due to serious concerns relating to certification and accreditation (C&A) processes and documentation for non-financial IT systems. Last year's determination that this area no longer merited designation as a material weakness was possible as a result of the implementation of a two-year strategy that had been jointly developed by the Office of the Chief Information Officer (OCIO) and the OIG. This included activities such as establishing a Department-wide tracking tool for security reporting and monitoring to improve the quality and consistency of the C&A process; developing and implementing a Cyber Security Strategic Plan in collaboration with the bureaus; instituting a Cyber Security Development Program, a Department-wide, risk-based training program; and employing an IT Audit Working Group through which the OCIO and the Office of Financial Management worked to develop enterprise-wide solutions for prior findings.

As reliance on electronic systems and the Internet to conduct business of all types has continued to grow, cyber attacks on the business community and public sector agencies have also increased. Such threats are evolving in sophistication and increasingly difficult to deter. As such, IT security received concentrated effort across the Department in FY 2011 and will continue to do so in the foreseeable future. Because of the importance of IT security, both within the Department and across government, it merits a high level of on-going attention and internal monitoring, but does not represent a material weakness.

The following table reflects the number of material weaknesses reported under Section 2 of FMFIA in recent years by the Department. It shows the elimination of one material weakness, i.e., non-financial system IT security, in FY 2010.

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 2				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2008	1	0	0	1
FY 2009	1	0	0	1
FY 2010	1	1	0	0
FY 2011	0	0	0	0

### IT Security Receives Continued Focus

The OCIO conducts reviews of IT investments to ensure their efficiency and effectiveness in supporting the Department's mission. The Department, following OMB policies and guidelines and complying with Federal Information Security Management Act (FISMA) requirements, oversees and manages IT resources by establishing and implementing policies and controls to mitigate IT risks.

As mentioned above, in FY 2009, the Department developed and adopted a two-year strategy to comprehensively respond to the material weakness in IT security that had been reported for several years. This comprehensive strategy was designed to improve C&A processes and documentation, which incorporated realistic milestones, identified measurable steps, and established consistent and repeatable C&A practices. One of the most significant impacts was Department-wide leverage of a tracking tool for security reporting and monitoring to improve the quality of the C&A process. Additional efforts included developing a Cyber Security Strategic Plan with input from the bureaus, implementing a Cyber Security Development Program, establishing a role-based, Department-wide training program, and employing the IT Audit Working Group—a joint effort between the OCIO and the Office of Financial Management—to resolve prior year findings and design enterprise-wide solutions.

While progress has been made in establishing and maintaining a strong IT security posture, additional work remains. The OIG has noted IT security control deficiencies in the areas of continuous monitoring, corrective action management, and contingency plan testing in its FY 2010 FISMA report as well as in Web security in its FY 2011 Web Applications Security Audit. As a result of its findings, the OIG has recommended that the IT security program be considered as a significant deficiency.

The OCIO has worked to develop a Cyber Security Strategic Plan to further strengthen the Department's IT security posture and operations, and continues to conduct rigorous IT security compliance reviews based on FISMA requirements, OMB policy, National Institute of Standards and Technology (NIST) standards and guidelines, and previous recommendations made by the OIG regarding C&A processes and documentation. Other efforts during FY 2011 included:

**OCIO Balanced Scorecard and Top Security Controls.** The Department developed and reviewed quarterly an OCIO Balanced Scorecard, which measures progress involving "authority to operate" requirements for information systems, plan of action and milestones (POA&M) management, IT security workforce, continuous monitoring, and enterprise-wide initiatives. This included implementing and tracking progress for the top three security controls (i.e., configuration, vulnerability, and patch management) and monitoring progress on additional controls selected by bureaus.

**IT Risk Management Framework.** An intra-agency team worked to overhaul the Department's IT Risk Management Framework, moving from a compliance and documentation-based approach to one that emphasizes automated testing of security controls and a shift toward near real-time situational awareness through continuous monitoring and planning for Department-wide migration to the Risk Management Framework.

**Enterprise Initiatives.** Among its other activities, the Department completed selection of a Managed Trusted Internet Protocol Service vendor to support the Hoover Building network in accordance with the Trusted Internet Connection initiative from OMB. Implementation is expected to be completed during the first quarter of FY 2012. It also (1) developed and distributed the Commerce Identity, Credential and Access Management (ICAM) baseline, target and roadmap in accordance with federal ICAM guidance issued by the federal CIO Council; (2) launched Commerce Continuous Monitoring Working Group and developed a Department-wide strategy to meet the automated CyberScope reporting requirements from OMB; and (3) established a Department-wide standard for automated FISMA reporting and working toward a standard for endpoint protection.

**IT Security Policy.** The Department provided policy guidance for wireless encryption and contingency plan testing and exercise activities; for further implementation of Homeland Security Presidential Directive-12 (HSPD-12) regarding personal identity verification for Commerce information systems; and for Bluetooth, configuration management, and Risk Management Framework transition.

**IT Security Training.** In FY 2011, the Department (1) launched an automated training module on personally identifiable information as a companion to general IT security awareness training; (2) hosted the first annual Commerce IT Security Conference with 31 sessions for general management and technical information system security staff that covered such topics as continuous monitoring, mobile device security, social networking, cloud computing, and managing remote workforces; (3) completed the second cycle of the Cyber Security Development Program with 19 individuals graduating from the program and 33 IT security personnel obtaining professional certifications; and (4) developed an informational brochure discussing the Department's IT Security Program and best practices employed by the bureaus.

**Compliance.** The Department continued bi-weekly IT Audit Working Group meetings to track, manage, and validate progress in closing IT audit findings identified in the FY 2010 financial statements IT audit report. Focused efforts by the IT Audit Working Group resulted in the bureaus reporting that the vast majority of findings were closed. The Department also conducted 20 security assessments of programs, applications, and systems as part of FY 2011 internal control reviews; and performed monthly reviews of information systems utilizing the Cyber Security Assessment and Management tool. These reviews tracked "authority to operate" status and POA&M implementation, and have assisted bureau management in making progress in both of these areas.

### **IT Investment Review Process**

Since IT expenditures represent a significant portion of the Department's annual budget—major IT investments totaled approximately \$2.4 billion in FY 2011—it is critically important that they receive close management attention. This is accomplished through an OCIO-led capital planning and investment control process that continues to be strengthened to provide broader and deeper analysis of proposed IT investments, projects under development, and projects that are in operation as well as of the overall performance of the portfolio.

This process is based on OMB Circular A-11, Exhibit 300, *Capital Asset Plan and Business Case Summary*, and Exhibit 53, *Agency IT Investment Portfolio*, and is linked to all IT planning processes and documents within the Department.

In a cooperative effort with the Office of Budget and the Office of Acquisition, the OCIO established OMB's Exhibit 300 as the document to use in summarizing the business case for each IT project, and as the foundation for budget justifications, acquisition approvals, and major system reviews. This provides the Department with a consistent foundation for monitoring the selection, control, and evaluation of major IT investments, thereby helping to verify that proposed investments contribute to the Department's strategic vision, mission requirements, and performance goals. It also helps ensure that the bureaus employ sound IT investment methodologies, comply with Departmental and federal architectures, and provide the highest return on the investment at acceptable project risk.

The OCIO continues to work closely with the Office of Budget to establish a framework and schedule for linking the IT investment review of proposed initiatives with the budget process. As initiatives are developed by the bureaus for submission to the Department, those initiatives that have a significant IT component are reviewed by the OCIO. Major proposals are reviewed by the Commerce IT Review Board (CITRB), which is co-chaired by the CIO and the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA), and includes the Department's Budget Officer, Procurement Executive, Director for Financial Management, and selected bureau CIOs. The CITRB evaluates proposals relative to their contribution to mission, performance measures, IT security and privacy management, funding, risk management, acquisition strategy, viability and appropriateness, conformance to Departmental and federal architectures, and overall project management. Guidance for improving project proposals is provided by the CITRB and the OCIO, as appropriate. As a result of this extensive Departmental review, all IT-intensive budget initiatives forwarded to OMB have the best possible IT management plan associated with them.

The CITRB continues to place emphasis on the link between proposed IT investments and top level program performance measures, IT security and privacy, and the qualifications of IT project managers and Contracting Officers who manage IT programs. The CITRB ensures that high quality C&A packages, which are critical to the confidentiality, integrity, and availability of IT investments, are in place. By ensuring that qualified managers are available for these programs, the risk associated with large-scale IT investments is significantly reduced. The OCIO leads a continuing training process for IT project managers, working together with the Office of Human Resources Management, to ensure that the Department has a pool of well-qualified IT project managers for new and ongoing projects.

To assist with this effort, the OCIO has adopted the OMB-mandated "TechStat" process which is a risk-based review by Departmental senior management that identifies any need for corrective action for major IT investments that are underperforming and not providing value to the taxpayer. Further, to provide even more rigorous cost, schedule, and performance analyses, the Department systematically uses Earned Value Management for its IT investments. This provides a mechanism for regularly monitoring the performance of IT projects and early warning signals when they may not be meeting cost, schedule, or performance goals. Additionally, bureau CIOs are required to conduct operational analyses to certify that steady-state investments also adhere to cost, schedule, and performance goals. Bureau reviews of IT projects are also supplemented with formal evaluation or post-implementation reviews by the CITRB. This comprehensive approach helps ensure all project managers are able to benefit from lessons learned from other implementation efforts.

These efforts help to ensure that the Department's IT projects are developed and implemented as planned. On average, major IT investments undergoing development or enhancement operated within five percent of their cost, schedule, and performance targets during FY 2011.

**Future Efforts in IT Security**

The Department is continually working to adapt to an ever changing IT security environment. It has developed an effective IT strategic plan to help ensure that it achieves its goals of implementing a Risk Management Framework and Trusted Internet Connections, increasing operational security with the continued development of the Security Operations Center, expanding assessments of technical controls as part of the OCIO's annual review of the bureaus, and deploying additional role-based training under its Cyber Security Development Program in FY 2012. The Department will also continue to update and issue policy guidelines as appropriate. These steps will continue to strengthen the Department's overall IT security posture and protection of its IT systems and information.

**SECTION 4 OF FMFIA – INTERNAL CONTROLS OVER FINANCIAL MANAGEMENT SYSTEMS**

As reflected in the following table, the Department has reported no material weaknesses under FMFIA Section 4 in recent years.

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 4				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2008	0	0	0	0
FY 2009	0	0	0	0
FY 2010	0	0	0	0
FY 2011	0	0	0	0

Based on reviews conducted by the Department and its bureaus for FY 2011, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the CFO Act, and OMB requirements.

No material weaknesses relative to financial controls were identified for the period July 1, 2010 through June 30, 2011, the reporting period established by OMB Circular A-123. Further, with limited review and inquiries, no material weaknesses related to internal control over financial reporting were identified between July 1, 2011 and September 30, 2011.

**Other Internal Control Enhancement Activities Continue**

During FY 2011, the Department's comprehensive effort to enhance management of internal controls under OMB Circular A-123 continued. Progress made in implementing Appendix A to the circular, which relates to financial internal controls, included:

- The Department continued to lead this annual process, utilizing a three-year rotational testing plan that incorporates a risk-based approach based on assessments of key processes and the results of previous audits. Under this approach, high-risk cycles are selected for annual testing and low to moderate-risk cycles are tested every three years. Selected test procedures at specific locations or on specific sub-processes are performed as often as needed based on specifically identified risks, and limited controls review assessment surveys are utilized for cycles that are not being tested in any given year.

- The Department's Senior Management Council implemented, directed and oversaw the assessment process, and a working-level Senior Assessment Team (SAT) developed A-123 planning documentation, administered internal control test plans, and monitored and reviewed test work as it progressed.
- The Departmental sampling plan and Department-wide testing templates for selected key processes and sub-processes were updated as necessary.
- Each of the Department's bureaus completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A.
- Through the SAT, the Department initiated a comprehensive internal control assessment that will continue into FY 2012 and will involve all grant-making bureaus and service providers. The assessment will include grants program process mapping, risk identification, development and completion of a grants program and grants administration internal control risk assessment questionnaire, evaluation and scoring of risk categories, and eventual testing of grant internal controls.
- The SAT performed quarterly validation and verification of the Department-wide effort to achieve acquisition savings. This included selecting samples and reviewing supporting documentation, developing guidance and definitions to help standardize the identification and classification of savings, and strengthening the process for documenting savings under this initiative.

**FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996**

**U**nder FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. In FY 2011, the Department remained in compliance with FFMIA.

**REPORT ON AUDIT FOLLOW-UP**

**T**he Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. This report covers Commerce Department audit follow-up activities for the period June 1, 2010, through May 31, 2011.

**SUMMARY OF ACTIVITY ON AUDIT REPORTS  
JUNE 1, 2010 THROUGH MAY 31, 2011**

	DISALLOWED COSTS <sup>1</sup>		FUNDS TO BE PUT TO BETTER USE <sup>2</sup>		NONMONETARY REPORTS <sup>3</sup>	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	21	\$ 7,245,434	10	\$ 42,177,562	18	49
New Reports	7	2,585,728	2	766,757	17	26
Total Reports	28	9,831,162	12	42,944,319	35	75
Reports Closed	(10)	(2,772,176)	(8)	(40,933,590)	(13)	(31)
Ending Balance	18	\$ 7,058,986	4	\$ 2,010,729	22	44

1. Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.
2. "Funds to be put to better use" refers to any management action to implement recommendations where funds should be applied to a more efficient use.
3. Includes management, contract, grant, loan, and financial statement audits with nonmonetary recommendations.

**BIENNIAL REVIEW OF FEES**

**O**MB Circular A-25, *User Charges*, requires the biennial review of agency programs to determine whether fees should be charged for government goods or services, and to ascertain that existing charges are adjusted to reflect unanticipated changes in costs or market values.

The Department conducts a review of its programs biennially, with some bureaus conducting annual reviews. In the current review, it was noted that the Department is in compliance with the requirement to adjust its fees to meet the Circular A-25 requirement of full-cost recovery for user charges.

**AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009 PROGRAMS**

In FY 2009, Congress passed ARRA, providing funds for several agencies including the following within the Department: OIG, EDA, NOAA, NIST, and NTIA. The following section provides tables for each of the agencies that received funds that had results appearing in FY 2011 and beyond. The tables include: program name, funding amount, brief description of what the funds are provided for, performance measures/results, and comments if provided by the agencies.

BUREAU	OFFICE OF INSPECTOR GENERAL (OIG)			
<b>PROGRAM</b>	<b>OFFICE OF INSPECTOR GENERAL</b>			
<b>Amount</b>	\$16.0M (includes \$10 million for oversight of NTIA's Broadband Technology Opportunity Program)			
<b>Description</b>	These funds are for general oversight of the Department's ARRA activity. Early OIG uses include emphasis on training of grants and contract officers to alert them to the signs of potentially fraudulent or wasteful activity by grantees or contractors. The OIG audit work has included a review of the Department's pre-award process, the recipient reporting procedures required by ARRA, and the Department's implementation of the various grant programs. The OIG has put many of its resources into its oversight of NTIA's monitoring of its Broadband Technology Opportunities Program (BTOP) program because it was a new program with many first-time recipients of federal funds.			
<b>Performance Measures/ Results</b>	<b>MEASURES</b>	<b>FY</b>	<b>TARGET</b>	<b>ACTUAL</b>
	Complaints - received	2010		16
		2011		17
	Whistleblower reprisal allegations:			
	● Received	2010		1
		2011		0
	● Accepted	2010		1
		2011		0
	Investigations:			
	● Closed without action	2010		2
		2011		10
	● Accepted for prosecution	2010		0
		2011		0
	● Prosecution denied	2010		0
		2011		0
	● Referred for alternative resolution	2010		0
		2011		0
	Audits/Inspections/Evaluations/Reviews:			
	● Final published work products	2010		7
		2011		4
	● Interim published work products	2010		3
		2011		1
● Unpublished work products	2010		0	
	2011		0	
Training/Outreach:				
● Training sessions provided	2010		24	
	2011		13	
● Individuals trained	2010		1,068	
	2011		1,459	
● Hours of training provided	2010		1,171	
	2011		1,629	
● Outreach sessions conducted	2010		7	
	2011		0	

BUREAU	ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)				
PROGRAM	ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS (EDAP)				
Amount	\$150.0M				
Description	<p>EDA will direct funding through its existing program structures. Since EDA has always engaged in the activities described in the ARRA, EDA will utilize the funding to accomplish the ARRA's purposes, which are consistent with its existing mission. Of the \$147 million allocated to EDAP (\$3 million was allocated to salaries and expenses (S&amp;E)), EDA funded \$141.3 million in "brick and mortar" infrastructure investments. EDA gave preference to projects that have the potential to quickly stimulate job creation and promote regional economic development, such as investments that support science and technology parks, industrial parks, business incubators, and other investments that spur entrepreneurship and innovation. Since ARRA calls on EDA to "give priority consideration to areas of the Nation that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring," EDA allocated funding to the regional offices using a hybrid of its traditional allocation formula. Given the changing economic conditions, EDA utilized an allocation method that minimized the use of lagging indicators. The Agency utilized three-month unemployment<sup>1</sup> figures, as this represented the most contemporary data on unemployment that was available, and allowed EDA to ensure resources were being directed to the areas with the greatest need.</p>				
Performance Measures/ Results	NAME	EXPLANATION	FY	TARGET	ACTUAL
	Percentage of ARRA construction grants investments that have been completed	A proxy measure for ensuring a high percentage of projects are expeditiously executed.	2011	10%	33%
	Percentage of ARRA award files audited meeting all compliance criteria	File must demonstrate ALL of the following for compliance: (1) recipient submitted ARRA-required jobs report on time OR the regional office notified recipient of a late report within 30 days; (2) recipient submitted all performance and financial reports on time OR the regional office notified recipient of a late report within 30 days; (3) all terms and conditions of the grant were fulfilled and documented OR the regional office took appropriate action; (4) all appropriate terms and conditions were included in the grant documents; and (5) the award file demonstrates that the regional office reviewed all recipient audits, as required by A-133, for findings and took appropriate action.	2011	90%	TBD
Comments	<p>EDA is working closely with ARRA grantees to ensure full compliance with the requirements of the act. EDA has held face-to-face meetings, conference calls, and Webinars as well as developed lessons-learned reports to educate ARRA grantees on recipient reporting requirements and deadlines.</p>				
<p><sup>1</sup> When this measure was developed, OMB directed grantees to report cumulatively. However, subsequent OMB guidance directs grantees to provide FTE values on a quarterly basis, rather than cumulatively, and has directed agencies not to aggregate these values. Quarterly data are available at Recovery.gov.</p>					

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)			
PROGRAM	OPERATIONS, RESEARCH, AND FACILITIES			
Amount	\$230.0M			
Description	<p><b>Hydrographic Survey Backlog</b> – \$40 million to reduce the critical hydrographic survey backlog by approximately 1,700 square nautical miles. The critical areas to be addressed have high commercial traffic or hazardous material transport, compelling requests from navigation services users, or seafloor areas that have not been surveyed to modern standards.</p> <p><b>Marine and Coastal Habitat Restoration</b> – \$167 million to support mid and large-scale restoration projects addressing coral reef conservation, restoration of fish habitats that benefit commercial and recreational fisheries, recovery of endangered species such as salmon and sea turtles, and improvement of coastal resiliency in response to sea level rise and natural hazards.</p> <p><b>Environmental Reviews and Consultations</b> – \$3 million to address the current backlog of Endangered Species Act (ESA) Section 7 consultations and, if required, environmental reviews and consultations associated with projects funded by ARRA.</p> <p><b>Vessel Maintenance and Repair</b> – \$20 million to address critical repairs and replacements to NOAA's fleet of research and exploration vessels.</p>			
Performance Measures/ Results	MEASURE	FY	TARGET	ACTUAL
	Acres of habitat restored for ocean, coastal, and Great Lakes resources (GPRA)	2011	4,888	10,318
		2012	2,007	TBD
	Stream miles made accessible for ocean, coastal, and Great Lakes resources	2011	275	184
		2012	4	TBD
	ARRA cumulative number of FTE/quarter supported	2010	2,300	1,502
		2011	none set	TBD
	Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	2010	3,000	377
		2011	2,400	2,278
		2012	300	TBD
	Percentage of ARRA-related consultations conducted on time	2010	70	86
	Number of received ARRA-related requests for consultations versus the number of ARRA-related consultations completed	2010	100	TBD
	Percentage of planned milestones met for vessel maintenance and repairs	2010	80	51
		2011	100	100
Shoreline compilation completed	2010	3,757	456	
	2011	3,876	TBD	

(continued)

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
Program	OPERATIONS, RESEARCH, AND FACILITIES <i>(continued)</i>
Comments	<p><b>Habitat Restoration</b> – NOAA is using GPRA, Corporate, and ARRA-specific measures to track program performance. Those are <i>Acre restored</i> (GPRA), <i>Stream miles opened</i> (Corporate), and the <i>Number of jobs created/sustained</i> (ARRA-specific). Since project selection, NOAA developed outcome-based ecological metrics by project type to measure the impact of groups of projects on coastal ecosystems.</p> <p><b>Hydrographic Survey Backlog</b> – NOAA conducts hydrographic surveys to determine the depths and configurations of the bottoms of water bodies, primarily for U.S. waters significant for navigation. This activity includes the detection, location, and identification of wrecks and obstructions with side scan and multi-beam sonar technology and the global positioning system (GPS). NOAA uses the data to produce traditional paper, raster, and electronic navigational charts for safe and efficient navigation, and in addition to the commercial shipping industry, other user communities that benefit include recreational boaters, the commercial fishing industry, port authorities, coastal zone managers, and emergency response planners.</p> <p><b>Environmental Reviews and Consultations</b> – NOAA focuses on the number of ARRA-related projects that NOAA has timely reviewed for environmental impacts so that action agencies may minimize and mitigate the impacts of these projects on the environment. Based on historical trend rates and available resources, NOAA expects to complete 70 percent of them on time. External federal agencies require consultations from the National Marine Fisheries Service on Endangered Species Act and essential fish habitat per the Endangered Species Act and Magnuson-Stevens Reauthorization Act.</p> <p><b>Vessel Maintenance and Repair</b> – There has been an 89 percent increase in the number of significant mechanical/electronic failures on NOAA's ships and a 62 percent increase in lost days-at-sea for NOAA programs—from 184 days-at-sea in FY 2005 to 299 days-at-sea in FY 2008. It is critical to maintain NOAA's aging ships, while meeting increasingly restrictive maritime standards. There are a total of 45 milestones for all of the ships projects.</p>

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION
Amount	\$600.0M
Description	<p><b>NOAA Climate Computing and Modeling</b> – \$170 million to accelerate and enhance NOAA’s High Performance Computing (HPC) capabilities.</p> <p><b>NEXRAD Dual Polarization Modification Acceleration</b> – \$7.4 million to accelerate the NEXRAD Dual Polarization effort.</p> <p><b>Weather Forecast Office (WFO) Construction</b> – \$9 million to accelerate WFO upgrade and modernization projects in Barrow and Nome, AK, as well as upgrades to the HVAC systems of other WFOs.</p> <p><b>Accelerate Satellite Development</b> – \$74 million to accelerate funding for the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and climate sensors on NOAA’s critical polar-orbiting satellites.</p> <p><b>Pacific Regional Center</b> – \$154 million to complete the construction of the entire Pacific Regional Center on Ford Island in Honolulu, HI.</p> <p><b>Southwest Fisheries Science Center (SWFSC)</b> – \$81.2 million to complete the design, construction, and occupancy of the replacement SWFSC facility in La Jolla, CA.</p> <p><b>Fairbanks Satellite Facility Construction</b> – \$9 million to continue the replacement of the at-risk Fairbanks Operations Building in Fairbanks, AK.</p> <p><b>Facility Maintenance and Repair</b> – \$15.6 million to fund facility maintenance and repair issues. NOAA will use this funding to address critical facility repair issues in order to ensure the health and safety of its employees.</p> <p><b>Fishery Survey Vessel Construction</b> – \$79.8 million to complete the construction of a fisheries survey vessel (FSV6), an OSCAR DYSON class vessel, will replace the San Diego-based DAVID STARR JORDAN and is intended to serve the SWFSC. The ship will not be fully operational until FY 2014.</p>
Performance Measures/ Results	<p>NOAA Procurement, Acquisition, and Construction obligations for ARRA were \$580.6 million or 97 percent of the Congressional approved spend of \$600 million. Of the remaining funds, approximately \$16.7 million is classified as “lapsed obligations.” The lapsed obligations are from funds transferred to the U.S. Army Corps of Engineers for repair to NOAA’s Norfolk facility seawall, and the Department of Navy’s Naval Facilities Engineering Command for construction-related services required to construct the new Pacific Regional Center at Ford Island Hawaii that resulted in contract awards less than the money provided. The \$16.7 million to be returned as lapsed obligations resulted from acquisitions accomplished between September 1 and 24, 2010, too late for NOAA to reprogram to other ARRA projects. The following are the performance measures and outcomes:</p>

(continued)

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>				
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>				
Performance Measures/ Results <i>(continued)</i>	MEASURE	FY	TARGET	ACTUAL	
	Severe weather warnings for tornados – Lead time	2010	12	14	
		2011	12	12 (target)	
		2012	13	TBD	
	Severe weather warnings for tornados – Accuracy	2010	70	72	
		2011	70	70 (target)	
		2012	72	TBD	
	Severe weather warnings for tornados – False alarm rate	2010	72	74	
		2011	72	72 (target)	
		2012	71	TBD	
	Severe weather warnings for flash floods – Lead time	2010	38	71	
		2011	38	38 (target)	
		2012	40	TBD	
	Severe weather warnings for flash floods – Accuracy	2010	72	79	
		2011	72	72 (target)	
		2012	74	TBD	
	Percentage of safety and conditions indices improvements for NOAA's facility maintenance and repair projects	2010	TBD		
		2011			
		2012			
	Percentage of planned milestones met for NPOESS program	2010	83%	83%	
Percentage of planned milestones met for climate instruments	2010	32	32		
	2011	37	TBD		
	2012	31			
Amount of megawatts saved from HVAC systems renovations	2010	120	90		
	2011	200	200 (target)		
	2012	200			
Increase number of fish stocks with fishery-independent data needed to support adequate assessments	2012	174			
	2013	184			
Increase the number of high priority protected species with fishery-independent data to support adequate population assessments	2013	13			
Increase number of program mission days-at-sea available to the Southwest Fisheries Science Center	2014	220			
Comments	<p><b>NEXRAD Radar Systems and Dual Polarization</b> – These funds will accelerate the dual polarization effort of the next generation Doppler weather radar system (NEXRAD) that will allow signals to be transmitted and received in two dimensions, resulting in a significant improvement in precipitation estimation; improved ability to discriminate rain, snow, and hail; and a general improvement in data quality. The new system will improve flash flood warnings, improve precipitation estimates and severe weather detection, including snow storms and icing conditions for air and ground transportation. These funds will not impact this target until at least FY 2013. This is because forecasters need at least one full year of data before they can verify and adjust outyear targets; and, the kits will not be installed until early FY 2011.</p>				

*(continued)*

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>
<p><b>Comments</b> <i>(continued)</i></p>	<p><b>Percentage Safety and Conditions Indices Improvement at NOAA's Pacific Regional Center</b> – NOAA will improve the safety and condition indices at NOAA's facilities through the collocation of NOAA employees on the island of Oahu at the Pacific Regional Center. This collocation will also support improved efficiency and effectiveness for employees in operations and mission performance by creating greater opportunity for program collaboration and synergy.</p> <p><b>Percentage Safety and Conditions Indices Improvement at NOAA's Fairbanks Satellite Operations Facility</b> – NOAA will improve the safety and condition indices at NOAA's facilities through improving the health and safety of employees at the Fairbanks Satellite Operations Facility by providing a new building that mitigates the hazards of working within a seismic zone.</p> <p><b>Percentage Safety and Conditions Indices Improvement at NOAA's Regional Facilities</b> – NOAA will improve the safety and condition indices at NOAA's facilities through mitigating the risks from facility deficiencies and health hazards, such as asbestos, the Galveston Laboratory, Geophysical Fluid Dynamics Laboratory, Marine Operations Center–Atlantic, Milford Laboratory, Panama City Laboratory, and SWFSC–Pacific Grove.</p> <p><b>Percentage Safety and Conditions Indices Improvement at NOAA's Southwest Fisheries Science Center</b> – NOAA will improve the safety and condition indices at NOAA's facilities through replacing the SWFSC in La Jolla, CA, with a new, modern facility that will expand NOAA's ability to develop and apply advanced technologies for surveys of fisheries resources and their associated ecosystems and foster collaboration on fisheries management issues through the construction of a large sea and fresh-water test tank.</p> <p><b>Vessel Construction</b> – The construction of a FSV6 vessel improves NOAA's ability to more accurately manage fisheries stocks. FSV6 will be designed and constructed with state-of-the-art technologies and specialized survey equipment, which will produce significantly higher quality at-sea data, improved quality-of-life outfitting and mission productivity. The enhanced FSV6 capabilities will deliver more precise and accurate NOAA stock assessments for more effective management of living marine resources.</p> <p><b>Cumulative Number of New Decadal Prototype Forecasts and Predictions Made with High-resolution Coupled Climate Model</b> – Decadal prediction was initially targeted to be attacked with an intergovernmental panel on climate change—fourth assessment report class model with relatively low resolution. The ARRA computing has allowed the use of a coupled climate model with approximately four times the resolution. Research into decadal predictability will inform prototype forecasts incorporating new data assimilation schemes using this high-resolution model. This will provide, for the first time, scientifically credible, regional scale climate information, with estimates of uncertainty, to decisionmakers for improved management of water resources, the coasts, transportation infrastructure, agriculture, and other sectors impacted by climate, and to provide the Nation with early warnings of climate “surprises” resulting from climate variations on decadal timescales.</p>

*(continued)*

BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) <i>(continued)</i>
PROGRAM	PROCUREMENT, ACQUISITION, AND CONSTRUCTION <i>(continued)</i>
Comments <i>(continued)</i>	<p><b>Number of Regional Scale Projections for Assessments and Decision Support</b> – Enhanced computing will enable regional scale projections and will contribute to international assessments (e.g., IPCC AR5, scheduled for 2013), national assessments under the U.S. Global Climate Research Program, and other assessments as requested. The number of meaningful regional projections possible will increase as NOAA’s earth system model increases in realism and complexity. Examples of regional scale projections include: regional sea level rise projections that require explicit representation of the global eddy field in the ocean models; projections of parameters essential to ocean and coastal ecosystem forecasting; assessment of regional carbon budgets; and projections of climate change in the Arctic region that require improved sea ice models. Better information in these areas will improve decisions in transportation, fisheries and other marine ecosystems, and emergency managers responsible for safety and infrastructure along the coasts.</p> <p><b>Percentage Uncertainty in Possible 21st Century Sea Level Rise (0-1m = 100% uncertainty)</b> – This metric is calculated using the IPCC 4th Assessment Report estimates for the range of 21st century global-mean sea level rise. Completion of the proposed effort will reduce the uncertainties by almost half as a result of modeling that better captures the more accurate measurements of ice-sheet discharge, thermal expansion, and regional anomalies due to ocean circulation and heat storage. These model improvements are a direct result of ARRA-funded computing. Reducing the uncertainty in sea level rise will allow government and industry to have better information on projected sea level rise and therefore tailor their planning and actions to address the impacts.</p> <p><b>Cumulative Number of New Functionalities Incorporated into Earth System Model to Improve Realism of Climate Simulation</b> – Improve the realism of the NOAA earth system models by closing the nitrogen and phosphorus cycles and improving the simulation of impacts of quality air on plant growth. Enhanced computing permits the implementation of mechanistic models of biospheric processes in a comprehensive earth system model which will reduce the uncertainty of future climate projections and provide more scientifically-credible information to managers of land and marine ecosystems and better estimates of carbon sources and sinks.</p> <p><b>Cumulative Number of Assessments of Carbon, Trace Gas and Aerosol Budgets and Feedbacks</b> – Assessments are one of the principal means by which credible scientific information is communicated to policymakers and other stakeholders. Enhanced computing permits additional biogeochemical cycles to be included in NOAA earth system models and so assessments of impacts of these additional processes improve the scope and credibility of this information.</p> <p><b>Improved Treatment of Key Physical Processes in Climate Models Aimed at Improving: Model Performance, Understanding of Uncertainties, and Confidence in Climate Change Projection and Predictions</b> – This performance measure will reflect more confident projections of key climate change impacts. Better scientific understanding of the key processes of clouds, aerosols, and water vapor in the earth system will lead to research advances built into climate models that will then produce better predictions and projections to address climate change impacts.</p> <p><b>Accelerate Satellite Observations</b></p> <p><b>Percentage of Planned Milestones Met for NPOESS program</b> – NPOESS will conduct electrical payload critical path reduction in calendar year 2009 and calendar year 2010.</p> <p><b>Percentage of Planned Milestones for Climate Instruments</b> – NOAA will accelerate the development of two climate sensors, TSIS and CERES. These climate sensors will improve the Nation’s ability to collect and distribute higher-resolution data and products to improve forecasts and climate monitoring. Corporate performance measures will be evaluated by monitoring the percent of planned contract milestones accomplished within 60 days of target. Nineteen major milestones are associated with these activities.</p>

<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)</b>
<b>PROGRAM</b>	<b>SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS)</b>
<b>Amount</b>	\$220.0M
<b>Description</b>	<p>The ARRA includes \$220 million in STRS funding for “research, competitive grants, additional research fellowships and advanced research and measurement equipment and supplies,” as stipulated in the conference report to PL 111-5. The ARRA also provides for NIST \$20 million from the Department of Health and Human Services (HHS) for health information technology (IT), and \$12 million from the Department of Energy (DOE) for Smart Grid.</p>
<b>Performance Measures/ Results</b>	<p>Use of NIST ARRA funding is targeted to have maximum impact on meeting the goals of the ARRA, including: creating jobs; promoting economic recovery; providing investments needed to increase economic efficiency by spurring technological advances in science; and making investments in areas of research that will provide long-term economic benefits.</p> <p>Advanced scientific equipment purchases from the STRS ARRA funding will have immediate and specific impacts on NIST’s technological capabilities and abilities to work in new areas and address more complex scientific challenges. To document these impacts, NIST is providing a series of examples in its ARRA reporting that illustrate the overall impact and outcomes of the NIST STRS ARRA equipment purchases. Illustrative impacts from these equipment purchases include:</p> <p><b>Biometrics Research Lab High-End Compute Nodes and 1b Memory Upgrade</b> – The new High-End Compute nodes provided increased processing capacity for a biometrics research system at NIST which allowed the use of larger biometric sample sizes for larger scale testing in the Biometric Research Lab (BRL). BRL’s compute capacity was doubled resulting in twice the previous throughput in its biometric testing. The 1b memory upgrade permitted significantly larger biometric sample sizes for evaluations that will result in increased statistical confidence in measured results. The High-End Compute nodes and additional memory has allowed NIST to remain a leader in biometrics research as well as meet its Patriot Act mandates.</p> <p><b>Refrigerators and Freezers for SRM Cold Storage</b> – The increase in cold storage units will allow the Standard Reference Materials (SRM) program to meet the growing needs of NIST to deliver temperature sensitive reference materials worldwide. SRMs are the definitive artifact-based source of measurement traceability in the United States and are certified in the NIST laboratories for their specific chemical and material properties. Customers use SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade and public safety and health.</p> <p>The table below reflects performance measures that were reported in Recovery.gov on May 15, 2009 for NIST’s STRS ARRA appropriations. NIST has been collecting ARRA performance data on a quarterly basis. Data is included in the table for each measure.</p>

(continued)

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) (continued)			
PROGRAM	SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS) (continued)			
	MEASURES	FY	TARGET	ACTUAL
<b>Performance Measures/ Results</b> <i>(continued)</i>	Advanced Scientific Equipment:			
	● Dollars obligated	2009	\$20,000,000	\$22,458,461*
		2010	\$88,000,000	\$88,161,408*
		2011	0	\$(468,923)
	● Number of equipment purchased	2009	15	17
		2010	45	45
		2011	0	0
	Measurement Science and Engineering Grants program:			
	● Dollars obligated	2010	\$34,125,000	\$34,448,939
		2011	0	0
	● Number of awards	2010	20	27
		2011	0	0
	● Number of patent applications (lagging/outyear measure)	2009	0	0
		2010	0	1
		2011	0	11
	● Number of peer-reviewed technical publications (lagging/outyear measure)	2009	0	0
		2010	0	13
		2011	0	92
	● Number of licenses (lagging/outyear measure)	2009	0	0
		2010	0	0
		2011	0	0
	Postdoctoral Fellowships:			
	● Number of Postdoctoral Fellows	2009	48	52
		2010	35	38
		2011	13	17
	● Number of Postdoctoral Fellows retained after completion of tenure	2009	23	19
		2010	18	46
		2011	0	0
	Measurement Science and Engineering Fellowship program:			
	● Dollars obligated	2010	\$19,500,000	\$19,500,000
	2011	0	0	
Research Contracts:				
● Dollars obligated	2009	\$10,500,000	\$9,825,985**	
	2010	\$4,500,000	\$18,669,205**	
	2011	0	\$202	
● Number of contracts awarded (SBIR, Smart Grid, Cyber Security)	2009	34	33	
	2010	1	9	
	2011	0	0	
Information Technology Research Contracts:				
● Dollars obligated	2009	\$9,000,000	\$7,588,530	
	2010	0	\$1,195,138	
	2011	0	\$(1,676)	
<p>* Actual obligations were approximately \$2.6 million above cumulative planned Target levels as a result of lower expenses from management and oversight funds that were redirected toward more funding for equipment.</p> <p>**Approximately \$13.5 million was spent above cumulative Target levels as a result of additional funding provided to this activity from the mandated SBIR assessments on the ARRA Measurement Science and Engineering Grants (MSG&amp;E) and Fellowships, Postdoctoral Research Fellowships, and Research Contracts amounts—and \$12 million in reimbursable funding received from the Department of Energy for Smart Grid.</p> <p>Further results are available on the NIST ARRA Web site at <a href="http://www.nist.gov/recovery/">http://www.nist.gov/recovery/</a>.</p>				

(continued)

<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i></b>
<b>PROGRAM</b>	<b>SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES (STRS) <i>(continued)</i></b>
<b>Comments</b>	The measurements, standards, and technologies that are the essence of the work done by NIST's laboratories help U.S. industry and science to invent and manufacture superior products and to provide services reliably. NIST's programs are driven by six investment priority areas that address national priorities: Energy, Environment, Manufacturing, Health Care, Physical Infrastructure, and Information Technology. Funds provided by the ARRA will enhance NIST's efforts on the six investment priority areas by providing the "tools" and knowledge base needed to make progress.

<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST)</b>
<b>PROGRAM</b>	<b>CONSTRUCTION OF RESEARCH FACILITIES</b>
<b>Amount</b>	\$360.0M
<b>Description</b>	The ARRA includes \$360 million for NIST activities funded in the Construction of Research Facilities appropriation. Of this amount, \$180 million supports NIST Construction Projects and the remaining \$180 million funds competitive construction grants awarded to U.S. universities, colleges, and not-for-profit research organizations.
<b>Performance Measures/ Results</b>	Use of NIST ARRA funding was targeted to have maximal impact on meeting the goals of ARRA, including creating jobs, promoting economic recovery, providing investments needed to increase economic efficiency by spurring technological advances in science, and making investments in areas of research that will provide long-term economic benefits.  The table below reflects performance measures that were reported in Recovery.gov on May 15, 2009 for NIST's Construction of Research Facilities ARRA appropriations. NIST has been collecting ARRA performance data on a quarterly basis. Data is included in the table for each measure.

*(continued)*

BUREAU	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) <i>(continued)</i>			
PROGRAM	CONSTRUCTION OF RESEARCH FACILITIES <i>(continued)</i>			
Performance Measures/ Results <i>(continued)</i>	MEASURES	FY	TARGET	ACTUAL
	NIST construction projects:			
	● Dollars obligated	2009	\$26,300,000	\$10,956,133
		2010	\$153,700,000	\$164,362,072
		2011	0	\$1,099
	● Number of facilities renovated	2009	0	0
		2010	0	0
		2011	1	1
	● Number of facilities constructed	2009	0	0
		2010	0	0
		2011	0	0
	Construction Grants (approximately \$60M):			
	● Dollars obligated	2009	\$60,000,000	\$55,536,981
		2010	0	0
		2011	0	0
	● Number of grants awarded	2009	5	4
		2010	0	0
		2011	0	0
	● Number of research science facilities completed	2009	0	0
		2010	0	0
	2011	1	1	
Construction Grants (approximately \$120M):				
● Dollars obligated	2009	0	0	
	2010	\$120,000,000	\$123,517,167*	
	2011	0	0	
● Number of grants awarded	2009	0	0	
	2010	10	12	
	2011	0	0	
● Number of research science facilities completed	2009	0	0	
	2010	0	0	
	2011	1	1	
	* FY 2010 Actual obligations are approximately \$3.5 million above the cumulative Target levels as a result of redirecting excess funding from the first round Construction Grants competition (\$60M) into the second round competition (\$120M).			
Comments	<p>The measurements, standards, and technologies that are the essence of the work done by NIST's laboratories help U.S. industry and science to invent and manufacture superior products and to provide services reliably. NIST manages some of the world's most specialized measurement facilities where cutting-edge research is done in areas such as new and improved materials, advanced fuel cells, and biotechnology. Critically needed research facilities will help keep the Nation at the forefront of cutting-edge research and ensure that U.S. industry has the tools it needs to continually improve products and services. The investment now in these advanced research facilities will be recouped many times over in increased U.S. innovation, a critical ingredient for improved productivity and job creation. The construction projects will use green technologies where possible, and will improve energy efficiency and environmental performance of NIST facilities.</p>			

<b>BUREAU</b>	<b>NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)</b>
<b>PROGRAM</b>	<b>BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)</b>
<b>Amount</b>	\$4,700.0M
<b>Description</b>	<p>ARRA provided \$4.7 billion to NTIA to establish BTOP to increase broadband access and adoption; provide broadband training and support to schools, libraries, healthcare providers, and other organizations; improve broadband access to public safety agencies; and stimulate demand for broadband. ARRA further provided funding to NTIA to develop and maintain a comprehensive nationwide inventory map of broadband service capability and availability, and to implement the State Broadband Data and Development Act and the Broadband Data Improvement Act.</p> <p>Following a rigorous application and review process documented in previous quarterly reports, NTIA invested approximately \$4 billion in 233 BTOP projects benefitting every state, territory, and the District of Columbia. This BTOP portfolio of projects initially included:</p> <ul style="list-style-type: none"> <li>● 123 infrastructure projects totaling \$3.5 billion in federal grant funds to construct broadband networks;</li> <li>● 66 public computer center (PCC) projects totaling \$201 million in federal grant funds to provide access to broadband, computer equipment, computer training, job training, and educational resources to the public and specific vulnerable populations; and</li> <li>● 44 sustainable broadband adoption (SBA) projects totaling \$250.7 million in federal grant funds to support innovative projects that promote broadband adoption, especially among vulnerable population groups where broadband technology traditionally has been underutilized.</li> </ul> <p>The infrastructure projects include seven grants totaling approximately \$382 million for projects to deploy public safety wireless broadband networks.</p> <p>Additionally, through the State Broadband Initiative (SBI), NTIA granted approximately \$293 million BTOP funds to 56 recipients, one each from the 50 states, five territories, and the District of Columbia, or their designees. With this funding, states are gathering data biannually on the availability, speed, and location of broadband services, as well as the broadband services used by community institutions such as schools, libraries, and hospitals. NTIA is using the data to update the publicly searchable, interactive National Broadband Map, which was launched on February 17, 2011, in accordance with the ARRA's requirements. These grants also support state efforts to foster the efficient and creative use of broadband technology to better compete in the digital economy. These state-led efforts vary depending on local needs but include programs to assist small businesses and community institutions in using technology more effectively, research to investigate barriers to broadband adoption, innovative applications that increase access to government services and information, and state and local task forces to expand broadband access and adoption.</p>

(continued)

BUREAU	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) <i>(continued)</i>				
PROGRAM	BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP) <i>(continued)</i>				
Performance Measures/ Results	Current and planned performance measures include:				
		FY 2011 TARGET	FY 2011 ACTUAL	FY 2012 TARGET	FY 2013 TARGET
	New broadband network miles deployed	10,000	18,545 <sup>1</sup>	30,000	50,000
	Community anchor institutions with new or improved access to broadband services	3,000	1,322 <sup>1</sup>	10,000	15,000
	New public computer center workstations installed and available to the public	10,000	16,060 <sup>1</sup>	20,000	25,000
	New sustainable broadband adoption subscribers (households, businesses, and/or institutions)	100,000	111,829	250,000	350,000
<sup>1</sup> As of June 30, 2011.					

PRIORITY GOALS

Priority Goals are a clear statement of the specific, measurable, ambitious near-term priority targets chosen by the senior leaders of major federal agencies. The Priority Goals communicate the performance improvements each agency is trying to accomplish relative to its priorities using existing legislative authority, previously appropriated funds, and funding at levels proposed in the President's FY 2011 Budget. The Priority Goals constitute the priority operational targets the agency will work to accomplish within 18 to 24 months of setting the targets. This distinguishes the Priority Goals from the longer-term targets agencies include in their strategic plans, and the full set of performance goals and measures agencies include in the annual plans and reports required by the Government Performance and Results Act (GPRA).

<b>GOAL</b>	<b>2010 DECENNIAL CENSUS: Effectively execute the 2010 Census, and provide the states with accurate and timely redistricting data. (Timely completion of milestones to conduct the 2010 Census and provide redistricting data as mandated by law.)</b>		
<b>BUREAU</b>	<b>CENSUS BUREAU</b>		
<b>Performance Measures</b>	Achieve an accuracy level of an overall net coverage error at the national level of less than one-half of one percent.		
<b>Description</b>	The overall net coverage error is determined by an independent follow-up survey which measures the accuracy of the census results. The survey estimates both the number of households missed and those either mistakenly counted or counted multiple times. The undercount and overcount percentages are derived by subtracting the number of people counted in the census from the number of people measured in the survey and then dividing by the estimate of the total population according to the survey. A net overcount occurs if the resulting percentage is negative, while a positive percentage indicates a net undercount.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>
	1991		1.61%
	2003		-0.49%
	2012	+/-0.5%	Results expected in FY 2012
<b>Milestones</b>	<b>Deliver 2010 Census Questionnaires:</b> Completed by April 9, 2010. Delivered 2010 Census questionnaires which consisted of the mailing of advance letters, initial questionnaires, reminder postcards, and replacement mailings.		
	<b>Update Leave and Update Enumerate:</b> Completed by June 1, 2010. Conducted update leave and update enumerate operations in which enumerators deliver census questionnaires or conduct interviews in communities that may not have a house number and street name address.		
	<b>Group Quarters Enumeration:</b> Completed enumeration of group quarters. The operation consists of the field enumeration of individuals in group quarters, such as college dormitories, correctional facilities, military vessels, and nursing facilities.		
	<b>Nonresponse Follow-up:</b> Completed by July 10, 2010. Conducted nonresponse follow-up operation which includes follow-up visits and phone calls to all housing units that did not respond to the mailout questionnaires.		

(continued)

<b>GOAL</b>	<b>2010 DECENNIAL CENSUS: Effectively execute the 2010 Census, and provide the states with accurate and timely redistricting data. (continued)</b>
<b>BUREAU</b>	<b>CENSUS BUREAU (continued)</b>
<b>Milestones (continued)</b>	<b>Coverage Follow-up:</b> Completed coverage follow-up operation which resolves erroneous information in initial census operations.
	<b>Vacant Delete Check:</b> Completed vacant delete check operation by confirming vacant or nonexistent housing unit statuses identified during nonresponse follow-up.
	<b>Census Coverage Measurement:</b> Operations for census coverage measurement. These are independent of the other census operations. They are designed to provide estimates of net coverage error and erroneous enumerations for persons in housing units and for the housing units themselves.

<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog.</b>							
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO)</b>							
<b>Performance Measures</b>	First Action Patent Pendency		Final Action Patent Pendency		Patent Backlog			
<b>Description</b>	This measure tracks the timeliness of first office actions on patent applications, measuring the time in months from the application filing date to the date of mailing the first office actions.		This measure identifies the timeliness related to issuance of the patent or abandonment of the application, measuring the average time in months from the application filing date to the date of issue or abandonment.		This measure tracks the number of patent applications awaiting first action review by an examiner.			
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	
	2003	18.4	18.3	27.7	26.7	484,700	457,274	
	2004	20.2	20.2	29.8	27.6	524,000	508,878	
	2005	21.3	21.1	31.0	29.1	594,800	586,580	
	2006	22.0	22.6	31.3	31.1	680,700	674,333	
	2007	23.7	25.3	33.0	31.9	801,000	737,288	
	2008	26.9	25.6	34.7	32.2	801,300	750,596	
	2009	27.5	25.8	37.9	34.6	741,400	718,835	
	2010	25.4	25.7	34.8	35.3	698,000	708,535	
	2011	25.7			34.1		635,700	
	2012	19.3			34.7		556,800	
	2013	14.9			28.3		477,800	
	2014	10.9			23.9		410,300	
2015	10.2			19.9		377,000		

(continued)

<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog. (continued)</b>
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO) (continued)</b>
<b>Milestones</b>	<p><b>Re-engineer the Examiner Count System:</b> During this fiscal year, the USPTO worked to re-engineer the entire patent examination system to improve workload prioritization, decrease duplicative work, and streamline reviews in collaboration with applicants. Establishing and improving mechanisms that would result in accelerated examination were critical to this effort. Accelerating the patent process and boosting patent quality are essential in translating inventors' ideas into job-creating businesses that spur economic growth and ensure U.S. competitiveness in the global market. In recognizing that applicants' needs vary in patent prosecution time as well as in application costs, this has resulted in the development and implementation of new programs aimed at meeting these varied needs of stakeholders.</p> <p><b>Project Exchange:</b> The Project Exchange program allows advancement of applications out of turn in exchange for express abandonment of another application. The Project Exchange enables applicants to determine and prioritize their applications, thus freeing examiners from reviewing applications that are no longer of value to their owners while also stimulating a reduction of the backlog of unexamined patent applications pending before USPTO. The program was intended for use by small entities, but was expanded to include any and all applications.</p> <p><b>Measurement and Tracking of Patent Quality:</b> USPTO has adopted new, more comprehensive procedures for measuring the quality of patent examination. These new measurement procedures were crafted by a joint USPTO-Patent Public Advisory Committee (PPAC) Task Force after extensive consultation with the intellectual property community and the public. The new procedures measure seven diverse aspects of the examination process to form a more comprehensive composite quality metric. To present, a balanced approach to measurement of examination quality, these new procedures include new measures that assess the degree to which the examiner's action complies with best practices in conducting the search and initial examination. This approach does not attempt to alter any of the standards for examination or patentability, but to better educate and enable participants in the patent process to comply with existing standards.</p> <p><b>Improve and Provide More Effective Training:</b> Training both patent managers and examiners continues to be an important element for achieving quality patent examination. Particular focus was given to providing Supervisory Patent Examiners (SPE) with a Leadership Development Program. Patent managers and supervisors participated in a newly developed, state-of-the-art leadership development program to enhance their supervisory skill set. The Office of Patent Training's (OPT) New Examiner Training program continues to evolve in order to meet the changing needs of USPTO. The program has been re-engineered to serve two different groups of new hires. An Experienced IP Program is a four-week, accelerated training program for examiners who have prior IP experience. Also, a two-phase, 12-month program that consists of a four-month training curriculum integrated with examination followed by an eight-month advanced examination training program after the examiners transition to the Technology Centers.</p> <p>The OPT also provided training for new SPEs. This program provided training for SPEs at time of their selections. The program also encompasses more advanced topics during a second phase of training offered approximately four months later.</p> <p>The OPT provided Refresher Training on various examination specific topics from the application of regulations and statutes and other topics that aid an examiner in their examination efficiencies. The Refresher Training was designed to improve examiner communication and examination skills and encouraged examiners to hold interviews throughout prosecution to prevent unnecessary Requests for Continued Examinations. The OPT will continue to enhance and expand the courses being offered.</p>

(continued)

<b>GOAL</b>	<b>INTELLECTUAL PROPERTY (IP) PROTECTION: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog. (continued)</b>
<b>BUREAU</b>	<b>U.S. PATENT AND TRADEMARK OFFICE (USPTO) (continued)</b>
<b>Milestones (continued)</b>	<p><b>Ombudsman Pilot Program:</b> The USPTO Ombudsman program is intended to provide patent applicants, attorneys, and agents assistance with application-specific issues including concerns related to prosecution advancement. The objective is to quickly resolve issues, and thereby to decrease pendency. Early last year, we launched our Patents Ombudsman Pilot Program as part of our strategic priorities to increase patent processing effectiveness, provide new channels to help resolve issues, and improve relations with the USPTO stakeholder community.</p> <p><b>Develop and Implement the Patent End-to-End Processing System:</b> USPTO legacy patent systems are based on obsolete technologies that are difficult to maintain, leaving USPTO highly vulnerable to disruptions in patent operations. Patents databases are among the world's largest, and continue to grow at multiple terabytes per year, further raising the possibility of failure. Automation of many manual business functions has been deferred because of the limitations of legacy systems. A new generation of patent systems is needed, built upon modern data formats to provide end-to-end electronic processing. A first deliverable will be the delivery prototype core patent processing infrastructure.</p> <p><b>Prioritize Work – Green Technology Acceleration:</b> Green technology acceleration allows inventors to accelerate applications in certain technologies. Pending patent applications in green technologies are eligible to be accorded special status and given expedited examination; the Green Technology Pilot Program will accelerate the development and deployment of green technology, create green jobs, and promote U.S. competitiveness in this vital sector. Patent applications are normally taken up for examination in the order that they are filed. Under the pilot program, for the first 3,000 applications related to green technologies in which a proper petition is granted, the Agency will examine the applications on an accelerated basis. Upon granting 3,000 petitions, USPTO may reevaluate the workload and resources needed to extend the pilot program.</p> <p><b>Hire Patent Examiners:</b> USPTO has launched a targeted hiring program which focuses on recruiting experienced former examiners and IP professionals who can get up to speed examining patent applications with a minimal amount of training time.</p> <p><b>Target Overtime to High Backlog Areas:</b> Strategically target overtime to Technology Center units with highest backlogs and permit other examiners to work overtime in the targeted areas. Overtime is a critical element of USPTO's plan to reduce the backlog of pending patent applications and to achieve its pendency goals. Over the years, overtime has proven to be more efficient on a per hour basis than equivalent regular time hour, since each overtime hour worked is directly tied to production output. Overtime also allows USPTO to manage its workload without adding additional new hires. Its inherent flexibility allows the Agency to further expand its production capacity while maintaining optimal staffing levels. Based on funding availability, USPTO plans to prioritize the use of overtime and target areas with highest backlogs first, then other areas as resources permit.</p> <p><b>Institute a "Nationwide Workforce":</b> USPTO will develop a nationwide workforce using telework which will allow it to hire experienced IP professionals interested in joining USPTO, but who do not want to relocate to the Washington, D.C. region. It is expected that this different hiring demographic will provide a more productive and balanced workforce, lower attrition, and faster transition to productivity for new hires. USPTO is forecasting to hire 25 examiners per quarter.</p> <p><b>Reformulate Performance Appraisal Plans:</b> Senior executive service performance appraisal plans will continually be revised to ensure that they are more aligned with the strategic plan goals and objectives, and flexible enough to adapt to changing conditions.</p>

GOAL	COASTAL AND OCEAN RESOURCE MANAGEMENT: Ensure environmentally and economically resilient oceans, coasts, and Great Lakes communities, with healthy and productive ecosystems.						
BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)						
<b>Performance Measures</b>	Ensure that all 46 federal fishery management plans have required catch limits to end overfishing in place by the end of 2011.			Reduce the number of stocks subject to overfishing to zero by the end of 2011.		Improve the Fish Stock Sustainability Index (FSSI) to 586 by the end of 2011.	
<b>Description</b>	This measure tracks the number of federal fishery management plans in place that require annual catch limits and accountability measures to end overfishing by the end of 2011. NOAA staff track the status of annual catch limits implementation using information from the eight regional Fishery Management Councils and NOAA Fisheries regional offices. Fishery management processes were established by Congress, which has established the role of the Fishery Management Councils in developing fishery management plans.			This is the number of non-exempt overfishing stocks not being fished under an annual catch limit. Assessments in future years will confirm that overfishing has ended.		The FSSI is a measure of stock status, including overfishing and overfished. The target represents a four percent increase above the FSSI score at the end of 2009. (Because the FSSI does not score a stock as "not subject to overfishing" until such status has been confirmed through a stock assessment, the improvements made to end overfishing will not be fully reflected in the FSSI score until the stock has been assessed.)	
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
	2003		N/A		34		N/A
	2004		N/A		36		N/A
	2005		N/A		36		481.5
	2006		N/A		39	507	501
	2007		0		35	505	516
	2008		0		31	530.5	535
	2009		1		24	548.5	565.5
	2010	5	5	15	14	580	582.5
	2011	23		0		586	
<b>Milestones</b>	<b>Ensure all 46 Federal Fishery Management Plans Have Required Catch Limits to End Overfishing:</b> As of June 30, 2011, 14 fishery management plans had annual catch limits in place: Fish Resources of the Arctic; Consolidated Atlantic Highly Migratory Species; Northeast Skate; Bering Sea and Aleutian Islands Groundfish; Gulf of Alaska Groundfish; Pacific Coast Groundfish; Atlantic Herring; Atlantic Salmon; Monkfish; Hawaii Archipelago; American Samoa; Mariana Archipelago; Pacific Remote Island Areas; and Western Pacific Pelagic Fisheries.						

(continued)

<b>GOAL</b>	<b>COASTAL AND OCEAN RESOURCE MANAGEMENT: Ensure environmentally and economically resilient oceans, coasts, and Great Lakes communities, with healthy and productive ecosystems. (continued)</b>
<b>BUREAU</b>	<b>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) (continued)</b>
<b>Milestones (continued)</b>	<p><b>Reduce the Number of Stocks Subject to Overfishing to Zero by the End of 2011:</b> As of June 30, 2011, all non-exempt stocks subject to overfishing have management measures in place to end overfishing. There are still five overfishing stocks without annual catch limits in place, due to a delay in conducting an ESA Section 7 biological opinion on the action; however, the council has taken final action to recommend these annual catch limits. Eight additional stocks are subject to overfishing due to international fishing efforts, but are exempt from the requirement for annual catch limits because U.S. fishing management measures cannot independently end overfishing on these stocks.</p> <p><b>Increase the FSSI to 586 by the End of 2011:</b> The index is a measure of fish stock status that includes fishing rates and population levels. As of June 30, 2011, the index was at 585.5 out of a possible 920, up from 582.5 in 2010 and 481.5 in 2005. The National Marine Fisheries Service is targeting the index to increase to 586 by the end of FY 2011. Progress in NOAA's efforts to end overfishing and to rebuild overfished stocks to healthy population levels continue to increase the FSSI score. During FY 2011, red hake in the Gulf of Maine and Pacific Cod (which were newly assessed) were found not to be subject to overfishing. In the Northeast region, Gulf of Maine Haddock is now rebuilt. These and other improvements in stock status increased the FSSI by three points during the year, advancing the Agency toward its goal of reaching a score of 586 by the end of 2011, which it reached with a 587.</p> <p><b>Provide Updated Fishery Stock Assessment Reports to Regional and International Management Agencies:</b> The National Marine Fisheries Service Fisheries Science Centers annually collect, analyze, and interpret information on the status of managed fish stocks to meet requirements of the Magnuson-Stevens Act and international agreements. Approximately 80 individual assessments are conducted and peer-reviewed through region-specific processes and priorities based on national guidelines. Assessment results are used to implement updates to fishery quotas and other management measures, determine the status of fish stocks with respect to overfishing criteria, and track rebuilding of previously overfished stocks. These assessments also provide information for calculating the FSSI and the scientific basis for implementing annual catch limits.</p>

GOAL	<b>BROADBAND ACCESS: Efficiently and effectively implement the Broadband Technology Opportunities Program (BTOP), to expand service to communities in a cost-effective manner that maximizes impacts on economic growth, education, health care, and public safety.</b>									
BUREAU	<b>NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)</b>									
<b>Performance Measures</b>	Miles of broadband networks deployed (Infrastructure Projects)			Community anchor institutions connected (Infrastructure Projects)			New and upgraded public computer workstations (Public Computer Centers Projects)		New household and business subscribers to broadband (Sustainable Broadband Adoption Projects)	
<b>Description</b>	<p>BTOP is funding projects that provide broadband service in unserved areas and enhance broadband service in underserved areas of the United States. The BTOP portfolio of projects initially included 123 infrastructure projects totaling \$3.5 billion in federal grant funds to construct broadband networks and to connect "community anchor institutions" such as schools, libraries, hospitals, and public safety facilities. BTOP infrastructure projects are deploying a variety of technologies and approaches to enhance the Nation's broadband capabilities. This measure's target is the number of miles of network (e.g., fiber, microwave) deployed using BTOP funding. The American Recovery and Reinvestment Act (ARRA) provided all of BTOP's grants funding.</p>			<p>ARRA places a high priority on deploying and enhancing broadband capabilities for community anchor institutions such as libraries, hospitals, schools, and public safety entities. The BTOP portfolio of projects initially included 123 infrastructure projects totaling \$3.5 billion in federal grant funds to construct broadband networks and to connect "community anchor institutions" such as schools, libraries, hospitals, and public safety facilities. This measure's target is the number of anchor institutions connected with new or improved broadband capabilities. ARRA provided all of BTOP's grants funding.</p>			<p>BTOP grants are funding expansion of public computer center (PCC) capacity. The BTOP portfolio of projects initially included 66 PCC projects totaling \$201 million in federal grant funds to provide access to broadband, computer equipment, computer training, job training, and educational resources to the public and specific vulnerable populations. This measure's target is the number of new and improved computer workstations funded through the BTOP PCC category of funding. ARRA provided all of BTOP's grants funding.</p>		<p>The BTOP portfolio of projects initially included 44 sustainable broadband adoption (SBA) projects totaling \$250.7 million in federal grant funds to support innovative projects that promote broadband adoption, especially among vulnerable population groups where broadband technology traditionally has been underutilized. This measure's target is the number of new household and business subscribers to broadband generated by projects funded through the BTOP SBA category of funding, as reported by awardees.</p>	
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	
	2010	New	N/A	New	N/A	New	N/A	New	N/A	
	2011	10,000	18,545 <sup>1</sup>	3,000	1,322 <sup>1</sup>	10,000	16,060 <sup>1</sup>	100,000		
<sup>1</sup> As of June 30, 2011.										

<b>GOAL</b>	<b>EXPORT OPPORTUNITIES: Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011.</b>		
<b>BUREAU</b>	<b>INTERNATIONAL TRADE ADMINISTRATION (ITA)</b>		
<b>Performance Measures</b>	Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011.		
<b>Description</b>	This metric demonstrates ITA's effectiveness at helping companies, particularly SMEs, export to a country for the first time. It counts the number of SMEs, which are defined as U.S. companies with less than 500 employees, that achieve an export to a country they have not exported to in 12 months due in part to Commercial Service assistance. This assistance includes but is not limited to in-depth market entry counseling, business-to-business matchmaking, market research and intelligence, trade show support, and due diligence on foreign buyers and partners. Although data was collected for this metric starting in FY 2001, it was not formally adopted as a performance measure until FY 2009 following an analysis of historical data that showed declining results starting in FY 2006. In response to this trend, the Commercial Service adopted this performance measure in FY 2009 with aggressive targets for FY 2009 and FY 2010 set to exceed historical performance. Since that time, the Commercial Service has reupped its commitment to helping companies enter new markets by setting an even more ambitious target for FY 2011.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>
	2003		
	2004		2,828
	2005		2,943
	2006		2,569
	2007		2,453
	2008		2,197
	2009	3,130	2,876
	2010	3,176	2,813
	2011	3,700	3,186
<b>Milestones</b>	<b>National Export Marketing Campaign Plan:</b> Completed by March 19, 2010. Drafted a new national data-mining, lead-generation, and marketing plan that leverages the Commercial Service strategic partnerships to help U.S. companies expand exports from one to multiple markets.		
	<b>National Export Marketing Campaign Phase 1:</b> Refined contact lists of SME exporters provided by strategic partners to just high potential leads. Designed marketing materials and created online content. Trained the Commercial Service and strategic partner staff on the program.		
	<b>National Export Marketing Campaign Phase 2:</b> Initial marketing push to a subset of the contact list. Tracked results and adjusted process as needed.		
	<b>National Export Marketing Campaign Phase 3:</b> Rolled out marketing campaign and tracked results.		
	<b>International Buyer Program Expansion Plan:</b> Completed by March 19, 2010. Drafted a plan to increase the dollar value of exports resulting from foreign buyer attendance at U.S. trade shows.		
	<b>International Buyer Program Expansion Phase 1:</b> Conducted targeted outreach to trade show organizers, industry associations, and the international business community.		

(continued)

<b>GOAL</b>	<b>EXPORT OPPORTUNITIES: Increase the annual number of small and medium-sized enterprises (SME) the Commercial Service successfully assists in exporting to a second or additional country by 40 percent from 2009 to 2011. (continued)</b>
<b>BUREAU</b>	<b>INTERNATIONAL TRADE ADMINISTRATION (ITA) (continued)</b>
<b>Milestones (continued)</b>	<p><b>International Buyer Program Expansion Phase 2:</b> Worked with trade show organizers to develop customized programs to fit the needs and interests of companies in the industry. Coordinated with domestic and international Commercial Service field staff and other U.S. government agencies to provide hands-on assistance including export counseling, marketing analysis, and matchmaking services on-site at U.S. trade shows.</p> <p><b>MDCP Plan:</b> Completed by March 19, 2010. Developed a plan to increase the Market Development Cooperator Program (MDCP)-related exports and expedite the timeline to award MDCP recipients in FY 2010.</p> <p><b>MDCP Phase 1:</b> Completed by April 19, 2010. Expedited application deadline for FY 2010 (ITA received 50 MDCP applications).</p> <p><b>MDCP Phase 2:</b> Announced MDCP award recipients in mid-July and developed export action plans.</p> <p><b>Services Industry Export Expansion Plan:</b> Completed by March 19, 2010. Developed services export expansion plan to identify and focus on key growth industries in targeted markets, including travel and tourism. Also, leveraged financial services and supply chain/infrastructure services to facilitate goods exports.</p> <p><b>Services Industry Export Expansion – Supply Chain/Infrastructure Outreach:</b> Expanded supply chain/infrastructure outreach focus groups in Atlanta, Chicago, New Orleans (subject to oil spill resource limitations locally), and Seattle.</p> <p><b>Services Industry Export Expansion – Services Trade Data:</b> Expanded the Services Trade Data conference to bring together the results of the preceding focus groups and define larger objectives for data issues going forward.</p> <p><b>Services Industry Export Expansion – Trade Finance Seminars:</b> Expanded trade finance seminars in Miami, FL, Cleveland, OH, Philadelphia, PA, Pittsburgh, PA, and Southern California to bring together exporters with regional and community lenders to facilitate financing of U.S. exports. Engaged tourism policy counterparts to expand high growth export markets.</p> <p><b>Services Industry Export Expansion – Tourism:</b> Secretary Locke chaired the first meeting of the interagency Tourism Policy Council (TPC) on April 27. The working group on implementing the Travel Promotion Act met on May 13 and participants discussed progress on the fee that will fund the Corporation for Travel Promotion. The second TPC Working Group Meeting on was held on June 29. Subsequent TPC meetings are being scheduled.</p> <p><b>Green Exporter Outreach Plan:</b> Completed by March 19, 2010. Developed a plan to identify and target U.S. companies with green technology solutions, and improve coordination and delivery of U.S. government services to the clean energy sector.</p> <p><b>Green Exporter Outreach Phase 1:</b> Conducted targeted trade promotion and policy events. Developed a Competitive Assessment to (1) establish a baseline of U.S. green technology exports; and (2) articulate a common U.S. government understanding of the current competitiveness of the U.S. clean energy industry.</p> <p><b>Green Exporter Outreach Phase 2:</b> Launched the Renewable Energy and Energy Efficiency (REEE) Export Strategy to double U.S. REEE exports in five years.</p>

<b>GOAL</b>	<b>SUSTAINABLE MANUFACTURING AND BUILDING PRACTICES: Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership (MEP) by 250 by the end of 2011. Raise the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent.</b>				
<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) AND ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)</b>				
<b>Performance Measures</b>	Raise the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent.		Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership by 250 by the end of 2011.		
<b>Description</b>	FY 2011 targets are based on FY 2011 Global Climate Change Mitigation Incentive Fund (GCCMIF) funding being similar to that of FY 2010. Data and targets are cumulative toward the end of FY 2010 fourth quarter and resets in FY 2011 first quarter to be cumulative toward FY 2011 fourth quarter. EDA may be modifying its grant application process, including the establishment of quarterly deadlines for the submittal and review of applications. As such, there may be an opportunity to set more "level" targets for the Priority Goals in FY 2011. However, as the largest program contributor to the Priority Goals, the GCCMIF—and its associated late-fiscal year Congressional approvals/requirements—will prevent a complete leveling of targets.		This measure tracks the number of firms adopting economically and environmentally sustainable practices and products through the NIST Hollings MEP program.		
<b>Results</b>	<b>Fiscal Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
	2008		7%		
	2009		9%		46
	2010	12%	12%	173	266
	2011	12%		296	724
	* As with any new service, MEP's piloted efforts focused on providing environmentally sustainable services to U.S. manufacturers. During the pilot phase, the service offerings were more successful than planned. Due to the expanded partnering efforts of resources from the Department with the Department of Energy and the Environmental Protection Agency, MEP was extremely successful in engaging with a broader number of manufacturing firms than originally estimated. In addition, the E3 community approach to pull together local resources with federal resources to address specific environmental concerns expanded more quickly across multiple regions of the country than envisioned.				

(continued)

<b>GOAL</b>	<b>SUSTAINABLE MANUFACTURING AND BUILDING PRACTICES:</b> Raise the number of firms adopting sustainable manufacturing processes through the NIST Manufacturing Extension Partnership (MEP) by 250 by the end of 2011. Raise the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) or a comparable third-party certification program to 12 percent. <i>(continued)</i>
<b>BUREAU</b>	<b>NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) AND ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)</b> <i>(continued)</i>
<b>Milestones</b>	<p><b>Manufacturing Extension Partnership (MEP):</b> To raise the number of firms adopting sustainable manufacturing processes through the NIST MEP by 250 by the end of 2011, MEP is working to expand the capacity of the existing and partner resources to support additional Economy, Energy and Environment (E3) Initiative (<a href="http://www.e3.gov">www.e3.gov</a>) community activities and the Green Suppliers Network (GSN) program (<a href="http://www.greensuppliers.gov">www.greensuppliers.gov</a>).</p> <p>While NIST achieved its Priority Goal of raising the number of firms adopting sustainable manufacturing processes with over 700 firms beginning the journey towards adoption of these practices by the end of the fourth fiscal year quarter of 2011. MEP will continue to focus on actively expanding partnerships and focus on providing manufacturers with tools and services to help companies and communities adopt sustainable practices. As part of this effort, MEP is engaged in expanding the capacity of the existing and partner resources to support additional E3 efforts as well as increase awareness of synergies with the GSN. In parallel, MEP is establishing a sustainability growth model for engagements with small and medium-sized enterprises (SME) to serve as a framework for companies to respond to both sustainability-related cost reduction and business growth opportunities. In addition to the active and pilot E3 project locations in Alabama, Michigan, North Carolina, Ohio, South Carolina, Texas, West Virginia, and Wisconsin, a number of other states are working with MEP to develop E3 projects.</p> <p><b>Leadership in Energy and Environmental Design (LEED) Construction Projects:</b> EDA will monitor progress on a quarterly basis by tracking the number of projects that are LEED certified and aim to meet the 12 percent threshold by the end of the fiscal year. EDA has already implemented Environmentally Sustainable Development as one of its six core funding priorities. Accordingly, EDA will give priority to projects that build the green economy in its evaluation of all project proposals (not just GCCMIF). EDA also contemplates including a measure related to this in its balanced scorecard metrics.</p>





# PERFORMANCE SECTION





# THEME 1

## ECONOMIC GROWTH

---



**ECONOMIC  
GROWTH**

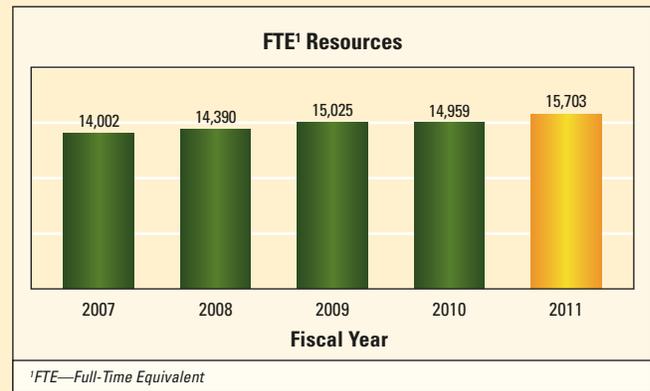
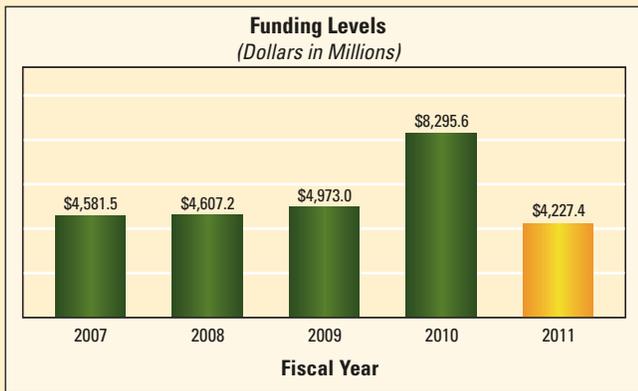
THEME, STRATEGIC GOALS, AND OBJECTIVES		TARGETS MET OR EXCEEDED
<b>THEME 1: ECONOMIC GROWTH</b>		
<b>Strategic Goal – Innovation and Entrepreneurship: <i>Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses</i></b>		
Objective 1	Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)	9 of 10
Objective 2	Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)	1 of 1
Objective 3	Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)	7 of 11
Objective 4	Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)	5 of 5
Objective 5	Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)	4 of 6
<b>Strategic Goal – Market Development and Commercialization: <i>Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups</i></b>		
Objective 6 <sup>1</sup>	Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)	N/A
Objective 7	Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)	3 of 5
Objective 8	Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)	5 of 5
<b>Strategic Goal – Trade Promotion and Compliance: <i>Improve our global competitiveness and foster domestic job growth while protecting American security</i></b>		
Objective 9	Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)	3 of 6
Objective 10	Implement an effective export control reform program to advance national security and overall economic competitiveness (BIS)	8 of 9
Objective 11	Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)	1 of 1
Objective 12	Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies (ITA)	7 of 8

<sup>1</sup> The measures for this objective are shown in Objective 3.



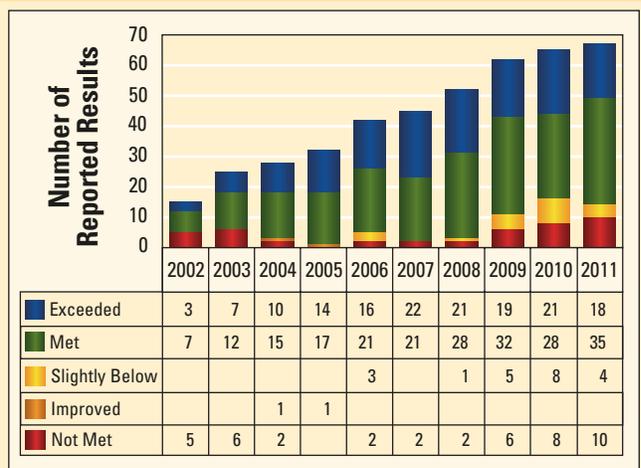
**THEME 1: ECONOMIC GROWTH**

**ECONOMIC GROWTH TOTAL RESOURCES**



The Economic Growth theme consists of three strategic goals related to Innovation and Entrepreneurship, Market Development and Commercialization, and Trade Promotion and Compliance. Within those three goals are 12 corresponding objectives, five associated with Innovation and Entrepreneurship, three with Market Development and Commercialization, and four with Trade Promotion and Compliance.

**ECONOMIC GROWTH PERFORMANCE RESULTS**



See Appendix A: Performance and Resource Tables for individual reported results.

## PUBLIC BENEFITS

### Innovation and Entrepreneurship

The U.S. Patent and Trademark Office (USPTO) facilitates the generation of innovative and commercially viable processes and products, while protecting the intellectual property rights (IPR) of the inventor. USPTO's goal to provide efficient and thorough review of patents and trademarks optimizes the economic value to investors and improves U.S. competitiveness. Economic Development Administration (EDA) grants play a large role in encouraging innovation, and the forums that the Agency establishes create research-based communities of practice that foster commercialization. The National Telecommunications and Information Administration (NTIA) assists communication, key to business growth, by improving telecommunication performance, optimizing use of the federal spectrum, and increasing broadband access. As the federal government's National Laboratory focused on innovation and industrial competitiveness, the National Institute of Standards and Technology (NIST) has long recognized the importance of technological innovation and a robust manufacturing sector to the health of the Nation's economy both as a source of high-paying, high-skilled jobs, and as a driver for future technological advancement.

### Market Development and Commercialization

NIST's Hollings Manufacturing Extension Partnership (MEP) and the International Trade Administration (ITA) support small and medium-sized enterprises (SME) to encourage job growth, job creation, and innovation, with a focus on environmentally and economically sustainable technologies. Through private enterprise job creation, EDA and the Minority Business Development Agency (MBDA) assist in developing markets in disadvantaged or distressed communities so as to reduce economic duress.

### Trade Promotion and Compliance

The Department generates economic growth and jobs through extensive assistance to firms engaging in international trade. ITA focuses on increasing exports by assisting U.S. exporters in expanding to foreign markets as outlined by the National Export Initiative (NEI). ITA works to achieve this goal in three ways:

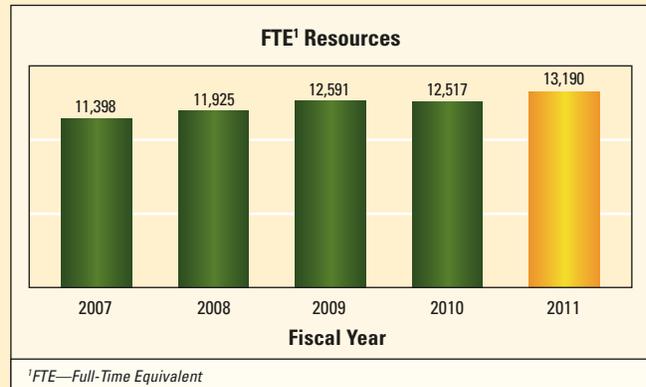
- Provides the data and analysis used by businesses and government to develop effective trade policies and strategic decisions to support U.S. industries;
- Confronts unfair trade practices at home and abroad in order to give workers and firms the opportunity to compete on a level playing field; and
- Promotes strategically U.S. product and service exports.

Export control reform has become a central concern to the Bureau of Industry and Security (BIS) as it updates the intergovernmental processes that are in place. NTIA promotes the use of telecommunication devices, speeding the pace of business.

## STRATEGIC GOAL – INNOVATION AND ENTREPRENEURSHIP

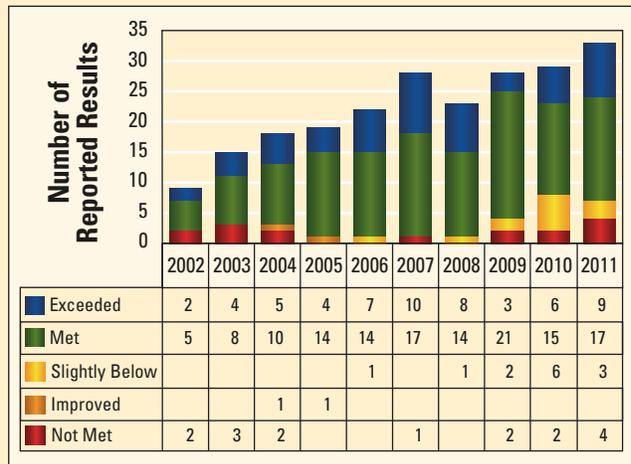
*Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses*

### INNOVATION AND ENTREPRENEURSHIP TOTAL RESOURCES



**T**his strategic goal is comprised of five objectives which contribute to the Secretary's theme of Economic Growth. The following public benefits, achievements, and performance results are associated with each objective.

### INNOVATION AND ENTREPRENEURSHIP PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Objectives 3, 6 and 7 share measures that are related to EDA. The results of these measures are reflected in Objective 3.

## OBJECTIVE 1

*Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)*

## PUBLIC BENEFITS

Intellectual Property (IP) contributes to a strong global economy by encouraging investment in innovation and fostering entrepreneurial spirit. People worldwide benefit from innovations, both directly on a personal level, and indirectly through economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient IP system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit.

The Department promotes the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws. Under this system of protection, industry in the United States has flourished, creating employment opportunities for millions of Americans.

Patents provide incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of marks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of IP protection and facilitates the development and sharing of new technologies worldwide.

It is a legal requirement for patentability to determine whether an invention is new, useful, and non-obvious to someone knowledgeable in that subject matter. To that end, not only is it important that a patent or trademark be issued in a timely manner, but that it is of high quality. Patent examinations are subjected to both end-product allowance and in-process reviews that evaluate the quality of the substantive basis for examiner decisions, applicability of publications found by the examiner, or the quality reviewer; evidence; and clarity of communications with applicants. These reviews produce findings that are shared individually with examiners, are collected in a database for ongoing analysis, serve as the basis for the development of training programs, and are used to strengthen the review process.

## ACHIEVEMENTS

**USPTO Implements Programs to Reduce Patent Pendency**

In order to achieve its goal to reduce pendency, USPTO launched a major program to clean up the older cases in the pending backlog, and more strictly manage its inventory in a first-in, first-out inventory environment. This initiative may result in a temporary rise in pendency in the near-term, because pendency is determined by cases that were examined during a particular period. However, clearing the oldest patent applications is important to USPTO's long-term success in reducing pendency and the backlog of unexamined patent applications. In an effort to eliminate the "tail" of backlog applications that were more than 16 months old at the beginning of the fiscal year and which had not yet received a first office action, USPTO launched a unique initiative known as "Clearing the Oldest Patent Applications," or "COPA." This initiative is a critical first step in reaching USPTO's strategic goal of providing first office actions on all new applications in an average of 10 months from their date of filing by 2014.

USPTO continues to increase its examination capacity by employing new recruitment and development models to hire, train, and retain a highly skilled and diverse workforce. While continuing to draw candidates from traditional sources, a targeted hiring program was launched to focus on recruiting experienced former examiners and IP professionals. The new hiring model seeks individuals with appropriate technology backgrounds who also have previous IP experience for patent examiner positions. In contrast with previous hiring which focused on scientific background and experience, this new hiring model places more emphasis on recruiting candidates with significant IP experience which will result in reduced training time as well as an increased ability to examine applications much sooner than a new hire with little or no IP experience, thereby increasing overall production output.

### **USPTO Develops a Work Sharing Program**

An ongoing effort to improve examination efficiency and use resources wisely is the development of Work Sharing. Work Sharing has evolved as a significant tool in addressing pendency. Under the Work Sharing umbrella are the Patent Prosecution Highway (PPH), Strategic Handling of Applications for Rapid Examination (SHARE), and First Look Application Sharing (FLASH). These work sharing programs reduce re-work, increase collaboration, and provide consistency between IP offices. The benefits of work sharing are immense. USPTO continues to work with the major IP offices toward collaborative work sharing solutions that aid in faster, higher quality patents.

USPTO has implemented PPH with 15 other offices worldwide. In PPH, after an office of first filing determines that an application contains at least one allowable claim, the applicant may request that the second office fast-track examination of corresponding claims in its corresponding application filed in the office of second filing. By using the PPH, an applicant can receive patentability determinations faster in multiple jurisdictions, saving time and money in the process. Offices greatly benefit from work sharing efficiency and quality gains.

Beginning with the first PPH with the Japan Patent Office in 2006, USPTO has received over 6,000 PPH requests, and has met its FY 2011 goal of 8,000 requests. Other important PPH metrics include:

- An overall allowance rate of over 90 percent, about double the overall USPTO average allowance rate;
- A reduction of almost one entire office action per disposal vs. the USPTO average of 2.41 actions/disposal;
- A reduction in the number of appeals of over 80 percent vs. the overall USPTO average appeal rate; and
- A decrease of over 50 percent in the number of requests for continued examination or continuation filings vs. the USPTO average.

This program was selected by Secretary of Commerce Gary Locke as one of the first two programs to be awarded the Department's first Performance Excellence Award for outstanding efforts to improve business processes.

### **USPTO Also Maintained and Improved Patent Quality**

Reducing patent pendency is only one part in improving the IP system—USPTO also must maintain and improve patent quality. USPTO continues to expand its quality management program by focusing on improving the quality of the initial patent application and the entire examination and prosecution process. Quality improvement is a continuous process that must include public input on the best ways to improve quality as well as measure that improvement without extending the overall examination process. Collaboration between USPTO, the Patent Public Advisory Committee Quality Task Force, and the patent community resulted in a new quality measure, the Quality Index Report. USPTO added this measure to the Composite Quality Metric which measures seven diverse aspects of the examination process to form a more comprehensive composite of quality metric. Specifically the Quality Index Report

tracks the actions taken by examiners during prosecution of patent applications. It further provides a statistical analysis of quality-related events in the prosecution, such as the reopening of final rejections and second non-final actions. Identifying quality issues prior to final action allows for corrective actions to be taken via coaching, mentoring, and training.

### **USPTO Worked to Re-Engineer the Patent System**

During FY 2011, USPTO worked to re-engineer the entire patent examination system to improve workload prioritization, decrease duplicative work, and streamline reviews in collaboration with applicants. USPTO established and improved mechanisms that would result in accelerated examination, critical to this effort. Accelerating the patent process and boosting patent quality are essential in translating inventors' ideas into job-creating businesses that spur economic growth and ensure U.S. competitiveness in the global market. Recognizing that applicants' needs vary in patent prosecution time as well as in application costs resulted in the development and implementation of new programs aimed at meeting these varied needs of stakeholders.

### **USPTO Implements the Green Technology Pilot Program**

The Green Technology Pilot Program provides accelerated examination of inventions involving green technology, thereby promoting innovation in green technologies and reducing the pendency of patent applications critical to climate change mitigation. In response to feedback from applicants, USPTO revised the Green Technology Pilot Program to allow more categories of technology to be eligible for expedited processing under the program. As a result, the Green Technology Pilot Program has increased the development and deployment of green technology and contributed to promoting U.S. competitiveness in this vital sector. More than 1,900 petitions have been granted to green technology patent applicants since the pilot began in December 2009.

### **USPTO Improved Guidance for Patent Applications**

For the first time in history, the IP community is able to work with USPTO collaboratively in making the Manual of Patent Examining Procedure (MPEP) a state-of-the-art practice document through an interactive discussion tool specifically designed to solicit input from stakeholders on the revision and publication process of the MPEP. The innovative use of Web-based technology to successfully re-engineer the MPEP has not only transformed the way the MPEP is expeditiously updated, but also has established a more collaborative revision process to foster interaction and contributions from stakeholders. This tool benefits practitioners as well as examiners by providing easy, accurate, and current guidance to ensure that all patent applications comply with the laws and regulations governing the patent system.

### **USPTO Continues to Maintain First Action and Final Trademark Pendency**

For the sixth consecutive year, the Trademark Organization has exceeded its pendency targets for first action and final disposition. With final pendency less than 11 months, a record low for the office, USPTO registers a new application or issues a notice of allowance, on average in less than a year. This rapid processing allows applicants to act quickly on marketing strategies and business plans. Since an examiner issues a first action approximately three months from the filing date, an applicant has an important early indication of registrability. USPTO has consistently maintained first action pendency between 2.5 and 3.5 months despite large variability in incoming workloads and persistent economic uncertainty. The Trademark Organization has also dynamically aligned examination capacity with incoming workloads by maintaining appropriate staffing levels, sustaining high productivity, and judiciously adjusting production incentives to maintain first action pendency at 2.5 to 3.5 months and final pendency at 12.5 months or less.

### USPTO Has Increased Trademark Electronic Processing and Filing

Pendency has improved as electronic processing and filing have become the primary means of conducting business within the Trademark Organization. Increased use of electronic forms, particularly Trademark Electronic Application System (TEAS) Plus filings has improved the efficiency and timeliness of examination. While 30 percent of new applications are TEAS Plus filings, these applications account for 48 percent of first action approvals.

### USPTO Took Steps to Address Trademark Fraud and Inaccuracy

Following changes in the standard for fraud on USPTO, and resulting concerns about the potential for inaccuracy in the identifications of goods and services on the register, the Trademark Organization began taking steps to assess this issue. The Trademark Organization hosted a roundtable in 2010 with the George Washington University School of Law to discuss improvements to the accuracy of identifications with members of the user community and collected public comments on suggestions from the roundtable. The Trademark Organization also discussed the issue with the Trademark Public Advisory Committee.

Following up on one of the leading suggestions, in July 2011 the Trademark Organization issued a Notice of Proposed Rulemaking that would permit USPTO to require additional specimens or other evidence in connection with a Section 8 affidavit of continued use. Comments on the proposed rule are due September 12, 2011. Once finalized, the rules changes initially would facilitate a limited pilot in a relatively small number of cases to assess the level of accuracy of the identifications. The pilot could yield information about the reliability of the trademark register in this regard, so that USPTO and stakeholders may determine whether an inaccuracy problem exists and consider measures to address it, if necessary.

## SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (USPTO)	TARGET	ACTUAL	STATUS
Final rejection allowance compliance rate	95.6% - 96.5%	95.6%	Met
Non-final in-process compliance rate	94.6% - 95.6%	95.2%	Met
Patent first action pendency (months)	26.3	28.0	Slightly Below
Patent total pendency (months)	34.8	33.7	Met
Patent applications filed electronically	90.0%	93.1%	Met
Trademark first action compliance rate	95.5%	96.5%	Met
Trademark final compliance rate	97.0%	97.0%	Met
Trademark first action pendency (months)	2.5-3.5	3.1	Met
Trademark average total pendency (months), excluding suspended and inter partes proceedings	12.5	10.5	Met
Trademark applications processed electronically	68.0%	73.0%	Met

**FY 2011 STATUS**

---

USPTO met 9 out of 10 targets, being slightly below the target for “Patent first action pendency.”

**FY 2011 MISSED TARGETS**

---

MEASURE	PATENT FIRST ACTION PENDENCY (MONTHS) (USPTO)
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No additional action was taken.

## OBJECTIVE 2

*Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)*

## PUBLIC BENEFITS

In an era of a global economy it is also important that the property rights of inventors be protected, not only in the United States, but internationally as well. USPTO plays a leadership role in promoting effective domestic and international protection and enforcement of IPR by advocating U.S. government IPR policy, working to develop unified standards for international IPR, providing policy guidance on domestic IPR issues, and fostering innovation. USPTO advises the President and federal agencies on national and international IPR policy matters and trade-related aspects of IPR, and conducts technical assistance and capacity-building programs for foreign governments seeking to develop or improve their IPR regulatory and enforcement mechanisms.

## ACHIEVEMENTS

**USPTO Provides IP Education Opportunities**

USPTO, through the Global Intellectual Property Academy (GIPA) in the Office of Policy and External Affairs, provides IP educational opportunities to domestic SMEs, universities, foreign officials, and the public. GIPA provides expertise on administration, protection, and enforcement in all areas of domestic and international IP. In FY 2011, GIPA conducted more than 120 training programs with more than 5,500 attendees from over 120 different countries. The attendees included officials from foreign IP offices; law enforcement authorities, including prosecutors, police, and customs officials; and members of the judiciary. Domestic opportunities include outreach to Native American tribes, educational programs on IP awareness, and China Road Shows providing IP information to SMEs seeking to do business in China. Additionally, GIPA partners to develop and deliver educational outreach programs with other areas of the U.S. government, particularly the Small Business Administration, MBDA, and ITA. GIPA also worked with the White House Office of the IP Enforcement Coordinator to coordinate all U.S. government IP training, including hosting a database of all training and capacity-building activities. USPTO efforts will facilitate the export capabilities of domestic industry and SMEs, and ensure their competitiveness around the world.

**USPTO Expands Work Sharing**

Throughout FY 2011, USPTO continued to emphasize work sharing among patent offices as a key to efficient management of office workloads, reduction of backlogs and pendency, and improvement of the international patent system. USPTO's primary work sharing vehicle—PPH—has proven to be a major success, producing significant efficiency gains in terms of higher allowance rates, fewer office actions per disposal, and substantially lower percentages of appeals and continuation applications. USPTO is on track to double the total number of PPH requests in 2011 that it has received in the preceding four years combined.

USPTO continues to work with its international partners to evolve and improve the PPH and began testing a new approach in July 2011 that enhances flexibility and expands PPH eligibility. In parallel, the offices are working out details of a USPTO proposal for a next-generation framework—PPH 2.0—that will replace the existing network of bilateral arrangements with a more centralized, easy-to-use system incorporating the new approach being tested, as well as other user-friendly enhancements.

### **USPTO Accelerates Work on the Trilateral ID Project**

USPTO, along with the Trademark Trilateral Partners, the Japan Patent Office, and the Office for the Harmonization of the Internal Market, have been accelerating work on one particular Trilateral Project, known as the “Trilateral ID Project.” The Trademark Trilateral Partners have collaborated to compile a list of identifications of goods and services that are acceptable in each of their respective offices. USPTO, with the approval of the Trilateral Partners, is taking the lead to invite other national trademark offices to participate in the project. To date, Canada, Philippines, South Korea, Mexico, Singapore, and the Russian Federation have joined the project. USPTO also worked with the World Intellectual Property Organization (WIPO) to ensure that the Trilateral ID list is incorporated into the Madrid System for the International Registration of Marks to provide applicants with IDs that will be accepted by certain national offices. Additionally, upon request by USPTO, WIPO has started to revise the Madrid application forms to better accommodate some U.S. application requirements.

### **USPTO Works Closely with Other Agencies/Countries on International Issues**

USPTO worked with the Office of the U.S. Trade Representative (USTR), the State Department, the Department of Health and Human Services, and several other agencies, as well as U.S. stakeholders, to finalize a draft framework agreement in the World Health Organization (WHO) on the sharing of influenza samples and related benefits. The framework agreement was adopted by the General Assembly of WHO in April 2011.

USPTO also worked closely with USTR throughout FY 2011 in ongoing IP discussion in the World Trade Organization (WTO) in seeking to maintain the integrity of the Trade-related Aspects of Intellectual Property Rights (TRIPS) Agreements and defeat attempts to weaken it. USPTO also advised USTR during the WTO accession process of several countries in evaluating IPR laws, regulations, and practices of countries in the process of accession, and advising USTR as to their TRIPS consistency.

Through its attachés, USPTO has met a number of important objectives in host countries. For example, an agreement was signed with the Russian Federal Service for Intellectual Property, Patents, and Trademarks (Rospatent) in which Rospatent agreed to undertake international search and international preliminary examination for international applications filed with USPTO as the receiving office. As a result, U.S. applicants will have an additional choice of international authorities for searches and preliminary examinations based on the field of technology of the invention, as well as the speed and cost of service.

**SUMMARY OF PERFORMANCE**

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (USPTO)	TARGET	ACTUAL	STATUS
Percentage of prioritized countries that have implemented at least 75% of action steps in the country-specific action plans toward progress along following dimensions: 1. Institutional improvements of IP office administration for advancing IPR 2. Institutional improvements of IP enforcement entities 3. Improvements in IP laws and regulations 4. Establishment of government-to-government cooperative mechanisms	75%	75%	Met

**FY 2011 STATUS**

USPTO met the target for this measure.

## OBJECTIVE 3

*Stimulate high-growth business formation and entrepreneurship through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)*

## PUBLIC BENEFITS

**E**DA encourages entrepreneurship and commercialization through strategic investments and initiatives designed to encourage and reward innovative, groundbreaking ideas that will accelerate technology commercialization, and new venture formation across the United States. EDA's investments are designed to leverage the Agency's partnership with University Centers across the country, which have extensive resources, including specialized research, outreach and technology transfer and commercialization capabilities, as well as recognized faculty expertise and sophisticated laboratories. In addition, EDA uses its Office of Innovation and Entrepreneurship to conduct forums, collaborate on cutting-edge research, and analyze policy with the intent of identifying opportunities for enhancing federal efforts to encourage commercialization and entrepreneurship.

NIST invests in high-risk, innovative projects with the potential to produce transformational results in areas of critical national need. As established by the America COMPETES Act of 2007, the Technology Innovation Program (TIP) supports, promotes, and accelerates innovation in the United States by making cost-shared awards for high-risk, high-reward research in areas of critical national need. These areas need government attention because the magnitude of the problem is large and societal challenges are not being sufficiently addressed. TIP funds projects that have strong potential for advancing state-of-the-art technology and contributing significantly to the U.S. science and technology knowledge base, and that may result in the creation of IP vested in a U.S. entity. TIP may make awards of up to a total of \$3 million to individual small or medium-sized companies that cover three years or less, and awards of up to a total of \$9 million to joint ventures that cover five years or less.

The long-term nature of TIP-funded projects will result in a three to five-year lag from initial project funding to the generation of four additional measureable outputs and outcomes. These additional measures will cover the number of publications, patent applications, projects generating continued research and development (R&D), and projects with technologies under adoption.

## ACHIEVEMENTS

## EDA

Using its broad portfolio of economic development programs, EDA took significant steps to stimulate high growth, business formation, entrepreneurship, and technology commercialization through strategic investments in FY 2011. EDA's investments in University Centers helped to identify opportunities for technology commercialization, and facilitated implementation and dissemination of programs to cultivate innovation and entrepreneurship. EDA's Office of Innovation and Entrepreneurship worked with key stakeholders throughout the country to identify and disseminate strategies to promote technology transfer and commercialization, especially through the Nation's federal laboratories. Vital to this effort was EDA-funded research completed in FY 2011 that identified factors affecting technology transfer and commercialization and provided key innovative strategies that can be employed as they are pursued.

In addition, in FY 2011, EDA led an initiative of 16 federal agencies and bureaus to introduce the Jobs and Innovation Accelerator Challenge (Jobs Accelerator), an unprecedented initiative to spur economic growth through public-private partnerships in at least 20 regions around the country. The Jobs Accelerator supports the development and implementation of locally driven economic development strategies by coordinating federal resources to support the development of self-identified, high-growth clusters and accelerate the benefits of regional innovation cluster-based economic development, including business formation and expansion, high-wage job growth, increased exports, and higher incomes for all residents.

**NIST**

**New High-Risk Innovative Awards in Critical National Need Areas**

NIST’s TIP funded a total of 38 new high-risk, innovative projects since the program’s inception in the critical national need areas of inspecting and repairing the Nation’s civil infrastructure and accelerating advanced materials and critical processes in manufacturing and biomanufacturing. The unique multi-disciplinary approaches and teaming efforts of the 78 recipient organizations involved in these projects will help to achieve a transformational impact in both areas of national need.

**Awards to Small Businesses Five Years or Less**

In the first 38 cost-shared awards TIP awarded, 17 of the recipient companies (10 single company awards and seven joint venture members) were small businesses five years old or less and were involved in research in 14 different TIP projects. These 14 projects with small, young recipients received \$41.9 million in federal support from TIP and contributed an additional \$46.0 million in private cost share for a total of \$87.9 million invested in high-risk, high-reward research in areas of critical national need. These areas cover inspecting and repairing the Nation’s civil infrastructure and accelerating advanced materials and critical processes in manufacturing and biomanufacturing.

**Advanced Manufacturing Research in Electronics, Biotechnology, and Nanotechnology**

In December 2010, NIST announced TIP’s nine new research projects selected for cost-shared awards, targeting innovative manufacturing technologies in fields ranging from biopharmaceuticals and electronics to renewable energy sources and energy storage. TIP would provide \$22 million to these projects that, if successful, will generate an estimated \$46 million in new advanced manufacturing research over the next three years.

**SUMMARY OF PERFORMANCE**

The following 10 measures associated with EDA overlap among Objectives 3, 6, and 7 and are reflected in the crosswalk below. Objective 6 has no other measures other than the ones noted in this list while Objectives 3 and 7 have separate measures that don’t overlap with each other.

PERFORMANCE MEASURE	OBJECTIVE 3	OBJECTIVE 6	OBJECTIVE 7
Private investment leveraged – 9 year totals (in millions)	✓	✓	✓
Private investment leveraged – 6 year totals (in millions)	✓	✓	✓
Private investment leveraged – 3 year totals (in millions)	✓	✓	✓
Jobs created/retained – 9 year totals	✓	✓	✓
Jobs created/retained – 6 year totals	✓	✓	✓

(continued)

PERFORMANCE MEASURE <i>(continued)</i>	OBJECTIVE 3	OBJECTIVE 6	OBJECTIVE 7
Jobs created/retained – 3 year totals	✓	✓	✓
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs	✓		✓
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program	✓		✓
Percentage of University Center clients taking action as a result of University Center assistance	✓		✓
Percentage of those actions taken by University Center clients that achieve the expected results	✓		✓

The table that appears below reflects performance for those measures that apply to either all three, or to Objectives 3 and 7, and to the TIP measure that applies to only Objective 3. Measures that apply to only Objective 7 appear under the text for that objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Private investment leveraged – 9 year totals (in millions) (EDA)	\$1,940	\$3,960	Exceeded
Private investment leveraged – 6 year totals (in millions) (EDA)	\$674	\$1,617	Exceeded
Private investment leveraged – 3 year totals (in millions) (EDA)	\$245	\$1,475	Exceeded
Jobs created/retained – 9 year totals (EDA)	57,800	56,058	Slightly Below
Jobs created/retained – 6 year totals (EDA)	18,193	26,416	Exceeded
Jobs created/retained – 3 year totals (EDA)	6,256	14,842	Exceeded
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs (EDA)	95%	86%	Not Met
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program (EDA)	89%	85%	Slightly Below
Percentage of University Center clients taking action as a result of the University Center assistance (EDA)	75%	68%	Not Met
Percentage of those actions taken by University Center clients that achieve the expected results (EDA)	80%	83%	Met
Cumulative number of TIP projects funded (NIST)	38	38	Met

**FY 2011 STATUS**

EDA met or exceeded six of 10 targets, and was slightly below the targets for two other measures. NIST met its lone target.

**FY 2011 MISSED TARGETS**

<b>MEASURE</b>	<b>JOBS CREATED/RETAINED – 9 YEAR TOTALS (EDA)</b>
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No actions to be taken.
<b>MEASURE</b>	<b>PERCENTAGE OF ECONOMIC DEVELOPMENT DISTRICTS (EDD) AND INDIAN TRIBES IMPLEMENTING PROJECTS FROM THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDS) THAT LEAD TO PRIVATE INVESTMENT AND JOBS (EDA)</b>
<b>Explanation</b>	For this measure, EDA uses a strict definition that requires EDDs to report <i>both</i> jobs and private investment as a result of their economic development projects. This year, a significant number of EDDs reported <i>either</i> jobs or private investment, but not both. If these were to be counted, the percentage would be raised to 93 percent.
<b>Action</b>	No actions to be taken.
<b>MEASURE</b>	<b>PERCENTAGE OF SUB-STATE JURISDICTION MEMBERS ACTIVELY PARTICIPATING IN THE ECONOMIC DEVELOPMENT DISTRICT PROGRAM (EDA)</b>
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No actions to be taken.
<b>MEASURE</b>	<b>PERCENTAGE OF UNIVERSITY CENTER CLIENTS TAKING ACTION AS A RESULT OF THE UNIVERSITY CENTER ASSISTANCE (EDA)</b>
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No actions to be taken.

**HISTORICAL TRENDS**

EDA has consistently met or exceeded its targets for private investment leveraged and jobs created, as well as its EDD and University Center targets.

## OBJECTIVE 4

*Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)*

## PUBLIC BENEFITS

In this era of technological expansion two areas where the Department provides significant benefits to the U.S. public involve the radio frequency spectrum and broadband technology. NTIA acts as an advisor to the President on communications policy matters: Internet domain names, high-speed Internet services, wireless telecommunications standards, and technology. NTIA continues to further the technological advances for wireless communication, Internet services, domain name management issues, and other advances in technology. NTIA's responsibilities have increased considerably in this expansion of technology with the enactment of the American Recovery and Reinvestment Act (ARRA) of 2009. NTIA and the U.S. Department of Agriculture's Rural Utilities Service are administering a \$7 billion initiative to expand broadband access and adoption. Specifically, NTIA is utilizing approximately \$4 billion of that funding for grants through the Broadband Technology Opportunities Program (BTOP). BTOP projects extend broadband access to unserved and underserved areas of the country and to vulnerable populations, including minorities, low income residents, the aged, the unemployed, and people with disabilities. These projects are deploying broadband infrastructure, enhancing capacity at public computing centers, and supporting projects to encourage non-users to subscribe to broadband services. BTOP objectives include:

- Extend broadband access to unserved and underserved areas;
- Increase broadband education, awareness, training, access, equipment, and support;
- Expand broadband access and use by public safety agencies; and
- Stimulate broadband demand, economic growth, and job creation.

NTIA also leads Department activities in the areas of next-generation Internet Protocols, ultrawideband technology, wireless broadband applications, wireless sensor technologies, and Internet technical functions. Congress directed NTIA to use ARRA funding to develop a national broadband map which would educate the Nation about broadband availability and assist the public and private sectors in making decisions affecting their businesses and constituents.

## ACHIEVEMENTS

In November 2010, NTIA recommended that 115 MHz of spectrum be reallocated for wireless broadband service within the next five years. NTIA also established a plan and timetable for identifying spectrum that can be made available for wireless broadband over the next 10 years, working in collaboration with the Federal Communications Commission (FCC) and other federal government agencies. The Ten-Year Plan and Timetable identifies over 2,200 MHz of spectrum for evaluation, establishes a process for evaluating these candidate bands, and lays out the steps to potentially make the selected spectrum available for wireless broadband services. NTIA and FCC will also identify 500 MHz of spectrum over the next 10 years to support commercial broadband services or products. In January, NTIA selected the 1755-1850 MHz band as a priority for analysis based on a variety of factors, including industry interest and its potential for commercial use within 10 years. NTIA began the detailed study phase of the 1755-1850 MHz immediately.

NTIA has completed an initial version of a prototype online Spectrum Inventory. NTIA expects to release this publicly in April 2012.

BTOP is on track to meet—and in most cases exceed—its program goals, delivering significant progress in areas such as infrastructure construction, computer center launches, and delivery of training to new broadband users. NTIA expects the pace of delivered miles to continue to increase now that most infrastructure recipients have completed environmental and historic preservation requirements and are taking advantage of the summer/fall construction season. NTIA also expects the deployment of new workstations and upgrades of existing workstations to accelerate as recipients order, configure, and install computers at their sites. Furthermore, NTIA expects the number of new subscribers to increase significantly as more households are reached by awareness campaigns, receive subsidized computer equipment or broadband service, complete training programs, and take advantage of workstations and discounted subscriptions provided by BTOP funds.

NTIA, in collaboration with FCC, launched the National Broadband Map on February 17, 2011. This tool publicly displays the geographic areas where broadband service is available; the technology used to provide the service; the speeds of the service; and broadband service availability at public schools, libraries, hospitals, colleges, universities, and public buildings. The map is also searchable by address and shows the broadband providers offering service in the corresponding census block or street segment. NTIA makes the underlying datasets readily available and offers analytical tools to help consumers, businesses, policymakers, and researchers make further use of this data.

NTIA created DigitalLiteracy.gov, in partnership with nine federal agencies, to provide librarians, teachers, workforce trainers, and others a central location to share digital literacy content and best practices. Anyone can use the Web site to identify the skills needed for various jobs, locate suitable training, and search for employment. The Web site also provides a central location where grantees from NTIA's BTOP can upload and share digital literacy training materials with other practitioners and the general public, leveraging the value of these projects.

Since the launch of DigitalLiteracy.gov, NTIA has bolstered its partnership with the American Library Association and the Institute of Museum and Library Services to promote the use of the portal and identify additional content resources for the site. With the help of its partners, NTIA has added more than 132 resources to the existing tools on the portal, including tutorials on using handheld devices and mobile data applications, information on how technology is empowering the disabled community, and new resource topics, such as child online protection. NTIA also uses the portal to highlight BTOP recipients and their progress in promoting digital literacy in communities across the country. NTIA continues to collaborate with its partners to promote the use of the portal helping to drive, on average, more than 1,000 visitors to the site each week.

NTIA participated with other Department operating units in the Internet Policy Task Force (IPTF), which is conducting comprehensive reviews of the nexus between privacy policy, copyright, global free flow of information, cybersecurity, and innovation in the Internet economy. In December 2010, the IPTF released a privacy report with initial recommendations, outlining a framework to increase protection of consumers' data while supporting innovation and evolving technology. One of the recommendations was the adoption of baseline privacy principles concerning how online companies collect and use personal information, a consumer online "bill of rights." The IPTF also released "green papers" and sought public comment on Copyright Policy, Creativity, and Innovation in the Internet Economy; the Global Free Flow of Information; and Cybersecurity, Innovation, and the Internet Economy.

NTIA and FCC together will identify the 500 MHz of spectrum. There are no annual targets either for identification of spectrum bands or for those undergoing study. In January 2011, NTIA selected the 1755-1850 MHz band as a priority for analysis based on a variety of factors, including industry interest and its potential for commercial use within 10 years. NTIA has completed a key milestone in submitting the draft detailed analysis report of this first priority band, 1755-1850 MHz.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NTIA)	TARGET	ACTUAL	STATUS
Update the spectrum inventory first established in FY 2010	Spectrum inventory update	Completed	Met
Identify up to 500 MHz of spectrum to support commercial broadband services or products	Complete identification	Completed	Met
Miles of broadband networks deployed (infrastructure projects)	10,000	18,545 <sup>1</sup>	Exceeded
Community anchor institutions connected (infrastructure projects)	3,000	1,322 <sup>1,2</sup>	N/A
New and upgraded computer workstations (public computer centers projects)	10,000	16,060 <sup>1</sup>	Exceeded
New household and business subscribers to broadband (sustainable broadband adoption projects)	25,000	111,829 <sup>1</sup>	Exceeded

<sup>1</sup> As of June 30, 2011.

<sup>2</sup> NTIA is uncertain whether this target will be met since data will not be available until January 2012.

**FY 2011 STATUS**

NTIA met, or exceeded, all of its targets.

## OBJECTIVE 5

*Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)*

## PUBLIC BENEFITS

The Nation's ability to innovate and compete in a global economy depends on a robust scientific and technical infrastructure, including research, measurement tools, standards, data, and models. NIST works with U.S. industry and other stakeholders to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve quality of life. NIST leadership in measurement science research ensures that U.S. industry and universities will have the tools they need to remain at the leading edge of innovation and to secure "first-mover advantage" in bringing new technologies to market. NIST laboratories develop and disseminate measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to compete in the 21st century.

NIST laboratories work at the frontiers of measurement science to ensure that the U.S. system of measurements is firmly grounded on a sound scientific and technical foundation and promotes the use of the international system of units. Today, NIST laboratories address increasingly complex measurement challenges. For example, NIST develops measurements focusing on the very small (e.g., nanotechnology devices) and the very large (e.g., skyscrapers); the physical, such as methods for characterizing strands of DNA for forensic testing; and the virtual, such as methods for testing electronic health record systems.

NIST laboratories engage in international activities to support trade and global science, and to promote the international acceptance of U.S. measurement standards. Industry and academia have access to NIST's unique user facilities that support emerging technology areas: the NIST Center for Neutron Research, which provides world class neutron measurement capabilities to the U.S. research community; and the NIST Center for Nanoscale Science and Technology, which supports nanotechnology development from discovery to production.

NIST laboratories also support the development of standards and specifications that define technical and performance requirements for goods and services. These documentary standards are primarily developed collaboratively with the private sector through an open, consensus-based process. In addition, NIST is designated under the National Technology Transfer Advancement Act as the coordinator for all federal agencies using documentary standards that are developed by private-sector consensus bodies to carry out their policy objectives.

## ACHIEVEMENTS

**NIST Publishes Approved Testing Procedures for Electronic Health Records**

In efforts to help the Nation's health care industry make the transition to the digital age in an effective and meaningful fashion, NIST published a set of approved procedures for testing information technology (IT) systems for electronic health records, which are necessary to create confidence in and accelerate deployment of the technology. The set of 45 approved test procedures evaluates components of electronic health records such as their encryption, how they plot and display growth charts, and how they limit access to authorized users only. The procedures also will help ensure that electronic health records function properly and work across systems developed by different vendors for doctor's offices, hospitals, and other health care providers. The development of these tools was mandated by ARRA in order to support a health IT infrastructure.

### Draft Guide to Cloud Computing

In May 2011, NIST began collecting public comments on a draft of its most complete guide to cloud computing to date. *NIST Cloud Computing Synopsis and Recommendations* (Special Publication 800-146) explains cloud computing technology in plain terms and provides practical information for IT decisionmakers interested in moving into the cloud. Cloud computing is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources—for example, networks, servers, storage, applications, and services—that can be rapidly provisioned and released with minimal management effort or service provider interaction. The federal Chief Information Officer has asked NIST to lead government efforts on standards for data portability, cloud interoperability, and security. The goal is to help the federal government reap the benefits of cloud computing.

### NIST Develops New Scanning Probe Microscope

NIST developed the world's most advanced low-temperature scanning probe microscope with unprecedented energy resolution. The microscope operates at lower temperatures and higher magnetic fields than any other similar microscope, capabilities that enable the device to resolve energy levels separated by as little as one millionth of an electron volt. Researchers at NIST created the microscope together with a team of graduate students, postdoctoral students, and visiting scientists. NIST has already used the device to uncover key properties of graphene, a flat two-dimensional sheet of carbon atoms with remarkable strength and electrical properties. Graphene is highly anticipated to play a revolutionary role in the future of devices such as computers and batteries.

### Final Report on Charleston Sofa Store Fire Includes 11 Recommendations for Changes to Codes and Procedures

NIST contributed to enhanced building, occupant, and firefighter safety nationwide by issuing recommendations for building and fire codes at state and local levels. Based on a detailed technical investigation of the Sofa Super Store fire (Charleston, SC, 2007), the study team made 11 recommendations for enhancing building, occupant, and firefighter safety nationwide. In particular, the team urged state and local communities to adopt and strictly adhere to current national model building and fire safety codes. These codes are used as models for building and fire regulations promulgated and enforced by U.S. state and local jurisdictions. Those jurisdictions have the option of incorporating some or all of the code's provisions but often adopt most provisions.

### Ground Broken for New Green Technology and Fire Safety Facilities

On March 25, 2011, NIST held a groundbreaking ceremony at its Gaithersburg, MD, campus for three new facilities funded by ARRA. The Net-Zero Energy Residential Test Facility resembles a typical suburban Maryland single-family home, and is designed to produce as much energy as it consumes over the course of a year. The house will serve as a testbed for new home-scale energy technologies. The National Fire Research Laboratory will be expanded with a 21,400 square foot (1,988 square meter) laboratory space that will provide a unique capability for testing structures up to two stories in height, as well as subassemblies and systems under realistic fire conditions. And more than 2,500 new photovoltaic modules will be installed, generating more than 700 megawatt hours of electricity annually—enough to power 67 homes.

### IPv6 Guide Provides Path to Secure Deployment of Next-Generation Internet Protocol

Researchers at NIST have issued a guide for managers, network engineers, transition teams, and others to help them deploy the next-generation Internet Protocol (IPv6) securely. *Guidelines for the Secure Deployment of IPv6* (NIST Special Publication 800-119) describes the features of the protocol and possible related security impacts, provides a comprehensive survey of mechanisms to deploy the protocol, and suggests a deployment strategy for a secure IPv6 environment. The ballooning popularity of devices tied to the Internet, such as smart phones and netbooks, is rapidly depleting the number of so-called IP addresses available under the current Internet

Protocol version 4 (IPv4), so the networkers of the world are preparing to move to IPv6, which has a vastly greater number of potential addresses. NIST developed the IPv6 security guidelines in support of the Federal Information Security Management Act (FISMA).

### **New Web Application Simplifies Use of NIST's Economically Green Building Products Tool**

NIST released a free Web-based application to assist building designers, builders, and product manufacturers by bringing scientific and economic considerations to green building product selection. The Building for Environmental and Economic Sustainability (BEES) Online tool measures the environmental performance of 230 building products from cradle-to-grave based on consensus standards, and is a valuable tool for the Leadership in Energy and Environmental Design (LEED) certification process. BEES Online is based on consensus standards and is designed to be practical, flexible, and transparent.

### **NIST Puts a New Twist on the Electron Beam**

Electron microscopes are among the most widely used scientific and medical tools for studying and understanding a wide range of materials, from biological tissue to miniature magnetic devices, at tiny levels of detail. Now, researchers at NIST have found a novel and potentially widely applicable method to expand the capabilities of conventional transmission electron microscopes. Passing electrons through a nanometer-scale grating, the scientists imparted the resulting electron waves with so much orbital momentum that they maintained a corkscrew shape in free space. Although NIST researchers were not the first to manipulate a beam of electrons in this way, their device was much smaller, separated the fanned out beams 10 times more widely than previous experiments, and spun up the electrons with 100 times the orbital momentum. The development could lead to quick and inexpensive imaging of a larger set of magnetic and biological materials with atomic-scale resolution.

### **Environmental Studies Reveal Clues to Mercury Cycling and Pollutant Threats to Turtles**

Three environmental studies were released this year by teams at the Hollings Marine Laboratory, a unique partnership of governmental and academic agencies including NIST, the National Oceanic and Atmospheric Administration's (NOAA) National Ocean Service, the South Carolina Department of Natural Resources, the College of Charleston, and the Medical University of South Carolina. One study suggests that mercury cycling in the flora and fauna of the Arctic may be linked to the amount of ice cover present. The researchers found higher concentrations of mercury in eggs from areas of low or no sea-ice, compared with eggs in areas of high sea ice cover. These findings take on greater significance in light of the potential for global warming to dramatically reduce Arctic sea ice. In another pair of studies, researchers report that persistent organic pollutants are consistently showing up in the blood and eggs of loggerhead sea turtles, that the turtles accumulate more of the contaminant chemicals the farther they travel up the Atlantic coast, and that the pollutants may pose a threat to the survival of this endangered species. This large group of man-made chemicals persist in the environment and spread great distances through air and water, accumulate in human and animal tissues, infiltrate food chains, and may have carcinogenic and neurodevelopmental effects.

### **NIST and Researcher Recognized for Influential Forensic Science Citations**

In July 2011, ScienceWatch.com listed NIST and one of its scientists among the most influential institutions and researchers in forensic science. According to a ScienceWatch.com survey of legal medicine and forensic science journal papers published and cited between 2001 and early 2011, NIST ranked seventh place worldwide and second in the United States. In terms of impact—the average annual number of citations in high-impact journals—NIST was top among U.S. institutions and third globally. NIST chemist and DNA forensics expert John Butler was ranked as the number one “high-impact author in legal medicine and forensic science, 2001 to 2011” among authors who published 20 or more papers during the decade. When authors were ranked by their H-index (a measure of both the productivity and impact of their published work), Butler led all U.S. scientists and tied for fourth worldwide.

### NIST Develops New Tool for Processing Information at the Quantum Level

Physicists at NIST have demonstrated an electromechanical circuit in which microwaves communicate with a vibrating mechanical component 1,000 times more vigorously than ever achieved before in similar experiments. The microscopic apparatus is a new tool for processing information and potentially could control the motion of a relatively large object at the smallest possible, or quantum, scale. The experiment is a step toward entanglement—a curious quantum state linking the properties of objects—between the microwave photons and the drum motion. The drum has possible practical applications such as measuring length and force with sensitivities at levels of attometers (billionths of a billionth of a meter) and attonewtons (billionths of a billionth of a newton), respectively.

### Performance Indicators for Measurement Services and Publications

NIST measurement services, including calibration services, are critical for ensuring product performance and quality, improving production processes, making marketplace transactions fair and efficient, and leveling the playing field for international trade. NIST offers nearly 600 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and electrical impedance. Standard Reference Materials (SRM) are the definitive artifact-based source of measurement traceability in the United States and are certified in NIST laboratories for their specific chemical and material properties. Customers use SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade and public safety and health. NIST’s technical publications serve as a major knowledge and technology mechanism to transfer the results of its research to support the Nation’s technical infrastructure and provide measurements and standards to those in industry, academia, and other government agencies. Each year, NIST’s technical staff produces an average of 2,000 publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. Citation impact of NIST-authored publications demonstrates that NIST consistently produces relevant scientific and technical publications. Citation analysis provides an independent and objective validation of peer review findings as research has shown that high citation rates—the cumulative number of citations per publication—correlate with peer review judgment in terms of scientific quality and relevance. NIST also provides online access to over 80 scientific and technical databases to academia, industry, other government agencies, and the general public. An additional hundreds of millions of annual downloads are associated with NIST Web-based, time-related services.

## SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NIST)	TARGET	ACTUAL	STATUS
Qualitative assessment and review of technical quality and merit using peer review	Complete annual peer review	Completed	Met
Citation impact of NIST-authored publications	> 1.1	> 1.1 <sup>1</sup>	Met
Peer-reviewed technical publications produced	1,350	1,210	Not Met
Standard Reference Materials (SRM) sold	31,000	32,864	Met
NIST-maintained datasets downloaded	24,500,000	19,100,000	Not Met
Number of calibration tests performed	9,700	18,195	Exceeded

<sup>1</sup> Actual for this measure lags nine months. The actual shown here is based on FY 2010 data.

**FY 2011 STATUS**

NIST met or exceeded four of the six targets for this objective.

**FY 2011 MISSED TARGETS**

MEASURE	PEER-REVIEWED TECHNICAL PUBLICATIONS (NIST)
<b>Explanation</b>	Budget uncertainties disrupted NIST operations which negatively impacted the time and resources available for research as the scientific and technical staff turned its attention to shutdown activities and other administrative tasks.
<b>Action</b>	NIST will continue to produce high quality relevant scientific and technical publications. In spite of the lower number of publications in FY 2011 than expected, NIST is consistently producing high quality relevant scientific and technical publications as demonstrated by NIST's greater than average "relative citation impact." Also, during the first eight months of 2011, over 30 percent of NIST-authored publications appeared in "top tier" journals as defined by Thomson Reuters Impact Factor.
MEASURE	NIST-MAINTAINED DATASETS DOWNLOADED (NIST)
<b>Explanation</b>	The lower number of datasets is due to a change in methodology for this measure. Beginning in FY 2011, Web robot index searches were being filtered out of the total count of downloaded datasets to more accurately reflect customer interest.
<b>Action</b>	NIST revised this target for FY 2012 and FY 2013 based on the new methodology and the FY 2011 baseline.

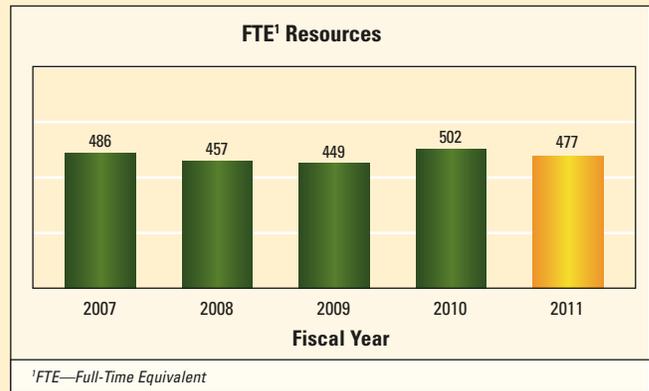
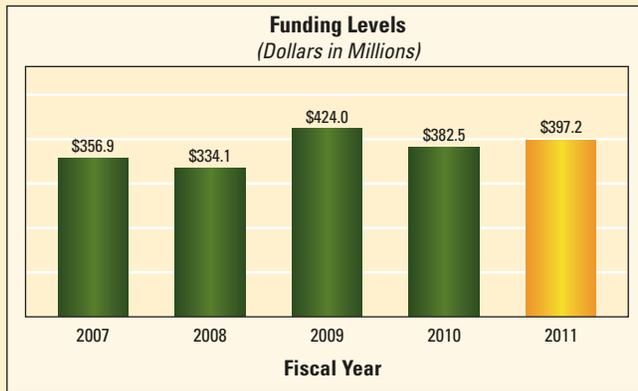
**HISTORICAL TRENDS**

The National Research Council (NRC), in cooperation with NIST, has completed its peer assessments every year with typically high praise for NIST programs. NIST typically meets all its targets each year. The missed NIST-maintained datasets target in FY 2011 is due to a methodology change.

## STRATEGIC GOAL – MARKET DEVELOPMENT AND COMMERCIALIZATION

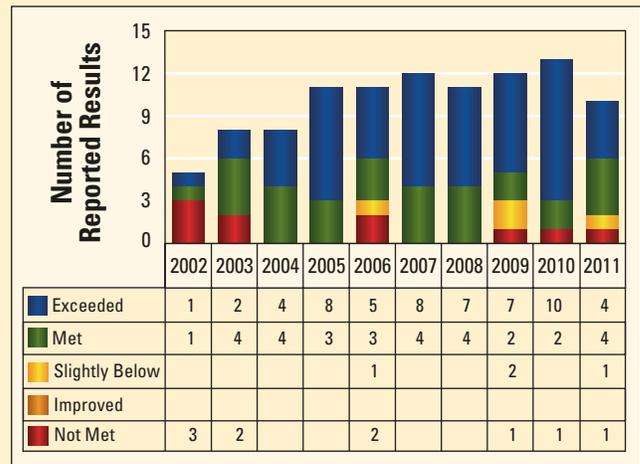
*Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups*

### MARKET DEVELOPMENT AND COMMERCIALIZATION TOTAL RESOURCES



This strategic goal is comprised of three objectives which contribute to the Secretary’s theme of Economic Growth. The following public benefits, achievements, and performance results are associated with each objective.

### MARKET DEVELOPMENT AND COMMERCIALIZATION PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Objectives 3, 6 and 7 share measures that are related to EDA. The results of these measures are reflected in Objective 3.

## OBJECTIVE 6

*Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)*

## PUBLIC BENEFITS

**G**reen technologies and industries refer to efforts and activities that preserve or enhance environmental quality by limiting the Nation's dependence on fossil fuels, enhancing energy efficiency, curbing greenhouse-gas emissions, and protecting natural systems. As a subset of green, blue technologies refer to environmentally-sustainable efforts and activities related to oceans and waterways, aquaculture, renewable energy (hydropower, ocean thermal energy, wave power, etc.), and water science management.

Facing the challenges presented by global warming and climate change also offers opportunities to U.S. businesses. It is a Departmental priority to gather data about the environment, promote energy efficient and environmentally sustainable technologies, and use this information to grow jobs in the blue and green economies.

The Economic Development Administration (EDA) provides strategic investments in projects that encourage growth of the green economy. Recent EDA-funded research reveals that businesses in renewable energy and alternative fuels, green building and energy efficiency technology, energy-efficient infrastructure, transportation, and recycling are growing faster than the rest of the economy. These findings illustrate the promise environmentally sustainable economic development, and, more specifically, advances in green industries and technologies, have for transforming regional economies and spurring innovation and fostering job growth.

Through its strategic investments, EDA helps communities leverage their regional assets to promote environmentally-sustainable economic development in a sustainable manner. For example, EDA can provide technical assistance to plan or test the feasibility of transitioning to green practices, resources to help construct U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) certified (or equivalent) buildings, or support to make a business or manufacturing process more environmentally-friendly and more competitive. Since FY 2010, EDA has measured its success in promoting environmentally-sustainable economic development through a Priority Goal by raising to 12 percent the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's LEED or a comparable third-party certification program.

## ACHIEVEMENTS

In FY 2011, EDA exceeded its Priority Goal to raise the percentage of construction projects involving buildings or structures funded by Economic Development Assistance Programs that are certified by the U.S. Green Building Council's LEED or a comparable third-part certification program to 12 percent, ensuring that at least 14 percent of its infrastructure investments followed sustainable building practices. EDA views such investments in the green economy as essential to improving the Nation's competitiveness. These investments will help to build vibrant, regional innovation ecosystems that support job creation and economic growth. EDA's two-pronged approach toward environmentally sustainable economic development and sustainable building practices supports EDA's achievements in fostering sustainable building practices. First, EDA continues to follow a core set of investment priorities which direct Agency funding toward projects that encourage environmentally-sustainable economic development, support emerging industrial clusters related to energy, foster cutting-edge environmental technologies, and cultivate sustainable manufacturing practices.

Secondly, EDA administers the Congressionally-directed Global Climate Change Mitigation Incentive Fund (GCCMIF) to invest in economic development projects that foster job creation by limiting the Nation's dependence on fossil fuels, enhancing energy efficiency, curbing greenhouse gas emissions, and promoting green building practices. This two-pronged approach ensures that sustainable practices are woven throughout EDA's programs and strategic investments.

In addition, in FY 2011, EDA introduced the i6 Green Challenge: a \$12 million competition, focused on incentivizing innovative, ground-breaking ideas that enable technology commercialization, new venture formation, job creation, and economic growth in environmental quality and green technology fields. Building on the success of last year's inaugural i6 Challenge, this year's competition is designed to catalyze the creation of Proof of Concept Centers that support all aspects of the entrepreneurship process, from assisting with technology feasibility and business plan development, to providing access to early-stage capital and mentors to offer critical guidance to innovators. Centers allow emerging technologies to mature and demonstrate their market potential, making them more attractive to investors and helping entrepreneurs turn their idea or technology into a business.

Winners of the i6 Green Challenge competition include: the Iowa Innovation Network i6 Green Project in Ames, IA; a Proof of Concept Center for Green Chemistry Scale-up in Holland, MI; the iGreen New England Partnership; the Igniting Innovation (I2) Cleantech Acceleration Network in Orlando, FL; the Louisiana Tech Proof of Concept Center in Ruston, LA, and the Washington Clean Energy Partnership Project of Washington State. Their projects demonstrated viable plans for building regional capacity to assist entrepreneurs in starting, financing, and scaling companies that commercialize green technologies. The winners will provide solutions to real and persistent problems for entrepreneurs aiming to commercialize green technologies. These challenge investments are expected to result in numerous outcomes, including increased rates of business and job creation; inflows of capital; and the development of new green technologies, products, and services.

## SUMMARY OF PERFORMANCE

The measures for this objective overlap with those of Objectives 3 and 7. The targets and actual performance of those measures appear on page 78.

## OBJECTIVE 7

***Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)***

## PUBLIC BENEFITS

**I**n support of disadvantaged individuals and communities, EDA promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment. Through partnerships with local development officials, including Economic Development Districts (EDD); University Centers; faith-based and community-based organizations; and local, state, and federal agencies, EDA can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, and leverage outside resources to improve the local economy to sustain long-term economic growth.

For communities that are particularly distressed through natural disasters, EDA has a long history of providing concerted economic assistance designed to assist these communities with their long-term economic recovery. In partnership with the Federal Emergency Management Agency (FEMA), EDA will often provide the initial economic impact assessment of affected areas. EDA then works with the community to provide tailored assistance, whether by supporting a disaster coordinator to help guide the community in its recovery efforts, or by providing funds for targeted infrastructure designed to help catalyze the regional economy to overcome the effects of the disaster.

The Minority Business Development Agency (MBDA) promotes the ability of minority business enterprises (MBE) to grow and participate in the global economy through a range of activities that include funding a network of centers that provide MBEs a variety of business assistance services. MBDA, through its direct federal client services and its network of funded centers (1) fosters the expansion of opportunities for minority-owned business in the global marketplace, (2) identifies sources of financial capital for minority owned firms, (3) develops and upgrades electronic tools to provide access to growth markets through automated matching of MBEs to public and private sector opportunities, (4) provides management and technical assistance to minority-owned businesses, and (5) advocates for the increased use of electronic commerce and new technologies by MBEs.

## ACHIEVEMENTS

EDA continued to provide economic development assistance to communities in the wake of severe natural disasters. After the Northeast fisheries collapse, EDA deployed economic development assessment teams to conduct an analysis of six Northeast fishing communities. These visits provided customized technical assistance for fishing communities that experienced reductions in groundfish fishing revenues in recent years. Following the severe tornado in the Joplin, MO, region, EDA worked quickly to support the appointment of both regional and local Disaster and Economic Recovery Coordinators who will work to advance economic recovery efforts in the area..

Beginning in FY 2011, EDA implemented an unprecedented overhaul of its grant award process in order to enhance the transparency of its decision-making process and to provide applicants with information on the status of their application as quickly as possible. As a result of these efforts, EDA now provides winners of its quarterly funding competitions with letters of non-binding commitment within

20 business days of its quarterly competition deadline. In addition, any prospective applicant may come to EDA with an application at any time and receive feedback on the application merits and deficiencies within 15 business days of submission to EDA.

In FY 2011, EDA participated in the development of the Strong Cities, Strong Communities initiative, a new interagency pilot initiative that aims to strengthen neighborhoods, towns, cities, and regions around the country by strengthening the capacity of local governments to develop and execute their economic vision and strategies. The pilot will begin in six cities across the United States: Chester, PA; Cleveland, OH; Detroit, MI; Fresno, CA; Memphis, TN; and New Orleans, LA. Future cities that also participate will benefit from this transformative approach through innovative and creative competitions that will plan and build innovation ecosystems where they are needed most.

In addition to the six pilot locations, Strong Cities, Strong Communities initiative includes an Economic Planning Challenge, spearheaded by EDA, which is designed to help additional cities develop economic blueprints. This national grant competition will enable cities to adopt and implement innovative economic development strategies to support comprehensive city and regional planning efforts. Six cities will be competitively selected to receive a grant of approximately \$1 million that they will use to administer an "X-prize style" competition, whereby they will challenge multi-disciplinary teams of experts to develop comprehensive economic and land use proposals for their city.

MBDA's year-end results exceeded its performance goals, achieving over \$1.4 billion in contract awards and over \$2.0 billion in financial awards. Through its direct federal client services and network of funded centers, MBDA helped MBEs obtain contracts and financial awards. MBDA's programs and services helped create over 4,000 new jobs despite the economic downturn and overall decline in the national job market.

In FY 2011, MBDA played an integral role in numerous Department and presidential priorities, including the National Export Initiative (NEI), Deep Water Oil Spill Cleanup, the White House Task Force on Government Contracting, the Department Task Force on China, CommerceConnect, and Jobs and Innovation Accelerator Challenge. Throughout FY 2011, MBDA continued to focus its resources to build firms of size, scale, and capacity through its Strategic Growth Initiative (firms with \$500,000 or more in annual sales or with rapid growth potential). Based upon MBDA's Strategic Growth Initiative, many high growth minority firms have successfully competed for larger prime contracts and financial awards, and have had a significant economic impact within the minority community and overall economy.

To expand the number of contract and financial awards and to create new job opportunities, MBDA initiated several new programs in FY 2011. On November 10, 2010, MBDA completed a nationwide solicitation to operate 30 new MBDA Business Centers. These funded centers provide one-on-one and group consulting services in such areas as business counseling (i.e., management and technical assistance), deal facilitation and brokering services, marketing and growth strategies, teaming assistance, global expansion assistance, and assistance in obtaining contract and financial award opportunities.

Launched late last year, the National Advisory Council on Minority Business Enterprises is a critical source of policy recommendations on how to expand the economic capability of MBEs. MBDA worked closely with advisory board members to promote policies that create a level playing field for MBEs across the Nation.

In FY 2011, MBDA also opened a center for government contracting to provide direct support to minority-owned companies across the Nation that desire to compete for government contracts. This center provides a central location for minority-owned businesses to obtain the information, skills, and relationships they need to achieve favorable contract acquisition.

MBDA continued its series of Business-to-Business Forums to encourage MBEs to partner with other firms, form joint ventures, and sign Mentor-Protégé Agreements. These forums encouraged enterprises with increased capacity and competitiveness to sustain development within the minority community.

MBDA implemented a new customer relationship management (CRM) system during FY 2011. The CRM will revolutionize MBDA operations by allowing the Agency to better track export activity, domestic business development activity, Agency-wide deal flow, and provide a real-time view of the impact of the current economic events on the minority business community. More important, this CRM will allow MBDA to respond more quickly to the needs of customers and stakeholders.

Under the auspices of President Obama’s NEI, export promotion and the globalization of the minority business community continued to be a substantial focus of Agency activities in FY 2011. MBDA’s target clients have unique competitive advantages in the global markets, including language skills, cultural knowledge, knowledge of local business practices, and familial and other relationships. These competitive advantages have resulted in minority-owned firms being twice as likely to export as non-minority-owned firms. To leverage these competitive advantages on behalf of the U.S. economy, MBDA engaged in an effort to identify those companies that have export potential and support them as they globalize their business models.

**SUMMARY OF PERFORMANCE**

Several of the measures for this objective overlap with those of Objectives 3 and 6. The targets and actual performance of those measures appear on page 78. In addition, the following measures apply only to this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs (EDA)	90%	73%	Not Met
Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results (EDA)	95%	100%	Met
Dollar value of contract awards obtained (billions) (MBDA)	\$1.10	\$1.40	Exceeded
Dollar value of financial awards obtained (billions) (MBDA)	\$0.90	\$2.10	Exceeded
Number of new job opportunities created (MBDA)	4,300	4,200	Slightly Below

**FY 2011 STATUS**

EDA met one and missed one target in FY 2011. MBDA exceeded two targets and was slightly below for one target in FY 2011.

**FY 2011 MISSED TARGETS**

MEASURE	PERCENTAGE OF TRADE ADJUSTMENT ASSISTANCE CENTER (TAAC) CLIENTS TAKING ACTION AS A RESULT OF THE ASSISTANCE FACILITATED BY THE TAACS (EDA)
<b>Explanation</b>	The decrease in the percentage of TAAC clients taking action as a result of the assistance facilitated by the TAACs may be due to firms having to allocate resources that would have gone towards implementing projects to operating costs as a result of the recession-driven economic downturn.
<b>Action</b>	No actions to be taken.
MEASURE	NUMBER OF NEW JOB OPPORTUNITIES CREATED (MBDA)
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	MBDA was able to create over 4,000 jobs in a down economy and during a program transition of 30 new business centers; expectation is for fourth quarter actual to increase as funded centers enter data for the prior fiscal year through first quarter, FY 2012.

**HISTORICAL TRENDS**

In the past, EDA and MBDA have consistently met their targets.

## OBJECTIVE 8

*Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)*

## PUBLIC BENEFITS

**ITA**

The International Trade Administration's (ITA) Manufacturing and Services (MAS) program provides the Administration, Congress, and U.S. businesses the data and analysis needed to make informed decisions on issues impinging on U.S. competitiveness and employment. The data program is especially valuable to policymakers who require trade information at sub-national (state and metropolitan) and small and medium exporter levels. In addition, to be competitive in today's global economy, U.S. companies need to be able to move products and services securely, quickly, and efficiently within U.S. borders and beyond. MAS launched a national dialogue to explore supply chain infrastructure issues that cut across the broad range of national priorities. MAS is framing the issues and prioritizing what needs to be done to improve U.S. competitiveness, especially through coordinating with other ITA units to develop in-depth and data-driven strategies that can be the basis for Administration policies and coordinated activities to expand U.S. exports that support U.S. jobs.

The Nation's approximately 326,000 manufacturers employ more than 13.1 million people in high-paying jobs. U.S. manufacturers represent roughly two-thirds of total U.S. research and development (R&D) expenditures and account for almost 68.3 percent of all U.S. exports. A strong manufacturing base is critical to the economic strength and stability of the United States. Increased manufacturing productivity and competitiveness are essential for the survival of this crucial industrial base.

MAS played a major role in launching the Corporation for Travel Promotion created by the Travel Promotion Act. ITA made appointments to the Travel Promotion Board and established a system to handle Electronic System for Travel Authorization fees for the corporation. This work reflects the critical importance of the Travel Promotion Act and the public-private partnership under the Corporation for Travel Promotion, which will be the principal mechanism to promote the United States as a travel destination, attract more international visitors to the country, and counteract the burgeoning competition from new emerging markets.

MAS continued to improve and manage the U.S. Travel and Tourism Statistical System. This system is the only source of official U.S. government data and analysis on this critical industry; it also is an indispensable tool for the travel and tourism industries' and U.S. destination sites' strategic planning and business decision-making. MAS issued nearly 700 reports to industry partners and clients. MAS partnered with 13 private sector groups to save over \$140,000 in research collection costs and generated over \$200,000 in the sale of international travel research. MAS also established an important partnership with the American Association of Port Authorities that will help interested seaports develop and implement exporter education workshops, Webinars, and programs for local new-to-export firms focused on expanding exports.

Success in today's manufacturing environment requires not only an efficient production system but also developing business strategies that highlight the unique capabilities of a firm. Manufacturers must master innovative product design, understand the benefits of adopting environmentally sustainable processes, invest in human and physical capital, leverage a range of financing options, realize international trade opportunities, and forecast future customer demands.

The Market Development Cooperator Program (MDCP), managed by MAS, continues to make significant contributions to the NEI. For example, for the first nine months of FY 2011, the National Tour Association's MDCP-supported project, Visit USA Center in Shanghai, generated \$1.3 billion of exports over the pre-MDCP project baseline. The MDCP is a public-private partnership that combines the resources of the government with those of the private sector and non-profit organizations to expand U.S. exports. The MDCP is an effective way for the U.S. government to leverage scarce resources to assist small and medium-sized business to compete in international markets. On average (FY 1997 – FY 2011), every government dollar invested in the MDCP has helped to generate \$172 of exports.

## **NIST**

A strong domestic manufacturing base is essential to supporting the Nation's middle class, national security, and growing renewable energy economy. The National Institute of Standards and Technology's (NIST) Hollings Manufacturing Extension Partnership (MEP) connects manufacturers with the opportunities available through federal and state governments to invest in environmentally sustainable manufacturing practices, develop innovative products, diversify into new markets, and increase options for growth and profitability. In doing so, MEP supports the mission of NIST of promoting U.S. innovation and industrial competitiveness, while also advancing the goals of the Department's Market Development and Commercialization goal.

MEP is a federal-state-industry partnership that provides U.S. manufacturers with access to technologies, resources, and industry experts. The MEP program consists of 60 MEP centers in every state and Puerto Rico that work directly with their local manufacturing communities to strengthen the competitiveness of the Nation's domestic manufacturing base. Funding for the MEP centers is a cost-sharing arrangement consisting of support from the federal government, state and local government/entities, and fees charged to the manufacturing clients for services provided by the MEP centers.

Through the MEP program, manufacturers have access to a network of manufacturing experts available to assist in the adoption of new technologies, developing innovative products, and implementing process innovations to improve their productivity, profitability, and competitiveness. MEP, in collaboration with partners in all levels of the government, university, community college, and the private sector, is working to accelerate manufacturing's ongoing transformation into a more efficient and powerful engine of innovation that drives economic growth and job creation.

Each year MEP transforms thousands of U. S. manufacturers by working one-on-one to implement the best combination of process improvements and growth services for each individual company. MEP is focused on providing the services that reduce manufacturer's bottom-line expenses, increase efficiencies, and build capacity. While process and quality improvements offer reduced expenses, growth services provide the tools to improve top-line sales by adopting new technologies and creating new sales, new markets, and new products.

Through an annual client survey, the program obtains quantifiable impacts of MEP services on its clients' bottom line. MEP demonstrates the impact of its services on increased sales, increased capital investment, and cost savings attributed to MEP assistance.

## **ACHIEVEMENTS**

---

### **ITA**

ITA has increased its efforts to identify and act in key industry areas and markets that have the best opportunity for advancing U.S. competitiveness globally and increasing U.S. exports that support U.S. jobs. By using data, in-depth analysis, and analytical expertise, MAS has worked with other ITA units and U.S. industry to provide the Department's leadership with focused and coordinated strategies

that are driving decisions for developing and implementing outcome-oriented programs and activities. These decisions are taking into account small and medium-sized enterprises (SME) as well as large U.S. companies. To date, strategies covering the full spectrum of U.S. manufacturing and industries' services have been developed and are being discussed with industry.

MAS launched the Free Trade Agreement (FTA) Tariff Tool which combines tariff and trade data into a simple and easy-to-search public interface. With this tool, users are able to see how U.S. and FTA partner tariffs on individual products—searchable by keyword or tariff code—are treated under an agreement. By combining sector and product groups, trade data, and the tariff elimination schedules, users are able to analyze how various key sectors are treated under recently concluded FTAs. The tool allows users to easily identify the share of trade or the share of tariff lines that fall within the various tariff elimination baskets. The tool is especially useful to small and medium sized firms that have limited resources to search for this kind of information.

MAS also completed the development and deployment of an enhanced TradeStats Express platform. The new TradeStats Express Plus platform features monthly data and expanded commodity detail at the national and state levels in addition to a host of new features. Since the deployment of this new system, TradeStats Express and the new TradeStats Express Plus sites have received more than 65,000 hits from users.

MAS analyzed regulations and other proposed policies that significantly affect the competitiveness of U.S. exports and worked with other U.S. agencies to reduce harmful impacts of those proposed and existing policies and regulations on U.S. industries. For example, MAS analysis supplied to the interagency rulemaking process persuaded the Environmental Protection Agency to make changes to the Industrial Boiler MACT (Maximum Available Control Technology) rule that is expected to lower total capital costs by \$4 billion and annual compliance costs by \$1.8 billion.

## **NIST**

As a catalyst for strengthening U.S. manufacturing, MEP provides a range of services to manufacturers from process improvements and strategies for growth, to green manufacturing. MEP also works with state and federal partners to accelerate manufacturing's ongoing transformation into a more efficient and powerful engine of innovation that drives economic growth and job creation. Through a framework focused on five critical areas—technology acceleration, supplier development, sustainability, and workforce, as well as continuous improvement—MEP is positioning manufacturers to develop new customers, expand into new markets, and create new products with the end goal of increasing profitability and competitiveness. MEP offers manufacturers a wealth of unique and effective resources. As a result, MEP clients achieve higher profits, save time and money, invest in physical and human capital, and create and retain thousands of jobs.

### **Wenger Manufacturing Inc. Achieves Sales Increase with MAMTC Innovation Project**

An example of MEP success is Wenger Manufacturing Inc. in Sabetha, KS. The company manufactures state-of-the-art commercial extrusion systems ranging in size from small laboratory and research usage to large production applications, and was interested in identifying new ideas to grow the business. Wenger approached the Mid-America Manufacturing Technology Center (MAMTC), a NIST MEP network affiliate, for assistance. MAMTC led Wenger employees through ideation process to develop new products, services or processes. As a result of the project, Wenger developed a new leasing system for its extruders. Previously, purchasing a Wenger extruder was sometimes cost-prohibitive for smaller manufacturers in less-industrialized countries. The leasing system gives these companies access to the equipment at a much lower initial investment. With the business strategy focused on the leasing program, Wegner has achieved increased and retained sales of \$4 million.

### 3C Cattle Feeders Expand Market with Innovative Product

Another example of MEP success is 3C Cattle Feeders in Millcreek, OK. 3C Cattle Feeders develops state-of-the-art cattle feeders that are efficient, effective, and economical. The company was interested in retaining market share and growing the business. 3C turned to the Oklahoma Manufacturing Alliance (The Alliance), a NIST MEP network affiliate for guidance. In working with The Alliance and Oklahoma State University New Product Development Center, initial designs were developed and a Small Business Innovation Research grant was secured. The funding was used to perfect the design and create a marketing plan for the high-tech feeder. Now with the help of The Alliance, the new product is in production with initial sales increases of \$500,000 and three new employees have been hired.

## SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis (ITA)	\$350M	\$1.8B	Exceeded
Number of clients served by Hollings MEP centers receiving federal funding (NIST)	29,000 from FY 2010 funding	34,299 from FY 2010 funding	Met
Increased sales attributed to Hollings MEP centers receiving federal funding (NIST)	\$2,500M from FY 2010 funding	\$2,770M from FY 2010 funding <sup>1</sup>	Met
Capital investment attributed to Hollings MEP centers receiving federal funding (NIST)	\$1,000M from FY 2010 funding	\$1,820M from FY 2010 funding <sup>2</sup>	Exceeded
Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	\$1,200M from FY 2010 funding	\$1,420M from FY 2010 funding <sup>1</sup>	Met

NOTE: NIST performance actuals for this objective lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which NIST reports actuals one year later. This date lag, coupled with the time line for producing the PAR, precludes the reporting of actual FY 2011 data. With the exception of the number of clients, the NIST data reported in the current year PAR are an estimate based on three-quarters of actual client reported impacts and one-quarter estimated client impacts.

<sup>1</sup> Estimate as of June 30, 2011. Once final numbers are in, the status may change to "Exceeded."

<sup>2</sup> Estimate as of June 30, 2011.

### FY 2011 STATUS

ITA and NIST met all of their targets in FY 2011.

## HISTORICAL TRENDS

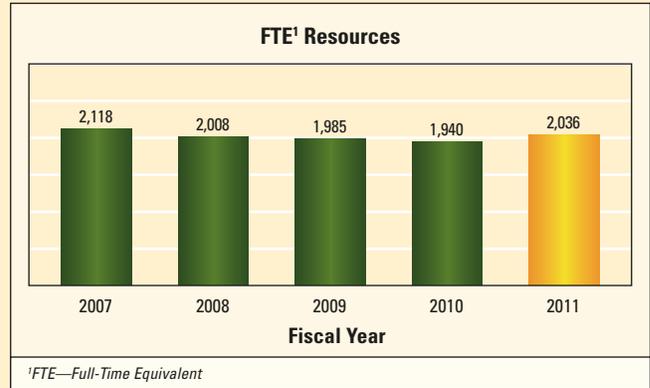
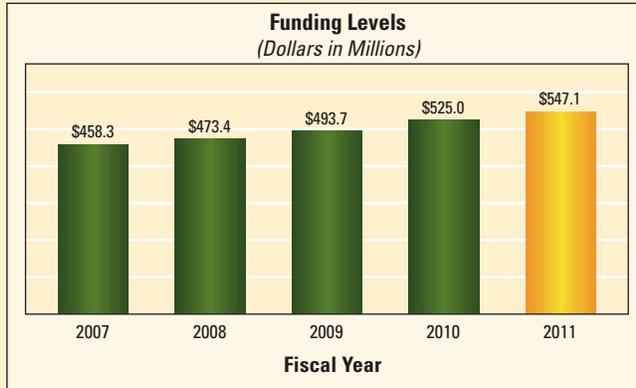
---

MEP has consistently exceeded its targets. Performance projections are based in part on past programmatic results but also on the current operating realities of the MEP centers and their manufacturing clients. The projections reflect a realization that any sort of forecast must be based on current economic and market conditions and also other contributing factors such as state funding uncertainties. Simply projecting past results into the future in a linear fashion does not take into account these other considerations. Data from the Federal Reserve Board, the Institute for Supply Management, Bureau of Labor Statistics, and Bureau of Economic Analysis are monitored and assessed on a regular basis to inform MEP's performance targets.

## STRATEGIC GOAL – TRADE PROMOTION AND COMPLIANCE

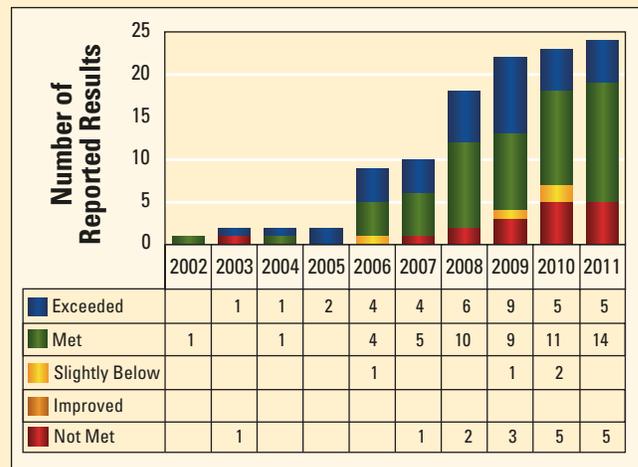
*Improve our global competitiveness and foster domestic job growth while protecting American security*

### TRADE PROMOTION AND COMPLIANCE TOTAL RESOURCES



This strategic goal is comprised of four objectives which contribute to the Secretary's theme of Economic Growth. The following public benefits, achievements, and performance results are associated with each objective.

### TRADE PROMOTION AND COMPLIANCE PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

## OBJECTIVE 9

***Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)***

## PUBLIC BENEFITS

The health of the U.S. economy depends on small and medium-sized enterprises (SME) since they account for over 97 percent of all U.S. exporters. Many of these firms have been successful in doing business in countries that have recently negotiated free trade agreements (FTA) with the United States. The U.S. and Foreign Commercial Service (US&FCS) program provides front-line diplomatic support to U.S. companies for commercial issues overseas, advocates for U.S. companies bidding on foreign government procurements, and creates a supporting environment at home in which all U.S. firms, including SMEs, can flourish by increasing export opportunity awareness among U.S. companies. This is accomplished by advocating on behalf of the U.S. companies in foreign markets; identifying potential exporters who need assistance; leveraging electronic and traditional media; enhancing relationships with customers; and developing alliances and partnerships with state, local, and private partners to deliver export assistance. US&FCS helps U.S. companies take advantage of world market conditions to find new buyers.

## ACHIEVEMENTS

US&FCS continued to help U.S. businesses maximize their export potential, enabling them to diversify their customer base, remain globally competitive, and maintain jobs for Americans. In 2011, US&FCS assisted over 20,000 U.S. companies by providing in-depth export counseling, market entry plans, business-to-business matchmaking services, market research and due diligence reports, and other customized export development and market entry services. US&FCS also led trade missions around the globe, brought foreign buyer delegations to U.S. trade shows, represented U.S. companies at international trade events, and organized product launches and technical seminars overseas. In addition, US&FCS continued to provide front-line diplomatic support to U.S. companies overseas and advocated for U.S. companies bidding on foreign government procurements. As a result of these efforts, US&FCS facilitated more than \$54 billion in exports for nearly 5,600 U.S. companies in 2011. Over 85 percent of these companies were SMEs that exported for the first time, entered a new market, or increased their market share in an existing market.

The Commercial Service continues to support President Obama's National Export Initiative (NEI). Launched in February 2010, the NEI is designed to reach the goal of doubling exports by 2014 to support two million jobs in the United States. The NEI focuses on three key areas: (1) a more robust effort by this administration to expand its trade advocacy in all its forms, especially for SMEs; (2) improving access to credit with a focus on small and medium-sized businesses that want to export; and (3) continuing the rigorous enforcement of international trade laws to help remove barriers that prevent U.S. companies from getting free and fair access to foreign markets. Since the President announced the NEI, the Department's Advocacy Center has assisted U.S. companies competing for export opportunities, supporting \$37.6 billion in exports and an estimated 188,000 jobs. With offices and staff around the globe and throughout the United States, the Department's Commercial Service has helped more than 8,000 companies generate \$81.7 billion worth of exports. In FY 2011, the Department has coordinated 55 trade missions with over 638 companies.

In FY 2011, the Strategic Partnership Program continued to deliver results through the New Market Exporter Initiative (NMEI). NMEI is a program of the NEI, recommended in the September 16, 2010, *Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years*. The NMEI leverages strategic partners to expand U.S. exports by

identifying their customers and members who sell to at least one international market and helping them sell to additional markets. On average, approximately 58 percent of all U.S. exporters only sell to one market overseas. By focusing resources on these small and medium-sized U.S. companies that are already knowledgeable about exporting, the NMEI increases the likelihood of having the largest impact on U.S. exports.

Partners FedEx, UPS, the U.S. Postal Service, and the National Association of Manufacturers had proactively reached out to more than 12,200 companies about increasing their exports (supporting as many as 735,000 U.S. jobs), and almost seven percent of these companies registered for US&FCS assistance. Activities to build awareness include outreach at trade shows, direct mail campaigns, and online registration for resource support.

On February 9, 2011, Secretary Locke declared the U.S. Pavilion at Aero India 2011 in Bangalore, India, open for business, kicking off the successful U.S. aerospace and defense industry participation in the trade show. With India’s growing aviation sector expected to offer an estimated \$55 billion in export opportunities for the U.S. aerospace industry and additional billions in defense contracts, Secretary Locke’s support and advocacy for U.S. companies at Aero India 2011 was vital to their interests at the show. Over 40 U.S. companies participated in Aero India 2011, with 24 U.S. companies located in the U.S. Pavilion. Secretary Locke and nearly a dozen U.S. aerospace and high-technology companies met with Minister of Defense, A.K. Antony, and Indian government officials to strengthen the U.S.-India strategic partnership and advocate on behalf of U.S. products and services.

In January 2011, Secretary Locke attended the 2011 International Consumer Electronics Show (CES), a participant in the US&FCS International Buyer Program (IBP) in Las Vegas, NV. Secretary Locke provided closing remarks at the industry session “Accelerating Global Innovation.” Secretary Locke also presented an Export Achievement Certificate to a U.S. company, Earthquake Sound Corporation, and met with IBP delegations, including the heads of the Dubai Chamber of Commerce and the President of Dalian Holywell Inc., a Chinese integrator company that sources most of its supply inputs from U.S. companies. Through the IBP, US&FCS recruited 34 buyer delegations consisting of over 700 delegates that contributed to the record attendance reported at the event. CES is the world’s largest annual trade show for the broad-based consumer electronics technology market, from mobile electronics, audio and video, home networking information, and wireless technology to high-end audio and satellite systems. It is the premier event bringing together consumer electronics product manufacturers, distributors, researchers, content developers, financial analysts, and the press with the highest concentration of buyers and decisionmakers in the retail distribution channel.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (ITA)	TARGET	ACTUAL	STATUS
Increase in the annual growth rate of total small and medium-sized (SME) exporters	2.85%	3.9%	Exceeded
Percentage of advocacy bids won	18%	9.9%	Not Met
Commercial diplomacy success (cases) (annual)	172	243	Exceeded
Export success firms/active client firms (annual)	21.5%	28.1	Exceeded
US&FCS SME NTE/total change in SME exporters (annual)	13.1%	1.3	Not Met
Number of SME NTM firms/SME firms exporting to two to nine markets (annual)	5.0%	3.69%	Not Met

**FY 2011 STATUS**

ITA met three of six targets in FY 2011.

**FY 2011 MISSED TARGETS**

MEASURE	PERCENTAGE OF ADVOCACY BIDS WON (ITA)
<b>Explanation</b>	ITA didn't make this target because its overall caseload increased disproportionately to the number of cases won. Although the number of cases won remained constant from 2010 to 2011, the Advocacy Center conducted more outreach, especially to small businesses, and improved coordination of advocacy efforts across the federal government in FY 2011 to meet NEI requirements. This focused effort is expected to lead to an increase in the number of cases won in out years. In total, the Advocacy Center helped U.S. companies to win foreign government tenders for infrastructure, energy, transportation, aerospace/defense, and telecommunications/IT projects worth nearly \$24 billion in U.S. export content value.
<b>Action</b>	Please note that Commercial Service has replaced this Government Performance and Results Act (GPRA) metric in FY 2012 with the dollar value of U.S. export content in advocacy bids won to better track the Advocacy Center's success at contributing to the NEI.
MEASURE	US&FCS SME NTE/TOTAL CHANGE IN SME EXPORTERS (ANNUAL) (ITA)
<b>Explanation</b>	ITA shifted its focus in FY 2010 from assisting small and medium-sized enterprises (SME) to become new exporters to helping current exporters, particularly SMEs, to enter a second or additional market. As a result, this metric was not a priority in FY 2011.
<b>Action</b>	The measure was deleted in the FY 2012 President's Budget.
MEASURE	NUMBER OF SME NTM FIRMS/SME FIRMS EXPORTING TO TWO TO NINE MARKETS (ANNUAL) (ITA)
<b>Explanation</b>	ITA helped 1,370 SMEs to enter a second or additional market in fourth quarter of 2011, exceeding the results from fourth 2010 by six percent. Furthermore, ITA demonstrated a 13 percent increase in FY 2011 as compared to FY 2010. This continues the upward trend begun in fourth quarter 2010 and indicates that results from the NEI efforts, begun in early 2010, continued to gain momentum in 2011. ITA achieved a 20 percent increase over two years by helping over 500 more SMEs to enter a new market in 2011 than in 2009. This increase was achieved through a focus on recruiting more foreign buyer delegations to U.S. trade shows, leading more U.S. participants on trade missions, and increasing outreach and assistance in priority markets and sectors. ITA did not achieve the target of 5 percent of total SMEs exporting to two to nine markets, which was based on the funding increase requested in the President's FY 2011 Budget for the ITA's Commercial Service. This increase in funding would have enabled ITA to hire the additional domestic and international staff needed to achieve the target. As such, ITA achieved an impressive 20 percent increase in the number of SMEs that entered a new market with ITA assistance from FY 2009 to FY 2011 with a staffing decrease over the same period.
<b>Action</b>	The measure was deleted in the FY 2012 President's Budget.

## OBJECTIVE 10

***Implement an effective export control reform program to advance national security and economic competitiveness (BIS)***

## PUBLIC BENEFITS

It is essential to the security of the United States that it prevents the export of sensitive goods. To prevent illegal exports, the Department administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of weapons of mass destruction, combat terrorism, and pursue other national security policy goals. The Department processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with Export Administration Regulations (EAR). The Department engages in activities to prevent violations before they occur and investigate and prosecute violators to dismantle illicit proliferation networks. Preventative activities include the following:

- screening license applications for enforcement concerns;
- conducting end-use checks abroad to confirm the bona fides of parties to export transactions;
- confirming compliance with license conditions;
- uncovering diversions to unauthorized end-users/uses; and
- reviewing Shippers Export Declarations and foreign visitors' visa applications to identify potential export control issues.

Outreach activities include educating U.S. businesses on export control requirements and identifying suspicious transactions leading to successful preventative and investigative actions. Investigation and prosecution activities involve Department Special Agents conducting cases focused on significant proliferation, terrorism, and military end-use export violations, and the vigorous pursuit of criminal and administrative sanctions. Finally, an integral part of the Bureau of Industry and Security's (BIS) mission is to facilitate compliance with U.S. export controls by keeping U.S. firms informed of export control regulations through an extensive domestic and foreign outreach program.

The Department also works to strengthen the export control systems of other countries, assess the viability of key sectors of the defense industrial base, and assure the timely availability of industrial resources to meet national defense and emergency preparedness requirements. Further information on these tasks is available on [www.bis.doc.gov/news/index.htm#annual](http://www.bis.doc.gov/news/index.htm#annual). Finally, the Department also serves as the lead agency for ensuring U.S. industry compliance with Chemical Weapons Convention (CWC).

Driven by the President's call for an Export Control Reform Initiative, BIS is contributing to accomplishing the initiative's key recommendations of establishing a single control list, a single primary enforcement coordination agency, a single IT system, and a single licensing agency. The initiative is split into three phases: make immediate improvements on the current system while creating a framework for the new system, complete deployment of reforms, and complete the transition to the new U.S. export control system with legislative assistance.

## ACHIEVEMENTS

On December 9, 2010, as part of the implementation of the new U.S. export control system, the President announced:

- The publication of a draft rule setting out the criteria and procedures to be used in determining whether a product is subject to export controls;
- The application of these criteria to one category of items (Category VII: Tanks and Military Vehicles), to be seen as an example of how the new policies would apply; and
- The publication of a draft rule specifying what licensing policies will apply to products subject to export controls.

In FY 2011, the Administration debuted its Export Control Reform Initiative Web page, a new component of export.gov. It features the government's first-ever consolidated electronic screening list, which will enhance exporter compliance. Prior to this release, exporters had to check different lists published in different formats maintained by different departments, or read the Federal Register every day for names that are not published on any list, to ensure they were not exporting to someone who is sanctioned or otherwise requires special scrutiny before receiving U.S. origin goods.

On June 16, 2011, BIS published a significant change to the dual-use regulations, a change that is part of the President's Export Control Reform Initiative. The new Strategic Trade Authorization License Exception (STA), which reflects interagency review and consideration of public comments, allows for the license-free export, with conditions, of many dual-use items. This rule is the first step in implementing the Administration's vision of eliminating easy cases so the U.S. government can focus its limited resources on items and end users that require more attention. STA facilitates trade and interoperability with the Nation's closest friends. The reduced licensing requirements are accompanied by new safeguards, however, to ensure that eligible items are not re-exported outside this group of countries without U.S. government authorization.

## SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (BIS)	TARGET	ACTUAL	STATUS
Percent of licenses requiring interagency referral referred within 9 days	98%	88%	Not Met
Median processing time for new regime regulations (months)	2.0	2.0	Met
Percent of attendees rating seminars highly	93%	94%	Met
Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations	100%	100%	Met
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge	850	1,073	Exceeded
Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)	99%	99%	Met

*(continued)*

PERFORMANCE MEASURE (BIS) <i>(continued)</i>	TARGET	ACTUAL	STATUS
Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification	315 PSVs/85%	382 PSVs/92%	Met
Number of end-use checks completed	850	891	Met
Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls	100%	100%	Met

### FY 2011 STATUS

BIS exceeded the target for measure "Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge." In FY 2011, there was a slight increase in resources. Export Enforcement recruited 16 special agent positions. With this increase in the number of agents, Export Enforcement was able to dedicate more resources towards reaching this target.

BIS did not meet the target for measure "Percent of licenses requiring interagency referral referred within 9 days."

BIS met all the other targets.

### FY 2011 MISSED TARGETS

MEASURE	PERCENT OF LICENSES REQUIRING INTERAGENCY REFERRAL REFERRED WITHIN 9 DAYS (BIS)
<b>Explanation</b>	BIS missed its license processing target due to staffing level changes in first quarter and second quarter.
<b>Action</b>	BIS has made internal improvements and filled three vacant positions in third quarter.

### HISTORICAL TRENDS

BIS has consistently met or exceeded the targets for this outcome.

## OBJECTIVE 11

*Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)*

## PUBLIC BENEFITS

The National Telecommunications and Information Administration (NTIA) serves as the President's primary policy advisor on domestic and international telecommunications and information issues. NTIA fulfills this role in part by advocating globally for foreign regulatory and policy regimes that encourage competition and innovation, and by encouraging dialogue with the private sector through sponsorship and participation in conferences, workshops, and other forums. NTIA will pursue policies promoting international trade in telecommunications products and services, promoting consistent international approaches to telecommunications policies, and improving relations with countries with rapidly expanding markets.

NTIA is also responsible for coordinating the federal government's participation in the International Telecommunication Union's (ITU) World Radiocommunication Conferences (WRC) and related national and international meetings. NTIA works with the Federal Communications Commission (FCC), which represents the civil spectrum community, and the State Department, to create United States Preliminary Views and Proposals for the WRCs.

## ACHIEVEMENTS

NTIA succeeded in ensuring that for the first time, the ITU recognized the multi-stakeholder model and many Internet community stakeholders (i.e., ICANN, IETF, the RIRs, ISOC, and W3C) in its resolutions, allowing for future discussions to focus on collaboration and cooperation. The impact on industry is that the day-to-day private sector-led operation of the infrastructure is maintained, and the Internet technical community is allowed a more active role in ITU activities.

As NTIA proposed, ITU made no changes to the definition of radiocommunication, and other key radio service definitions in treaty texts. The impact of no change is that domestic regulations will not have to change, and industry and government spectrum users can maintain current radiocommunications systems operations.

As NTIA proposed, the Inter-American Telecommunication Commission adopted several U.S. proposals as draft Inter-American Proposals (IAP). Industry and government spectrum users are in a more favorable position to advance U.S. radio spectrum and satellite proposals with other countries and regions as a result. NTIA successfully promoted U.S. proposals and supporting IAPs at bilateral and regional meetings and favorably influenced other countries and regions.

NTIA continues to support ITU's efforts to secure information and communication networks, and to develop best practices for developing a culture of cybersecurity. NTIA's efforts preserve the role of nation-states in cybersecurity activities. The impact for industry is that ITU is developing best practice guidance recommended by communications service providers and manufacturers.

NTIA continued to advance U.S. WRC-12 objectives at ITU, regional, and bilateral meetings. One hundred percent of NTIA goals and objectives were met at the 2011 Conference Preparatory Meeting for WRC-12. NTIA also developed the Administration's policy positions on Internet policymaking principles, which were subsequently adopted by Organization for Economic Co-operation and Development in June.

**SUMMARY OF PERFORMANCE**

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NTIA)	TARGET	ACTUAL	STATUS
Percent of NTIA positions substantially adopted or successful at international meetings	75% adoption or success	95% adoption or success	Exceeded

**FY 2011 STATUS**

---

NTIA met its target.

## OBJECTIVE 12

***Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies (ITA)***

## PUBLIC BENEFITS

U.S. industries are entitled to the benefits of trade agreements negotiated by the United States. They are also entitled to the aggressive investigation of unfair trade practices that undercut those agreements. Three program units in the International Trade Administration (ITA), Market Access and Compliance (MAC), Manufacturing and Services (MAS), and Import Administration (IA), work to ensure that U.S. firms receive those benefits and obtain prompt relief from unfair trade practices, along with improved access. Compliance with negotiated trade agreements and access to foreign markets are existing problems faced by U.S. businesses that choose to sell their products overseas.

Ensuring that U.S. industries and workers have the opportunity to compete on a level playing field is critical to advancing business competitiveness in the United States and abroad, and is a key component of the National Export Initiative (NEI). Accordingly, IA is committed to the vigorous enforcement of U.S. trade laws. IA promotes free and fair trade by administering the U.S. antidumping (AD) and countervailing duty (CVD) laws thereby providing U.S. industries and workers with a reliable and transparent mechanism to seek critical relief from unfair trade practices, including injurious dumping and foreign government subsidies.

IA has a team of experts available to assist any U.S. business with questions on remedies available under the trade laws, or that wishes to develop and file an AD or CVD petition. Particular attention is paid to small businesses that may find the petition process difficult to comprehend, or may be unable to afford the assistance of outside trade counsel to develop and file a successful petition. IA also has a team of experts dedicated to monitoring U.S. trade partners' use of trade remedies and that works closely with U.S. businesses whose access to export markets may be harmed by the misuse of these instruments. The Agency works with U.S. Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), Department of Justice (DOJ), and Office of the U.S. Trade Representative (USTR) to resolve AD/CVD issues. IA works closely with CBP to ensure that the trade remedy laws are enforced vigorously and that efforts to evade the payment of AD/CVD duties are identified and thwarted.

MAC continued to work toward the prevention and elimination of non-tariff barriers in foreign markets. The long-term goal for MAC is to "ensure fair competition in international trade." This goal is reflected in the ITA strategic plan and supports the Department's objective to "advance responsible economic growth and trade while protecting American security." In order to gauge the impact of these strategic goals, MAC utilizes two primary performance measures, percentage of market access and compliance cases resolved successfully and value of the cases resolved successfully. U.S. firms from every industry and service sector face myriad barriers to trade and investment such as discriminatory regulatory treatment, unfair customs or tax treatment, nontransparent procurement procedures, and violations of trade agreements signed by other countries.

MAC and MAS seek to obtain market access for U.S. industries and workers and to achieve full compliance by foreign nations with trade agreements they sign with the United States. MAC and MAS ensure market access for U.S. businesses; advance the rule of law internationally; and create a fair, open, and predictable trading environment. Based on customer needs, MAC has a sizable caseload from U.S. firms that have encountered a trade barrier. Beyond casework, MAC and MAS work to develop a pro-growth business climate in other markets that encourages U.S. exports and transparent policies. MAC and MAS also conduct critical trade policy analysis and negotiation support for USTR and represent the Department in trade-related dealings with other U.S. government agencies.

## ACHIEVEMENTS

Enforcement efforts in FY 2011 include the initiation of five CVD and 11 AD investigations covering a variety of products, including steel nails, high pressure steel cylinders, steel wheels, galvanized steel wire, stilbenic optical brightening agents, bottom mount combination refrigerator-freezers, multilayered wood flooring, and large power transformers. Among these 16 cases were four CVD and five AD investigations involving China. In FY 2011 to date, IA has issued 269 AD and CVD determinations. This year, partnering with CBP, IA deployed a new module for the management and oversight of proper AD/CVD duty collection within CBP's Automated Commercial Environment (ACE). This was a major step toward more efficient and effective AD/CVD duty collection. With the goal of automating the collection of AD/CVD duties, ACE serves as a repository for AD/CVD case information, provides a platform to better communicate and implement IA case decisions, and enables stronger enforcement of the AD/CVD duty programs by CBP. IA's AD/CVD enforcement teams remained vigilant in identifying efforts by foreign companies to provide misleading information or evade the payment of duties. For example, in several recent trade investigations, documents submitted to IA by foreign exporters proved to be inconsistent with documents purported to be the same that had been provided to CBP. As a result, IA employed its statutory authority to assign AD/CVD rates based on adverse inferences. Finally, IA continues to work with other U.S. government agencies including CBP, ICE, and DOJ to ensure compliance with, and advance the enforcement of, the U.S. trade remedy laws.

MAC continued to work toward the prevention and elimination of non-tariff barriers in foreign markets. The long-term goal for the MAC unit is to "ensure fair competition in international trade." This goal is reflected in the ITA strategic plan and supports the Department's objective to "advance responsible economic growth and trade while protecting American security." U.S. firms from every industry and service sector face myriad barriers to trade and investment such as discriminatory regulatory treatment, unfair customs or tax treatment, rigged or nontransparent procurement procedures, and violations of trade agreements signed by other countries.

In FY 2011, MAC successfully implemented aggressive monitoring and compliance efforts to break down trade barriers that keep companies from competing on a level playing field. MAC's leadership of the Trade Agreements Compliance Program has successfully removed 56 trade barriers in 31 different countries that have directly benefitted U.S. industry and U.S. competitiveness. MAC successfully planned, organized, and delivered strategic bilateral and multilateral meetings to advance U.S. trade policy objectives.

MAC has played a lead role in orchestrating the 2010 JCCT meeting, where we reached agreement on market access issues in sizable market sectors in China such as 3G/future technologies, smart grids, software, and wind power with a total potential value of more than \$25 billion; MAC was also responsible for planning and organizing the 2011 APEC SME Ministerial and related meetings in Big Sky, which resulted, among other things, in the adoption of the first-ever industry-based anticorruption principles for the medical device sector. In November 2010, MAC also planned, organized, and delivered the fourth America's Competitiveness Forum in Atlanta, the preeminent Western Hemisphere event that promotes trade, competitiveness, and innovation. In addition, MAC has played an integral role in organizing the commercial components of two high profile visits by President Obama to India and Brazil, along with the corresponding CEO and Commercial Dialogues in each country.

MAC also helped promote the development of 21st Century Trade Policy Initiatives through an interagency effort in establishing and promoting high level regulatory cooperation initiatives with Canada, Mexico, and the European Union (EU), including soliciting private sector feedback through the publication of notices in the Federal Register to identify leading trade barriers. MAC was also instrumental in securing an agreement on principles for "best regulatory practices" with the EU, which concluded on June 8, 2011. This "principles" document was designed to allow for greater accountability, transparency, and stakeholder participation in the U.S. and EU regulatory processes. This is a major victory for U.S. interests as lack of access to the EU system is often noted as a major impediment to the EU market. MAC has also led the effort to broaden the scope of new Trade Investment Framework Agreements to expressly address anti-corruption as a trade barrier.

MAS worked closely with U.S. industry and foreign governments to eliminate, reduce, or prevent market barriers to U.S. exports. For example, MAS, in consultation with MAC, US&FCS, USTR, FCC, the State Department, and the National Institute of Standards and Technology (NIST) successfully negotiated the Mutual Recognition Agreement (MRA) on Test Results for Telecommunications Equipment with Mexico. The MRA will reduce the costs associated with conformity assessments for telecommunications equipment and facilitate trade between the two countries. This significant accomplishment by MAS is the culmination of the execution of 12 specific milestones related to the process of removing the trade barrier. Under the MRA, both nations recognize tests results performed by designated Mexican or U.S. laboratories to a wide range of telecommunications equipment.

### SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (ITA)	TARGET	ACTUAL	STATUS
Percent of industry-specific trade barriers addressed that were removed or prevented	30%	35%	Met
Percent of industry-specific trade barrier milestones completed	70%	75%	Met
Percent of agreement milestones completed	100%	100%	Met
Percentage reduction in trade-distorting foreign subsidy programs	>2.0%	3.1%	Met
Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines	90%	99%	Met
Percent of ministerial errors in IA's dumping and subsidy calculations	<9%	5.1% <sup>1</sup>	Met
Number of compliance and market access resolved successfully	50%	51%	Met
Value of compliance and market access cases resolved successfully	\$2.5B	\$0.23B	Not Met

<sup>1</sup> Preliminary.

### FY 2011 STATUS

ITA met seven of eight targets.

### FY 2011 MISSED TARGETS

MEASURE	VALUE OF COMPLIANCE AND MARKET ACCESS CASES RESOLVED SUCCESSFULLY (ITA)
<b>Explanation</b>	ITA did not meet the target for this measure in FY 2011. While ITA did exceed its leading targets of total cases initiated and concluded, the actual immediate value of the exports did not match historical trends. One explanation is that the global recession has had a disproportional impact on medium-sized firms, which tend to have smaller export totals or are one element in an export supply chain. Also, ITA has an obligation to help SMEs regardless of the value of their exports.
<b>Action</b>	Increase outreach to major trade associations and refocus efforts on both FTA countries and the top 50 U.S. export markets.

**THEME 1 PROGRAM EVALUATIONS**

The following program evaluations were conducted on programs related to this theme in FY 2011.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
ITA	GAO	<i>Strategic Alignment of Agencies and Departments with International Responsibilities</i>	2/23/2011	<a href="http://www.gao.gov/products/GAO-11-776R">http://www.gao.gov/products/GAO-11-776R</a>
ITA	GAO	<i>Department of Commerce: Office of Manufacturing and Services Could Better Measure and Communicate Its Contributions to Trade Policy</i>	7/7/2011	<a href="http://www.gao.gov/Products/GAO-11-583">http://www.gao.gov/Products/GAO-11-583</a>
NIST	Panel on Information Technology, National Research Council	<i>An Assessment of the NIST Information Technology Laboratory, FY 2011</i>	3/2011	<a href="http://www.nist.gov/director/nrc/upload/it-panel-2011-final-report.pdf">http://www.nist.gov/director/nrc/upload/it-panel-2011-final-report.pdf</a>
NIST	Panel on Nanoscale Science and Technology, National Research Council	<i>An Assessment of the NIST Center for Nanoscale Science and Technology, FY 2011</i>	3/2011	<a href="http://www.nist.gov/director/nrc/upload/cnst-panel-2011-final-report.pdf">http://www.nist.gov/director/nrc/upload/cnst-panel-2011-final-report.pdf</a>
NIST	Panel on Neutron Research, National Research Council	<i>An Assessment of the NIST Center for Neutron Research, FY 2011</i>	3/2011	<a href="http://www.nist.gov/director/nrc/upload/nr-panel-2011-final-report.pdf">http://www.nist.gov/director/nrc/upload/nr-panel-2011-final-report.pdf</a>
NIST	GAO	<i>Factors for Evaluating the Cost Share of Manufacturing Extension Partnership Program to Assist Small and Medium-Sized Manufacturers</i>	4/4/2011	<a href="http://www.gao.gov/new.items/d11437r.pdf">http://www.gao.gov/new.items/d11437r.pdf</a>
NIST	GAO	<i>Electricity Grid Modernization: Progress Being Made on Cybersecurity Guidelines, but Key Challenges Remain to be Addressed</i>	1/12/2011	<a href="http://www.gao.gov/new.items/d11117.pdf">http://www.gao.gov/new.items/d11117.pdf</a>
NIST	GAO	<i>Information Security: Federal Agencies Have Taken Steps to Secure Wireless Networks, but Further Actions Can Mitigate Risk</i>	11/30/2010	<a href="http://www.gao.gov/new.items/d1143.pdf">http://www.gao.gov/new.items/d1143.pdf</a>

(continued)

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NIST	GAO	<i>Intragovernmental Revolving Funds: NIST's Interagency Agreements and Workload Require Management Attention</i>	10/20/2010	<a href="http://www.gao.gov/new.items/d1141.pdf">http://www.gao.gov/new.items/d1141.pdf</a>
NTIA	GAO	<i>NTIA Planning and Processes Need Strengthening to Promote the Efficient Use of Spectrum by Federal Agencies</i>	4/12/2011	<a href="http://www.gao.gov/new.items/d11352.pdf">http://www.gao.gov/new.items/d11352.pdf</a>
NTIA	GAO	<i>Recovery Act: Broadband Programs Awards and Risks to Oversight</i>	2/10/2011	<a href="http://www.gao.gov/new.items/d11371t.pdf">http://www.gao.gov/new.items/d11371t.pdf</a>
NTIA	OIG	<i>Broadband Program Faces Uncertain Funding, and NTIA Needs to Strengthen its Post Award Operations</i>	11/2010	<a href="http://www.oig.doc.gov/Pages/BroadbandProgramFacesUncertainFunding,andNTIANeedsToStrengthenItsPost-AwardOperationsOIG-11-005-A.aspx">http://www.oig.doc.gov/Pages/BroadbandProgramFacesUncertainFunding,andNTIANeedsToStrengthenItsPost-AwardOperationsOIG-11-005-A.aspx</a>
NTIA	OIG	<i>Review of BTOP Award for the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project</i>	5/6/2011	<a href="http://www.oig.doc.gov/Pages/Review-of-BTOP-Award-for-San-Francisco-BayWEB-Project.aspx">http://www.oig.doc.gov/Pages/Review-of-BTOP-Award-for-San-Francisco-BayWEB-Project.aspx</a>
USPTO	OIG	<i>Stronger Management Controls Needed over USPTO's Projection of Patent Fee Collections</i>	12/14/2010	<a href="http://www.oig.doc.gov/Pages/StrongerManagementControlsNeededoverUSPTO'sProjectionofPatentFeeCollectionsOIG-11-014-A.aspx">http://www.oig.doc.gov/Pages/StrongerManagementControlsNeededoverUSPTO'sProjectionofPatentFeeCollectionsOIG-11-014-A.aspx</a>
USPTO	OIG	<i>USPTO Patent Quality Assurance Process</i>	11/5/2010	<a href="http://www.oig.doc.gov/Pages/USPTOPatentQualityAssuranceProcessOIG-11-006-1.aspx">http://www.oig.doc.gov/Pages/USPTOPatentQualityAssuranceProcessOIG-11-006-1.aspx</a>



# THEME 2

## SCIENCE AND INFORMATION

.....



SCIENCE AND INFORMATION

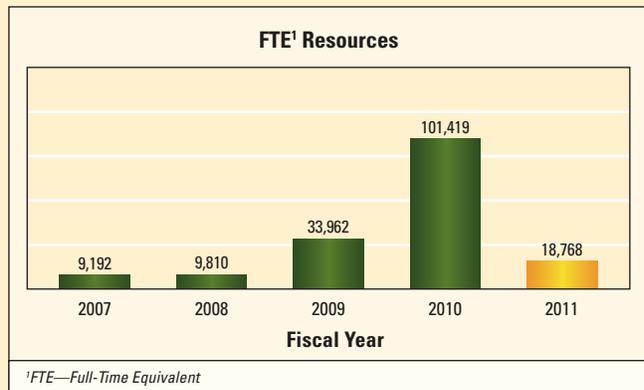
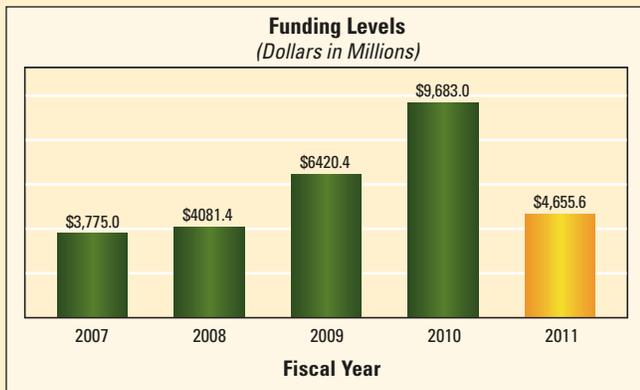
THEME, STRATEGIC GOAL, AND OBJECTIVES		TARGETS MET OR EXCEEDED
<b>THEME 2: SCIENCE AND INFORMATION</b>		
<b>Strategic Goal: <i>Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems</i></b>		
Objective 13	Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)	4 of 4
Objective 14	Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)	7 of 8
Objective 15	Improve weather, water, and climate reporting and forecasting (NOAA)	11 of 14



**THEME 2: SCIENCE AND INFORMATION**

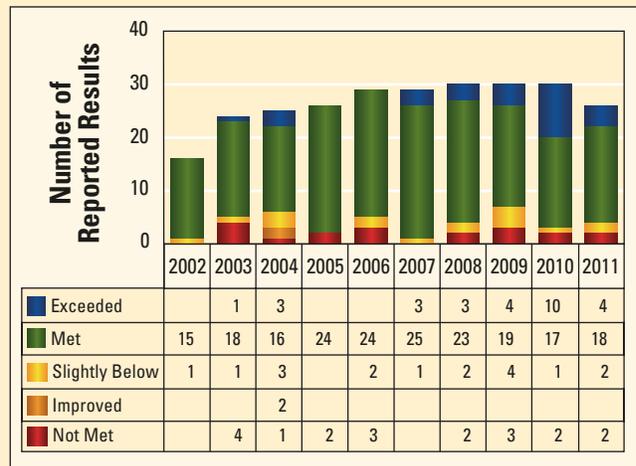
**STRATEGIC GOAL:** *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems*

**SCIENCE AND INFORMATION TOTAL RESOURCES**



**T**his theme contains one strategic goal, and within that strategic goal, three objectives. The following public benefits, achievements, and performance results are associated with each objective.

**SCIENCE AND INFORMATION PERFORMANCE RESULTS**



See Appendix A: Performance and Resource Tables for individual reported results.

## OBJECTIVE 13

*Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)*

## PUBLIC BENEFITS

The National Technical Information Service (NTIS) advances measurement science by bringing scientific and technical information to U.S. business and industry. NTIS promotes innovation and economic growth for U.S. business by (1) collecting, classifying, coordinating, integrating, recording, and cataloging scientific and technical information from a variety of sources, foreign and domestic; (2) disseminating this information to the public; and (3) providing information management services to other federal agencies that help them interact with and better serve the information needs of their own constituents, accomplishing this all without appropriated funds.

Through its laboratory at the Institute for Telecommunication Sciences (ITS), the National Telecommunications and Information Administration (NTIA) supports basic research in innovative telecommunications and information technologies. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

Currently, ITS and NTIA's Office of Spectrum Management are conducting a pilot test-bed program to evaluate approaches and techniques to increase spectrum sharing between federal and non-federal spectrum users. NTIA will publish an annual report evaluating private sector-supplied devices in the areas of Emission Characterization, Sensor Characterization, Geo-Location Characterization, Spectrum Access Behavior, and Land Mobile Radio Emission Characterization.

## ACHIEVEMENTS

## NTIS

**Promote Increased Access to Federal Science, Technology, and Engineering Information (STEI)**

During FY 2011, NTIS continued the development of the improved, open environment version of the National Technical Reports Library (NTRL) that will substantially increase discovery of federally funded STEI while maintaining the NTRL cost-recovery subscription model. The open environment version of NTRL is scheduled for release in early FY 2012. NTIS also established the Selected Research Services (SRS) in FY 2011 as a tailored information service that delivers electronic copies of government publications in 378 subject topics based on subscriber profiles.

To actively promote the growth of digital STEI content, NTIS began the Digital on Demand pilot program that offers select NTRL customers the option of requesting electronic delivery of digitized STEI products that were only previously available in print and microfiche formats. This pilot program is expected to provide a value-enhancement service to NTIS customers while expanding the digital content of the NTRL.

NTRL and SRS product advances provide customer-driven improvements in functionality and design. NTRL and SRS have substantially improved perpetual access to federally funded STEI by increasing the amount of full text documents available in digital format. The broadening of the customer base to include both domestic and international customers has furthered expanded the findability and accessibility of federal STEI to a global audience. NTIS also completed an agreement with the National Archives and Records Administration that will perpetually maintain the electronic STEI products in the NTIS clearinghouse.

The National Technical Reports Newsletter, a no-cost monthly digital publication, promotes STEI content to a worldwide subscriber base. In FY 2011, NTIS refreshed the publication with new graphics, and redesigned it to include greater content arranged by subject. The newsletter is dual-purposed: first, to promote discoverability of federal STEI; and second, as outreach and marketing to current and potential NTRL and SRS customers.

NTIS also continues to expand its customer outreach programs by broadening its social media presence in Twitter, Facebook, and YouTube. NTIS has planned further expansion to other social media venues during FY 2012 as part of NTIS outreach and education activities to further the dissemination of STEI. NTIS programs continue to increase worldwide access to STEI through continuing efforts to acquire and capture new federally funded STEI content. NTIS recently initiated new Joint Venture Partnerships in order to explore innovative STEI products and services that will enhance new media offerings of STEI. The new public-private partnerships will position NTIS as a significant participant in federal STEI development and dissemination.

### **Facilitate the Dissemination of Federal Science and Information**

NTIS facilitates the dissemination of federal science and information by providing information management services to other federal agencies to help them disseminate federal information to their constituents. In FY 2011, NTIS continued its long association with the U.S. Department of Agriculture (USDA) Team Nutrition and Supplemental Nutrition Assistance Programs, by distributing over 10 million free brochures, pamphlets, and kits in both English and Spanish to citizens and state agencies. NTIS is supporting USDA with the dissemination of the new generation icon “MyPlate” publications, which have replaced the Food Pyramid. Under the President’s initiative, the MyPlate materials have the new generation food icon to prompt children and parents to think differently about their food choices. NTIS has continued its efforts with the Department of Education to improve and enhance the dissemination of education publications through the effective implementation of cost-effective technologies that would enable broader outreach to constituent groups without cost increases. Since 2009, NTIS has fulfilled these requirements providing customer contact center, Web hosting, and publication fulfillment and distribution services for Department of Education publications and federal student assistance programs. In FY 2011, NTIS processed over 77,000 orders and shipped 21.1 million items in support of these Department of Education programs.

NTIS began supporting a new Social Security Administration (SSA) initiative in November 2009 to provide alternative modes of communication in its special notices to the blind and visually impaired. NTIS in conjunction with two Joint Venture Partners has been distributing the notices to the visually impaired on compact disk (CD) media for computer screen reading and in Braille print. Since April 2010, NTIS shipped 50,000 CD and Braille documents to sight impaired SSA recipients. In May 2011, SSA and NTIS developed and launched two new media formats, audio and large print. To date, NTIS and its partners have processed and shipped over 1,600 audio notices and over 28,000 large print notices.

NTIS and its e-Learning and Knowledge Management Joint Venture Partners continue to work closely with other federal agencies to assist them in implementing and maintaining their e-learning management and knowledge management systems and applications. In FY 2011, NTIS provided e-learning and knowledge management support services to the following U.S. departments: Commerce, Agriculture, Education, Health and Human Services, Justice, Interior, Treasury, and the U.S. Air Force.

**NTIA**

The Spectrum Sharing Innovation Test-Bed pilot program (Test-Bed) is evaluating the ability of Dynamic Spectrum Access (DSA) devices employing spectrum sensing and/or geo-location techniques to share spectrum with land mobile radio (LMR) systems operating in the 410-420 MHz federal band and in the 470-512 MHz non-federal band. To address potential interference to incumbent LMR spectrum users, the Test-Bed pilot program includes both laboratory and field measurements performed in three phases to characterize the interaction with DSA-enabled devices.

Phase I testing of two candidate devices is complete; reports on Phase I findings (Equipment Characterization) will be published in December 2011. Generally, in Phase I, NTIA learned that additional analytical modeling is necessary and will occur in tandem with testing. NTIA also learned that device differences require customized testing plans, which adds time to the testing process. Test results are being used to establish a technology neutral regulatory framework for dynamic spectrum access technology that will allow sharing with federal land mobile systems. A report documenting measurements for Phase I is being prepared.

NTIA published the FY 2010 Annual Progress Report on the Test-Bed pilot program in March 2011.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of updated items available (annual) (NTIS)	825,000	836,579	Met
Number of information products disseminated (annual) (NTIS)	47,800,000	48,958,993	Met
Customer satisfaction (NTIS)	95-98%	99.5%	Met
Annual progress report on the Test-Bed program (NTIA)	Publish annual report	Published report	Met

**FY 2011 STATUS**

NTIA and NTIS met all of their targets.

**HISTORICAL TRENDS**

NTIS has consistently met its targets for the past 10 years.

## OBJECTIVE 14

***Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)***

## PUBLIC BENEFITS

In many ways the United States is a statistics driven society. The Nation depends on statistics provided by the Census Bureau and the Bureau of Economic Analysis (BEA) to determine business decisions, plan for geographic and economic (both national and international) expansion, provide funds to needy organizations, and determine political expansion and contraction. Accurate business information regarding the demographics of the Nation, including measures of the population, economy, and governments, assists entrepreneurs in identifying market opportunities that can generate jobs. Population estimates serve as a starting point for allocating federal, state, and local funds to various groups within society.

The Economics and Statistics Administration (ESA), comprised of the Census Bureau and BEA, provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population.

Current and benchmark measures of the U.S. population, economy, and governments play a vital role in the Nation's economic well being. The Census Bureau uses the Decennial Census to provide the official population counts for determining the allocation to states of seats in the U.S. House of Representatives and for determining how the districts are defined for those seats. The Census Bureau provides to each state the data necessary to determine Congressional, state, and local legislative boundaries. The Decennial Census provides comprehensive and useful demographic information about all people living in the United States, Puerto Rico, and the associated Island Areas. The program also provides data for small geographic areas and population groups that federal agencies need to implement legally mandated programs. Approximately \$400 billion a year is distributed to state and local governments using formulas that are based on data such as state population and personal income.

The Economic Census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The Economic Census covers nearly 29 million business locations and 84 percent of the Nation's economic activity. The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments. The Census of Governments covers about 90,000 local governments, 12 percent of the gross domestic product (GDP) and nearly 14 percent of the U.S. workforce. The Demographic Surveys Sample Redesign (DSSR) program designs and selects samples for the major national household surveys. The Intercensal Demographic Estimates program provides updated estimates of the U.S. population for the country, states, counties, cities, and townships.

BEA invests in the improvement of the accuracy and relevance of GDP, international trade in goods and services, industry economic measures, and regional and metropolitan statistics, thereby supplying the economic statistics essential to sound business forecasting and monetary policy. In these ways, the Department seeks to understand the strength and direction of the economy as well as the determinants of growth as the Nation shifts to more knowledge-based and skill-based industries.

One of the primary methods for improving the understanding of the environment is through the examination of oceanic and atmospheric conditions patterns worldwide. To this end, the National Oceanic and Atmospheric Administration (NOAA) develops and procures satellite systems, aircraft, and ships with the purpose of providing information to determine weather patterns and predict weather

forecasts. This information affects all facets of society from agricultural planning to electric power usage to disaster planning. It plays a major role in the accuracy of national, regional, and local forecasting as well as impacting short and long-term climate modeling.

## ACHIEVEMENTS

---

### Census Bureau

In FY 2011, the Census Bureau met its Constitutional and legal (Title 13, U.S.C.) deadline for delivering apportionment counts to the President based on the 2010 Census. The Census Bureau also met its legal deadline (PL 94-171) for delivering redistricting data products to the states. Release of other data products from the 2010 Census also occurred on schedule, as did various program evaluations and assessments. The Census Bureau also launched its Count Question Resolution program to provide jurisdictions a mechanism to challenge the census counts for their area. The remaining local census offices and the paper data capture centers utilized for the 2010 Census were closed, and the Census Coverage Measurement operations were completed.

For the first time ever, in FY 2011 the American Community Survey (ACS) released five-year estimates, comprised of data collected from 2005 to 2009. These estimates are now available for every state, county, city, town, place, American Indian Area, Alaska Native Area, and Hawaiian Home Land, as well as for census tracts and block groups. The core ACS tables are being released by the end of FY 2011.

In FY 2011, the report content form for the 2012 Economic Census was finalized, and completed 90 percent of the forms design for the program's core content report forms. The report content form for the 2012 Census of Governments was finalized, and completed 100 percent of the forms design for the program's core content report forms. During FY 2011, principal activities of the Census of Governments program included the finalization of survey content for each census component; development of survey instruments for electronic and paper collection; outreach activities related to survey content; acquiring the Office of Management and Budget (OMB) approval of census components; preparation and maintenance of the government master address file (GMAF); legal research to enhance universe coverage; joint data collection with state agencies, including the assessment of current agreements and renegotiating details; updates of existing collection, processing, and dissemination products and systems; and modernization and re-engineering efforts of the business processes and corresponding software processing systems used for data entry, collection, processing, review, and analysis.

In FY 2011, the Census Bureau released nearly 400 economic reports, including 120 principal economic indicators. Responses to censuses and surveys provide information on manufacturing, retail, and wholesale trade; selected service industries; construction activity; quantity and value of industrial output; inventories; new orders; capital expenditures; e-commerce sales; foreign trade; and state and local government activities. All targeted current surveys programs achieved their response rate targets for FY 2011.

During FY 2011, the Census Bureau completed the process of expanding the annual and quarterly surveys of service industries. Prior to the 2009 services expansion, the Service Annual Survey (SAS) coverage accounted for 30 percent of GDP and the Quarterly Services Survey (QSS) coverage comprised 17 percent of GDP. The SAS and the QSS, as fully expanded, now each have achieved matching coverage with the services portion of the Economic Census (55 percent of GDP). In FY 2011, the Census Bureau increased the quarterly services coverage of GDP from 36 percent to 55 percent while, at the same time, the Census Bureau completely eliminated the annual data coverage gap with publication of the 2009 SAS in March 2011.

In April 2011, the Census Bureau introduced a new profile of U.S. importing companies to complement the existing profile of U.S. exporting companies. The profile provides information on the value of goods imported and number of importing companies, based on several company characteristics, for the years 2008 and 2009. This new report provides information never before available about the U.S. import trade market, and introduces new capabilities to analyze companies that participate in importing and exporting.

The Census Bureau met its targets to achieve at least 90 percent of the planned response rates and dissemination targets for Census Bureau surveys. Response rates are a measure of the quality of survey data. Dissemination targets are a measure of timeliness of the data. By meeting these targets, the Census Bureau is providing its users with the high quality and timely data they need to make important policy decisions that help improve the Nation's social and economic conditions.

## BEA

In FY 2011, BEA continued to maintain and improve the relevance and usefulness of its economic accounts. One of its primary accomplishments this year was the successful release of the 2011 flexible annual revision to the U.S. National Economic Accounts, which included several important improvements to the National Income and Product Accounts, such as the incorporation of source data from the 2007 Economic Census, improved price indexes for personal consumption expenditures for property and casualty insurance, and improved seasonal adjustment of real measures of petroleum imports. Additionally, this revision expands BEA's use of "flexible" annual revisions, which began on a smaller scale in 2010. Flexible annual revisions expand the period of years open to revision beyond the conventional three-year period, thereby providing BEA's customers with up-to-date economic accounts that incorporate definitional, classificational, or methodological improvements earlier than possible under the conventional revision cycle.

BEA also continued its multi-year efforts to improve its international economic accounts by aligning them with international standards. In FY 2011, BEA released the annual revision of the U.S. International Transactions Accounts, which included improvements such as the reclassification within services of cruise fares from passenger fares to travel; the reclassification of fees for the rights to distribute film and television recordings from "other" private services to royalties and license fees; and the exclusion of expenditures of foreign nationals working at international organizations in the United States from "other" private services and the inclusion of their compensation in compensation of employees.

Another of BEA's multi-year projects made significant advances in FY 2011, with the release of prototype statistics for quarterly GDP by industry that allow for a more complete analysis of business cycle dynamics and supplement the current quarterly national income and product accounts by providing a more comprehensive look at consumer spending, investment, international trade, and industry performance on a quarterly basis. A series of articles in the *Survey of Current Business* presents these statistics and describe the prototype methodology underlying them.

BEA also provided its customers with important improvements to its Web site in FY 2011. In keeping with BEA's goal to make its statistics more widely available and its Web site easier to use, it launched a new interactive table and chart service, as well as an updated, more modern look on its Web site. The new interactive data system—available to the public free of charge—allows BEA customers to access, visualize, and interpret BEA data in innovative new ways, create customized statistical tables using a streamlined process, share the data via social media tools, create more functional charts, and download tables and charts in a variety of formats. BEA also relaunched the frequently asked question database on its Web site, featuring an updated customer interface that allows easier navigation and searching.

In the first half of 2011, ESA released one major report, *Women in America*, and four other reports: *U.S. Trade in Private Services*, *Foreign Direct Investment in the United States*, *STEM: Good Jobs Now and for the Future*, and *Women in STEM: A Gender Gap to Innovation*. The findings in these reports have been used across the Administration and have been widely reported on by the media.

ESA provides timely and accurate economic insight to the Secretary and his chief policy advisors through economic briefings. Recent briefing topics have included inflation, the recent softness in the U.S. economy, and international trade. These briefings help to inform the Department's long term policy goals and senior staff enjoys the opportunity to hear a clear, concise summation of economic events.

## **NOAA**

### **STAR Provides Flood/Standing Water Imagery During Major Disasters**

The Center for Satellite Applications and Research (STAR) Geostationary Operational Environmental Satellite Series R (GOES-R) land application team, used satellite detections of land surface flood and standing water to develop imagery to monitor floods after the March 2011 tsunami in Japan, and the Mississippi River breach in May 2011. In March 2011, the team produced a flood map along the coastline of Sendai, Japan, and in early May 2011, a flood map of the levee breach near the confluence of the Ohio and Mississippi Rivers. Precise mapping of floods and standing water is crucial for detecting deficiencies in existing flood control and for damage claims. NOAA rapidly disseminated the imagery to decisionmakers and the public to permit informed responses to the disasters. NOAA distributed the tsunami flood map through the NOAA Web site, the National Environmental Satellite, Data, and Information Service (NESDIS) Web site, and the STAR Web site. NOAA selected the Mississippi River levee breach flood map as a "NOAA Image of the Day" in May. Through the GOES-R program office, NOAA released an outreach booklet of the GOES-R Flood/Standing Water Product.

### **1981–2010 Climate Normals Released**

In FY 2011, the National Climatic Data Center (NCDC) released the decadal 1981–2010 Climate Normals. These Normals serve as a point of reference for typical climate conditions at a given location. Commonly seen on TV weather segments for comparisons with the day's weather conditions, Normals are three-decade averages of numerous climatological variables, most notably temperature and precipitation. Countless applications across a variety of sectors use them. Numerous stakeholders use Normals including: builders, insurers, and engineers for planning and risk management; energy companies to predict fuel demand; farmers to help make decisions on both crop selection and planting times; and agribusinesses to monitor departures from normal conditions throughout the growing season and to assess past and current crop yields. This release updated the Normals for more than 7,500 locations across the United States with over 1,000 new stations included in the new Normals. NCDC produced hourly, daily, monthly, seasonal, and annual Normals for numerous climatological variables, including temperature, precipitation, and snowfall. NCDC also computed Normals for derived quantities, such as heating and cooling degree days and the number of days per month above/below certain thresholds. NCDC made many improvements and additions to the scientific methodology used to calculate the 1981–2010 Normals, including improved scientific quality control and statistical techniques. NCDC provided full scale user engagement before and after releasing the Normals and incorporated new products based on stakeholder feedback.

### **NOAA Develops New Arctic Ice Maps**

In FY 2011, NOAA's National Ice Center analysts began producing an Arctic-wide sea ice and snow extent map using a multitude of data sources. The gridded four-kilometer product locates the ice edge with much greater accuracy than daily products based on single-source satellite data. The National Ice Center and the National Snow and Ice Data Center developed the Multi-sensor Analyzed Sea Ice Extent (MASIE) to meet a need for a more accurate daily product much like the existing Sea Ice Index product, but easier to use. MASIE is a high-resolution depiction of sea ice extent based on the Office of Satellite and Product Operations Interactive Multi-sensor Snow and Ice Mapping System (IMS) product. NOAA produces the MASIE utilizing visible images that depict the ice edge position and enables users to view and download several kinds of data about the ice edge. The high user demand for this product is due to its

use of multiple data sources with high temporal and image resolutions. The IMS product takes advantage of visible and radar imagery, passive microwave data, National Ice Center weekly ice analysis products, and other data that are combined via meticulously analyzed daily analysis of satellite imagery at the National Ice Center. The National Snow and Ice Data Center serves as a cryospheric archiving node and is funded by the National Geophysical Data Center (NGDC) in the archival of IMS products. Scientists can now study the extent of the constantly changing sea ice pack with much greater accuracy using the MASIE, giving the public a more reliable position of the location of the ice edge than the previously used Sea Ice Index product.

### **NOAA Develops Digital Solid Earth**

NGDC developed 11 high-resolution digital elevation models (DEM) of threatened U.S. coastal communities to support NOAA's tsunami and hurricane storm-surge forecast and warning efforts. The new DEMs are an addition to the more than 100 high-resolution, coastal DEMs NGDC has now built, including integrated bathymetric-topographic DEMs of the U.S. Virgin Islands and coastal Louisiana, and communities in North Carolina, Washington, Hawaii, and Alaska. The models integrate ocean bathymetry and land topography. The center has been building DEMs across the shoreline for over 20 years and now is a leader and a source of expertise for NOAA and federal agencies concerned with coastal ecosystems responses, community resilience, and informed management. NGDC also developed interactive "flip book" DEM catalogs of U.S. coastal areas that inform the public about the usefulness of digital elevation models and provide the public with a much more engaging format of information about the location, data, and motivation for the DEMs of a given region. This is a significant and innovative leap towards public engagement. These DEMs can be used for modeling of coastal processes (tsunami inundation, storm surge, sea-level rise, contaminant dispersal, etc.), ecosystems management and habitat research, coastal and marine spatial planning, and hazard mitigation and community preparedness. NGDC provides guidance, training, and support on DEM development, as well as creating outreach and educational materials. NGDC is now recognized within NOAA and the United States as a DEM technical center of expertise.

### **NOAA Delivers State of the Climate in 2010**

NOAA recently released the *State of the Climate in 2010* report, stating that worldwide, 2010 was one of the two warmest years on record. This report was the broadest to date in terms of authorship and the systematic tracking of more climate system components than ever before. It provides a peer-reviewed annual "physical" of the climate system and insights into NOAA's capacity to measure it, using trusted sources of information. This helps to clarify and quantify climate change and variability in the face of a dissonant communications environment for climate issues. NOAA began the *State of the Climate* series (as *Climate Assessment*) in 1990. The report has grown in scope to become a leading, anticipated publication. It is unique among annual major assessments in that it makes no attempt to validate models or make projections of future climate conditions. It is strictly built upon data compiled in the world's agencies and academic institutions—the climate system's vital signs. Last year was marked by important climate oscillations like the El Niño-Southern Oscillation and the Arctic Oscillation, which affected regional climates and contributed to many of the world's significant weather events in 2010. Meanwhile, the comprehensive analysis of 41 climate indicators shows a continuation of the long-term trends scientists have seen over the last 50 years, consistent with global climate change.

SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (ESA/CENSUS)	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time	Met
Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI) (ESA/CENSUS)	74 (federal score)	60	Not Met
Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability	Met percentages	Met
Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	<ul style="list-style-type: none"> <li>• 100% of Economic Indicators released on time</li> <li>• At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of Economic Indicators released on time</li> <li>• At least 90% of key prep activities completed on time</li> </ul>	Met
Timeliness: Reliability of delivery of economic data statistics (number of scheduled releases issued on time) (ESA/BEA)	62	62	Met
Relevance: Customer satisfaction (mean rating on a 5-point scale) (ESA/BEA)	>4.0	4.1	Met
Accuracy: Percent of GDP estimates correct (ESA/BEA)	>85%	89%	Met
Complete all major strategic plan milestones related to improving the economic accounts (ESA/BEA)	Completion of strategic plan milestones	Completed all major milestones	Met

**FY 2011 STATUS**

---

The Census Bureau and BEA met seven of eight targets.

**FY 2011 MISSED TARGETS**

---

MEASURE	MEET OR EXCEED THE OVERALL FEDERAL SCORE OF CUSTOMER SATISFACTION ON THE AMERICAN CUSTOMER SATISFACTION INDEX (ACSI) (ESA/CENSUS)
<b>Explanation</b>	The significant decline in the Census Bureau’s satisfaction performance starting in first quarter 2011 was due to not meeting the visitors’ expectations to have the 2010 Census results available on the site and the introduction of the new American FactFinder.
<b>Action</b>	The Census Bureau’s Web team is targeting improvements on navigation and search on the Web site to improve the ACSI rate.

**HISTORICAL TRENDS**

---

BEA has consistently met or achieved its targets for its four performance measures over the past several years, as shown in Appendix A.

## OBJECTIVE 15

*Improve weather, water, and climate reporting and forecasting (NOAA)*

## PUBLIC BENEFITS

**W**eather affects all facets of society, impacting the economy in ways ranging from agricultural preparation to transportation planning to disaster response. In certain situations, weather forecasting can affect the number of lives saved or lost as well as mitigate the extent of property damage as a result of weather events. Weather also affects how power companies plan for daily, weekly, and seasonal variances. Because of this, Americans benefit from sound weather forecasting both in their daily lives and planning, and in preparation for major storm events.

A weather-ready nation will be able to prepare for and respond to environmental events that affect safety, health, the environment, the economy, and homeland security. NOAA's capacity to provide accurate and relevant information can help create a society that is more adaptive to its environment; that experiences fewer disruptions, dislocation, and injuries; and that operates a more efficient economy. Over the long-term, climate change may increase the intensity and even the frequency of adverse weather events, ranging from drought and flooding to wildfires, heat waves, storms, and hurricanes. Changing weather, water, and climate conditions affect the economic vitality of communities and commercial industries, such as the energy, transportation, and agriculture sectors. Environmental information aligned with user needs will become ever more critical to the safety and well being of those exposed to sudden or prolonged hazards and will enable U.S. businesses and policymakers to make informed decisions.

NOAA's role in understanding, observing, forecasting, and warning of weather events is expanding. NOAA conducts sound, scientific research and provides integrated observations, predictions, and advice for decisionmakers who manage environmental resources, ranging from fresh water supplies to coastal ecosystems. Realizing that NOAA's information and services bridge both weather and climate timescales, NOAA will continue to collect and analyze environmental data and issue forecasts and warnings that help protect life and property and enhance the U.S. economy. The Department is committed to excellent customer service and depends on its partners in the private sector, academia, and government to add value and help disseminate critical weather and climate information. NOAA will expand services to support evolving national needs, including those associated with space, weather, freshwater and coastal ecosystems.

One of the growing challenges in the 21st century is the escalation of the demand for water and improved water and air quality. Changing water temperatures and poor air quality impact the Nation's population and its fish and shellfish populations. To this end, NOAA can combine predictive weather information with an understanding of weather, water, and climate to develop integrated predictions that can improve the health of ecosystems and communities.

## ACHIEVEMENTS

**NOAA Installs New Coastal Radar in Washington State**

NOAA finished the installation of a Next Generation Weather Radar (NEXRAD) to provide critical radar coverage along the coast of the Pacific Northwest. The new radar is located on Langley Hill, near Copalis Beach in Grays Harbor County, WA, about 90 miles southwest of Seattle. This radar joins the network of 159 other NEXRADs maintained by the National Weather Service (NWS) in partnership with the Federal Aviation Administration (FAA) and the Department of Defense. The new radar allows weather forecasters to detect intense

storms gathering off shore and to effectively warn residents living between the mouths of Juan DeFuca Strait in Washington, and Willapa Bay in Oregon of intense storms gathering off shore. The Olympic Mountains largely blocked coverage of the closest NEXRAD located on Camano Island, Washington. The new coastal radar closes this gap, enabling forecasters to better determine wind speed and rainfall of incoming storms and to issue more accurate and timely warnings to residents in harm's way, helping to prevent loss of life and millions of dollars in property damage.

In addition, the Langley Hill NEXRAD is one of the first radars to receive the new Dual-polarization modification. Dual-polarization technology adds a vertical scanning capability to the NEXRAD, providing an in-depth look into weather systems. With this new technology, NWS forecasters are able to better predict the type, intensity, and duration of precipitation and severe weather.

### **NWS Upgrades Climate Forecast System Modeling**

NOAA implemented major improvements to its Climate Forecast System (CFS) in March 2011. The CFS is the principal computer model used in the development of seasonal climate forecasts out to nine months in the future. NWS issues seasonal climate forecasts for temperatures, precipitation, and drought. Decisionmakers across the country depend on these seasonal climate forecasts to improve their planning in areas such as transportation, water resources, and hazard preparedness. Considerable advancements over the previous CFS version were made in the physics, resolution, model coupling, and data assimilation to all its individual models. One such advancement was to improve the inclusion of carbon dioxide increases for seasonal temperature forecasts.

The upgrade represents a major improvement in NWS's modeling capability to predict climate variability and climate events, such as El Niño and La Niña, six to nine months in advance. The current CFS version increases the month-1 skill scores for temperature by 37 percent and precipitation by 29 percent. These improvements provide useful information for identifying major drought events like the one being experienced in the central South, including Texas. NWS expects to see improvements in other seasonal predictions, especially outlooks for the hurricane season and winter weather.

### **NOAA Substantially Improves Nation's Weather Radars**

NOAA has begun its Dual-polarization modification to the NEXRAD array. Dual-polarization technology adds a vertical scanning capability to the NEXRAD providing a more three-dimensional look into weather systems. NEXRADs without the modification scan on a horizontal dimension which does not provide the same wealth of information as Dual-polarization. With the Dual-polarization technology, NWS forecasters will improve their prediction capability in detecting the type, intensity, and duration of precipitation. Dual-polarization enables forecasters to detect tornado debris and improve hail detection for severe thunderstorm warnings. These improvements will result in increased warning lead times for flash floods, which will better enable those impacted by the events to move out of harm's way and limit property losses. NOAA conducted extensive testing of the Dual-polarization modifications on the NEXRADs located at Vance Air Force Base, OK; Phoenix, AZ; Morehead City, NC; and Pittsburgh, PA. NWS forecasters within the testing locations have begun using the enhanced radar data to improve and refine weather warnings and forecasts.

In partnership with NOAA, the U.S. Air Force, and FAA, the Nation operates 160 NEXRADs. All 160 NEXRADs will be upgraded with the Dual-polarization modification by the end of FY 2013.

### **NOAA's NWS Strengthens Aviation Weather Forecasts**

In 2011, NOAA demonstrated enhanced aviation weather services by providing more timely and accurate weather information to FAA's air traffic decisionmakers in three geographic test areas: New York, Atlanta, and Chicago, otherwise known as the "Golden Triangle." This area includes the Nation's most heavily-traveled air space and is subject to considerable weather sensitivity. Weather delays impacting any one of these terminals can result in significant delays throughout the National Airspace System. The Congressional Joint

Economic Committee estimated in 2007 that weather-related flight delays cost the U.S. economy nearly \$29 million a year. As a result of the demonstration, the test areas have seen a 10 percent reduction in weather-related delays since the start of the experiment in May 2010.

The experiment includes increasing the issuance frequency of terminal aerodrome forecasts to once every two hours, enhancing collaboration with Air Route Traffic Control Centers prior to Strategic Planning Calls, and providing an enhanced convective forecast to these three demonstration areas. As a result of this success, NWS Golden Triangle efforts will continue their enhanced set of products and services into FY 2012. Improving NWS services to provide decisionmakers the best information available is a top priority as the organization continues to develop innovative approaches to incorporate advances in the science of weather forecasting.

### **NOAA Provides Early Warnings for May 22 Joplin, MO Tornado**

NOAA's NWS provided early warnings for the May 22 EF-5 (greater than 200 mph) tornado that devastated a large portion of Joplin, MO, and resulted in over 150 fatalities and over 1,000 injuries. The Joplin tornado is the single deadliest tornado since modern record-keeping began in 1950 and is ranked as the seventh deadliest in U.S. history. The supercell thunderstorm that generated the Joplin tornado tracked from far southeast Kansas into far southwest Missouri in the late afternoon and evening of May 22, generating multiple tornadoes and wind damage along its path. These storms also produced flash flooding across far southwest Missouri.

The NOAA NWS Storm Prediction Center first forecasted severe weather for the Joplin area three days in advance. The Storm Prediction Center issued a Tornado Watch that included Joplin, MO four hours prior to the tornado. The Springfield, MO, Weather Forecast Office (WFO) issued a tornado warning with a preliminary lead time of 24 minutes. NWS Central Region Headquarters moved additional forecasters into Springfield to help staff the office as they continued to fight ongoing severe weather threats while dealing with the recovery from the tornado. While the early warnings saved countless lives, improvements in science and technology are required in order to see further improvements in warning lead times. NWS is leading a national dialogue to find ways to build a weather-ready Nation.

### **NOAA Provides Warnings and Support for Japanese Tsunami Impacts**

NOAA's NWS provided tsunami warnings and radiological forecast support for the March 2011 tsunami and its aftermath. Based on seismographic data, NOAA's Pacific Tsunami Warning Center issued a tsunami warning for Japan, Russia, Marcus Island, and Northern Marianas Islands within nine minutes of the earthquake. The warning was expanded 90 minutes later to include Hawaii. Within 12 minutes of the earthquake, NOAA's West Coast and Alaska Tsunami Warning Center issued a tsunami information statement for Alaska, British Columbia, Washington, Oregon, and California.

Approximately 25 minutes after the earthquake, the tsunami was recorded by a NOAA Deep Ocean Assessment and Reporting of Tsunamis (DART) buoy off the east coast of Japan. The information from the DART went into NOAA's tsunami models that predict arrival times, wave heights, and inundation areas for specific U.S. locations. Coastal evacuations in Hawaii and along the U.S. West Coast were ordered as a result of NOAA's tsunami warnings. Damage to U.S. interests from the tsunami was isolated, with the most significant damage experienced at the Crescent City and Santa Cruz, CA, harbors. Local NWS WFOs that serve the U.S. coastline issued localized tsunami impact statements.

NWS's National Centers for Environmental Prediction (NCEP) responded immediately to the government's requests for information and began providing 24/7 radiological dispersion model guidance. NCEP's Environmental Modeling Center implemented experimental modeling capabilities to track particles on the ocean surface, and to estimate dispersion and retention times of radionuclides by ocean currents.

### **NOAA Provides Exceptional Decision Support Services for Historic “Groundhog Day” Winter Storm**

NOAA’s NWS provided continuous decision support for emergency management and coordination with other governmental agencies during the February 2011 Groundhog Day Blizzard. During the first three days of February, a large and powerful winter storm, dubbed the “Groundhog Day Blizzard,” hit the Central and Northern United States. The storm stretched for thousands of miles from New Mexico northward to Wisconsin, and eastward to New England, leaving behind at least five inches of snow in 22 states. Winds gusting to 70 mph created widespread blizzard conditions, disrupting surface and air transportation, schools, and businesses nationwide. Severe weather, including a few rare winter tornadoes, swept across the Deep South. The heaviest snowfall occurred across northern Illinois and southern Wisconsin. When the storm hit the Northeast, several hundred thousand residences and businesses lost power, and many roofs and buildings collapsed due to the weight of the snow.

Miraculously, few deaths were directly attributed to the storm. NOAA estimates that total monetary losses, including insurance claims, state and local snow removal, and business interruption, exceeded \$1.1 billion.

NWS WFOs provided over 7,000 watches and warnings with average lead times of 48-60 hours and 25 hours, respectively. NWS kept in close contact with emergency managers, FAA, and media with live Webinars and multi-media briefings throughout the event. WFOs issued civil emergency messages in support of local officials and public safety.

### **President Obama and Prime Minister Cameron Promote United Kingdom/NOAA Space Weather Partnership**

President Obama and United Kingdom Prime Minister David Cameron agreed to increase collaboration in the areas of higher education, science, and innovation during the President’s visit to the United Kingdom in May 2011. The leaders welcomed in particular the growing partnership between the U.K. Meteorological Office and NWS, codified with the signing of an historic Memorandum of Agreement in February 2011. This agreement provides for a coordinated U.S.-U.K. partnership in the delivery of space weather alerts to help provide critical infrastructure protection around the globe.

The two governments announced that they will embark together on an ambitious program to create the world’s first combined space weather model. This model will be capable of forecasting terrestrial weather with great accuracy and also indicating where, when, and for how long space weather effects will persist in the upper atmosphere and whether these anomalies are likely to disrupt and degrade GPS-enabled positioning, navigation, and timing capabilities. The leaders also expressed a determination to maintain the level of research excellence that leads to economic growth and job creation.

### **NOAA, U.S. Army Corps of Engineers, and U.S. Geological Survey Partner to Support Water Resources Management**

Water resources decisionmakers nationwide require new and more integrated information and services to adapt to the uncertainty of future climate, land-use changes, aging water delivery infrastructure, and increasing demand on limited resources. On May 11, 2011, NOAA, the U.S. Army Corps of Engineers and the U.S. Geological Survey signed a Memorandum of Understanding (MOU) to form an innovative partnership of federal agencies to address the Nation’s growing water resources challenges. These agencies, with complementary missions in water science, observation, prediction, and management, formed this partnership to unify their commitment to address the Nation’s water resources information and management needs. The MOU also sets the foundation for other federal agencies and partners to elect to join the collaborative partnership in the future.

The Integrated Water Resources Science and Services (IWRSS) consortium established through the MOU will allow the participating agencies to coordinate and cooperate in activities to improve water resource services. Cooperative activities in these fields may include, but are not limited to, project plan development; exchange of technical information, tools, and services; joint studies; research

and development activities of mutual interest; joint educational and communications activities to advance the understanding of water resources planning and management; and exchange visits and work details of individuals sponsored by all agencies who are engaged in water resources projects of mutual interest.

Through IWRSS, the agencies plan to create high-resolution forecasts of water resources showing where water for drinking, industry, and ecosystems will be available. In addition, integrated water information will provide one-stop shopping through a database portal to support stakeholders in managing water resources. NWS will leverage the partnership to enable earlier and more accurate flood predictions and to collaboratively expand river and flood maps showing forecasted spatial extent and depth of flooding.

### **NWS Provides Early Warnings for Historic Tornado Outbreak in the Deep South**

During a five-day period in late April 2011, NOAA's NWS issued life-saving warnings, with an average lead time exceeding 20 minutes, for the historic tornado outbreak in the Deep South. During this period, NWS issued nearly 1,000 tornado warnings nationwide and over 1,500 Severe Thunderstorm Warnings. Despite early lead times, there were 321 fatalities during this period, with April 27, 2011, ranked as the deadliest day for tornadoes since modern record keeping began in 1950.

NWS decision support for this event was extensive. NWS WFOs in the affected areas of Arkansas, Tennessee, Mississippi, Alabama, and Georgia began alerting the public to the potential for a large tornado outbreak five days in advance. Local offices provided direct decision support services to meet the specific needs of local emergency manager partners and the general public. NWS upgraded its Hazardous Weather Outlook to the highest threat level at midnight prior to the event and issued "Particularly Dangerous Situation" Tornado Watches over Missouri and Alabama more than two hours prior to the first tornadoes. NWS WFOs also continuously coordinated with emergency managers and the broadcast media before and during the outbreak to ensure a coordinated approach to disaster response and recovery.

In the aftermath of the outbreak, NWS sent several teams to survey the damage and coordinated high-resolution photography overflights of heavily damaged areas. A NOAA Service Assessment team began its field work in the week following the tornadoes. Service Assessments are routine internal evaluations of NWS operations during major weather and natural hazard events, and they include input from government agencies, emergency managers, media, and the public. Findings and recommendations from this assessment will be used to improve the timeliness and effectiveness of products and services NOAA provides to the U.S. public.

### **NOAA Communicates Risk of Historic 2011 Flooding**

NOAA provided extensive decision support services enabling the Nation to manage impacts of the Missouri and Mississippi Rivers flooding throughout the spring and summer of 2011. As early as December 2010, NOAA identified factors that indicated a high threat of widespread spring flooding throughout the North Central United States and into the Midwest and began coordination with partners and stakeholders including federal, tribal, state, and local partners. These factors included high soil moisture, above average snowpack conditions, elevated streamflows, and extended range forecasts that called for continued above average precipitation over the threatened areas.

In March 2011, NOAA's National Hydrologic Assessment and Spring Flood Outlook identified that almost half the country—from the North Central United States through the Midwest and the Northeast—had an above-average risk of flooding beginning in spring. This early assessment allowed partner agencies like the Federal Emergency Management Agency (FEMA), Red Cross, and U.S. Army Corps of Engineers to pre-position vital resources necessary to respond to flooding. NWS coordination at the regional and national levels aided federal agencies in monitoring levees at risk of failure, and assisted Emergency Managers and the public to prepare for and respond to the flooding along the Missouri River.

The national flood threat continued to evolve through the spring. More than 20 inches of rain fell over the Ohio River and central Mississippi River Valleys, exacerbating the flood wave from snowmelt in the northern Mississippi. During May and June, flooding continued to impact portions of the Midwest and Western United States. As water receded on the Mississippi, significant runoff from record mountain snowpack was further enhanced by 300-400 percent of average annual precipitation falling over the headwaters of the Missouri River basin in Montana and the Dakotas during the month of May.

In response to flooding in the lower Mississippi River basin, NOAA coordinated daily briefings to FEMA and the Governor of Louisiana. Based on these warnings, communities reinforced levees, FEMA prepositioned relief assets, and the U.S. Geological Survey ensured the integrity of the area's river gauge system. NOAA's forecasts, coordination, and services enabled federal partner agencies and the public at large to be well informed of the expected magnitude of flooding, and to take action to ensure safety of life and protection of property.

### SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Severe weather warnings for tornadoes (storm-based) – Lead time (minutes) <sup>1</sup>	12	15	Exceeded
Severe weather warnings for tornadoes (storm-based) – Accuracy (%) <sup>1</sup>	70%	76%	Met
Severe weather warnings for tornadoes (storm-based) – False alarm rate (%) <sup>1</sup>	72%	72%	Met
Severe weather warnings for flash floods (storm-based) – Lead time (minutes)	38	71	Exceeded
Severe weather warnings for flash floods (storm-based) – Accuracy (%)	72%	80%	Met
Hurricane forecast track error (48 hours) (nautical miles) <sup>1</sup>	106	89	Exceeded
Hurricane forecast intensity error (48 hours)(difference in knots)	13	15	Not Met
Accuracy (%) (threat score) of day 1 precipitation forecasts	30%	34%	Met
Winter storm warnings – Lead time (hours)	15	20	Exceeded
Winter storm warnings – Accuracy (%)	90%	88%	Slightly Below
Marine wind speed accuracy (%)	69%	75%	Met
Marine wave height accuracy (%)	74%	77%	Met
Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less)(%)	65%	63%	Slightly Below
Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less)(%)	41%	38%	Met

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

### FY 2011 STATUS

NOAA met or exceeded 11 of 14 targets and was slightly below for two others. The only target that is considered "Not Met" is for Hurricane forecast intensity error."

**FY 2011 MISSED TARGETS**

<b>MEASURE</b>	<b>HURRICANE FORECAST INTENSITY ERROR (48 HOURS)(DIFFERENCE IN KNOTS) (NOAA)</b>
<b>Explanation</b>	The 2010 Atlantic hurricane season had above normal activity, with 404 official forecasts issued. Official intensity errors for the Atlantic basin in 2010 were above the 5-year means at the 48 hours lead time used to calculate the Government Performance and Results Act (GPRA) measure, but below the 5-year means at the remaining lead times.
<b>Action</b>	NOAA's Hurricane Forecast Improvement Program is a 5-year project that focuses on improving all hurricane forecast including better observing, better data assimilation, and better modeling.
<b>MEASURE</b>	<b>WINTER STORM WARNINGS – ACCURACY (%) (NOAA)</b>
<b>Explanation</b>	Through the core of the winter season, a total of 8,670 winter storm events occurred (well above normal). The average lead time of 20 hours surpassed the GPRA goal of 15 hours by five hours (33%). For several historic storms in the Midwest and Northeast, NWS provided phenomenal lead times in excess of 24 hours and excellent decision support services. However, the nationwide accuracy fell short of the seasonal goal—88 percent vs. 90 percent. An analysis of the observed early season events indicated many storms in the central and southern states were difficult to forecast due to large areas of mixed precipitation types in areas not usually prone to early season winter weather. Winter storm forecasts and associated statistics did improve as expected during the latter half of the winter, but they could not overcome the early season misses and NWS did not read the GPRA goal for FY 2011.
<b>Action</b>	Continuous improvements in weather modeling and forecaster training have supported this upward trend for most of NOAA's weather GPRA measures. NOAA expects winter weather forecast to improve with these improvements.
<b>MEASURE</b>	<b>AVIATION FORECAST ACCURACY FOR CEILING/VISIBILITY (3 MILE/1,000 FEET OR LESS)(%) (NOAA)</b>
<b>Explanation</b>	This measure for aviation forecast is Instrument Flight Rules (IFR) conditions, one of two sets of regulations governing all aspects of civil aviation aircraft operations. FY 2011 performance was -1% below goal. In FY 2011, convective weather systems affected the Continental United States, interspersed with large areas of high-pressure weather systems. The frequency of occurrence of IFR decreased, as did the frequency that IFR was forecast in most regions during and after June.
<b>Action</b>	Given the variability of all the performance factors, there exists an assumed statistical error of +-2 percent, which is larger than the change in performance. Forecasters are making the appropriate forecasts, in the appropriate proportion of predicted conditions, and are generally well within expected +/- 2 percent statistical error for the frequency of occurrence.

## THEME 2 PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to this theme in FY 2011.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
CENSUS	GAO	<i>2010 Census: Preliminary Lessons Learned Highlight the Need for Fundamental Reforms</i>	4/6/2011	<a href="http://www.gao.gov/new.items/d11496t.pdf">http://www.gao.gov/new.items/d11496t.pdf</a>
CENSUS	GAO	<i>2010 Census: Data Collection Operations Were Generally Completed as Planned, but Long-standing Challenges Suggest Need for Fundamental Reforms</i>	12/14/2010	<a href="http://www.gao.gov/new.items/d11193.pdf">http://www.gao.gov/new.items/d11193.pdf</a>
CENSUS	GAO	<i>2010 Census: Follow-up Should Reduce Coverage Errors, but Effects on Demographic Groups Need to Be Determined</i>	12/14/2010	<a href="http://www.gao.gov/new.items/d11154.pdf">http://www.gao.gov/new.items/d11154.pdf</a>
CENSUS	GAO	<i>2010 Census: Key Efforts to Include Hard-to-Count Populations Went Generally as Planned; Improvements Could Make the Efforts More Effective for Next Census</i>	12/14/2010	<a href="http://www.gao.gov/new.items/d11145.pdf">http://www.gao.gov/new.items/d11145.pdf</a>
CENSUS	OIG	<i>2010 Census: Cooperation Between Partnership Staff and Local Census Office Managers Challenged by Communication and Coordination Problems</i>	4/8/2011	<a href="http://www.oig.doc.gov/Pages/2010-Census-Cooperation-Between-Partnership-Staff-and-LCO-Managers-Challenged-by-Communication-and-Coordination-Problems.aspx">http://www.oig.doc.gov/Pages/2010-Census-Cooperation-Between-Partnership-Staff-and-LCO-Managers-Challenged-by-Communication-and-Coordination-Problems.aspx</a>
CENSUS	OIG	<i>2010 Census: Contract Modifications and Award-Fee Actions on the Decennial Response Integration System (DRIS) Demonstrate Need for Improved Contracting Practices</i>	2/15/2011	<a href="http://www.oig.doc.gov/Pages/2010-CensusContractModificationsandAward-FeeActionsontheDecennialResponseIntegrationSystem(DRIS)Demo.aspx">http://www.oig.doc.gov/Pages/2010-CensusContractModificationsandAward-FeeActionsontheDecennialResponseIntegrationSystem(DRIS)Demo.aspx</a>
CENSUS	OIG	<i>2010 Census: Partner Support Program Lacked Adequate Controls for Monitoring Purchases and Ensuring Compliance</i>	11/18/2010	<a href="http://www.oig.doc.gov/Pages/2010-CensusPartnerSupportProgramLackedAdequateControlsforMonitoringPurchasesandEnsuringComplianceOl.aspx">http://www.oig.doc.gov/Pages/2010-CensusPartnerSupportProgramLackedAdequateControlsforMonitoringPurchasesandEnsuringComplianceOl.aspx</a>



THEME 3  
ENVIRONMENTAL STEWARDSHIP

---



ENVIRONMENTAL  
STEWARDSHIP

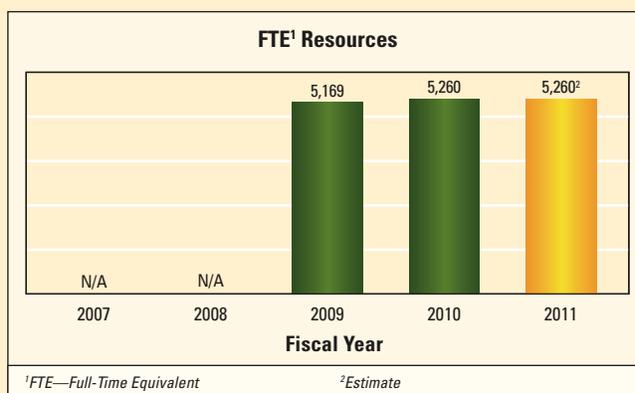
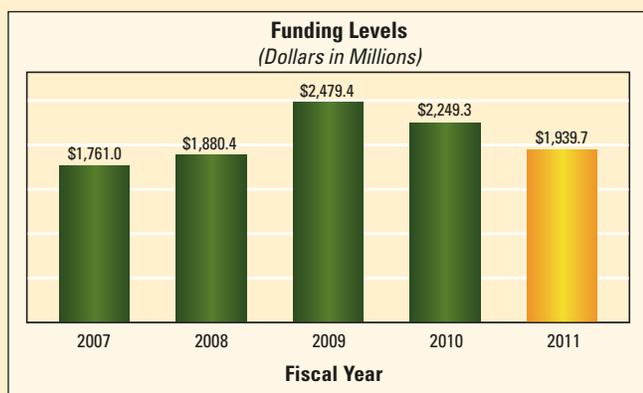
THEME, STRATEGIC GOAL, AND OBJECTIVES		TARGETS MET OR EXCEEDED
<b>THEME 3: ENVIRONMENTAL STEWARDSHIP</b>		
<b>Strategic Goal: <i>Promote economically-sound environmental stewardship and science</i></b>		
Objective 16	Support climate adaption and mitigation (NOAA)	3 of 4
Objective 17	Develop sustainable and resilient fisheries, habitats, and species (NOAA)	3 of 5
Objective 18	Support coastal communities that are environmentally and economically sustainable (NOAA)	5 of 7



**THEME 3: ENVIRONMENTAL STEWARDSHIP**

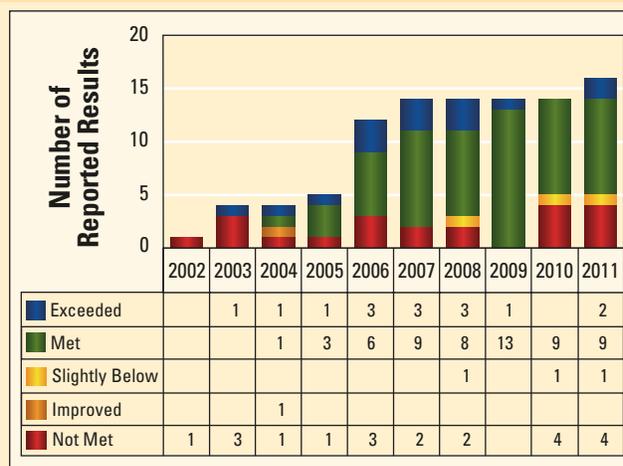
**STRATEGIC GOAL:** *Promote economically-sound environmental stewardship and science*

**ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES**



**T**his theme contains one strategic goal and within that strategic goal, three objectives, all of which are associated with the National Oceanic and Atmospheric Administration (NOAA). The following public benefits, achievements, and performance results are associated with each objective.

**ENVIRONMENTAL STEWARDSHIP PERFORMANCE RESULTS**



See Appendix A: Performance and Resource Tables for individual reported results.

## OBJECTIVE 16

*Support climate adaption and mitigation (NOAA)*

## PUBLIC BENEFITS

The Nation has an urgent need to advance U.S. understanding of the climate system and climate impacts so as to improve climate predictions and projections and to better inform adaptation and mitigation strategies. Key scientific uncertainties limit scientists' ability to understand and predict changes in the climate system. International, national, state, and local efforts to limit greenhouse gases require reliable information to support emissions verification, as do efforts to track climate changes and mitigate impacts. Adaptation and mitigation strategies must also be informed by a solid scientific understanding of the climate system.

Society exists in a highly variable climate system, with conditions changing over the span of seasons, years, decades, and centuries. Given such stresses as population growth, drought, and increasing demand for freshwater, it is essential for NOAA to provide reliable observations, forecasts, and assessments of climate, water, and ecosystems to enhance decisionmakers' ability to minimize climate risks. This information supports decisions regarding community planning, business management, and natural resource and water planning.

Climate-related changes projected for the future include the following:

- increased global temperatures;
- melting sea ice and glaciers;
- rising sea levels;
- increased frequency of extreme precipitation events;
- acidification of the oceans;
- modifications of growing seasons;
- changes in storm frequency and intensity;
- alterations in species' ranges and migration patterns;
- earlier snowmelt;
- increased drought; and
- altered river flow volumes.

The impacts of these changes are regionally diverse and affect numerous sectors, including water, energy, transportation, forestry, tourism, fisheries, agriculture, and human health. These changes have profound implications for society, underscoring the need for scientific information to aid decisionmakers in developing and evaluating options for mitigating the human causes of climate change and adapting to foreseeable climate impacts.

In FY 2011, NOAA continued its efforts to obtain the best science through the U.S. Global Change Research Program (USGCRP, formerly the Climate Change Science Program) and NOAA Climate Program. NOAA accomplished this through its continuing role as lead agency of the interagency USGCRP. In addition, NOAA increased the production of climate information and services for decisions, including completion of the USGCRP Synthesis and Assessment Reports, and implementation of the National Integrated Drought Information System (NIDIS).

## ACHIEVEMENTS

### **America's Climate Choices Releases Final Report**

A National Research Council committee report warned that the risk of dangerous climate change impacts is growing with every ton of greenhouse gases emitted into the atmosphere, and reiterated the pressing need for substantial action to limit the magnitude of climate change and to prepare to adapt to its impacts. The National Research Council's new report, the final volume in America's Climate Choices, a series of studies requested by Congress and supported by NOAA, analyzed the Nation's options for responding to the risks posed by climate change. The report emphasized that the country needs a coordinated national response to climate change, and should be guided by an iterative, risk management framework in which actions taken can be revised as new knowledge is gained. The report committee included renowned scientists and engineers, economists, business leaders, an ex-governor, a former congressman, and other policy experts.

### **Forecasting Drought in the South Central United States**

NOAA and its partners throughout the South Central U.S. region continue to monitor drought conditions and release outlooks, aiming to provide enough lead time to people whose lives and livelihoods may be vulnerable to drought impacts. The advance notice allowed state fire managers in Texas and the surrounding states enough time to assess their fire risk, assets, and resources during one of the driest winter and spring seasons on record. Texas experienced what may have been its worst fire season in history this past year. As the extreme drought continued through 2011, NOAA weather and climate experts collaborated with the Department of the Interior (DOI) and other stakeholders in the South Central U.S. region to prepare an updated drought outlook. The resulting forecast found that given current drought conditions, the expected above-normal temperatures, and the precipitation outlook, there is less than five percent chance that drought conditions will end between July and September.

### **NOAA Joins International Effort to Track Black Carbon in the Arctic**

In April and May 2011, six nations participated in the Coordinated Investigation of Climate-Cryosphere Interactions project, a study that looks at the potential role of black carbon, or soot, on the rapidly changing Arctic climate. NOAA used two small unmanned aircraft the size of a large suitcase outfitted with sensors to sample the air. Other participants included scientists from Norway, Russia, Germany, Italy, and China. The goal of the project was to coordinate more than a dozen research activities so that they can provide, for the first time, a vertical profile of black carbon's movement through the atmosphere, its deposition on snow and ice surfaces, and its effect on warming in the Arctic.

### **New NOAA Buoy to Help Close Gap in Climate Understanding South of Africa**

To better understand the effects of the ocean on global climate and weather, scientists from NOAA's Pacific Marine Environmental Laboratory (PMEL) (<http://www.pmel.noaa.gov/>) deployed an Ocean Climate Station mooring (<http://www.pmel.noaa.gov/ocs/ARC/>)—an anchored buoy—on the edge of the warm Agulhas Return Current (ARC) southeast of South Africa in December 2011.

The buoy, which is part of NOAA's climate observation and monitoring efforts, is one of only two deep ocean climate buoys positioned below the Tropic of Capricorn; the other is located south of Australia. With this mooring, scientists will be able to measure how this powerful current warms the atmosphere and some of the effects it has on the local meteorology and climate.

**Arctic Report Card: Region Continues to Warm at Unprecedented Rate**

In 2006, NOAA's Climate Program Office introduced the annual Arctic Report Card, which established a baseline of conditions at the beginning of the 21st century to monitor the quickly changing conditions in the Arctic. This year's report—released on October 21, 2010 and prepared by a team of 69 international scientists—found that the Arctic region continues to heat up, affecting local populations and ecosystems as well as weather patterns in the most populated parts of the Northern Hemisphere. Greenland is experiencing record-setting high temperatures, ice melt, and glacier area loss. Summer sea ice continues to decline—the 2009 – 2010 summer sea ice cover extent was the third lowest since satellite monitoring began in 1979—and sea ice thickness continues to thin. Arctic snow cover duration was also at a record minimum since recordkeeping began in 1966.

**New Guide to Help Natural Resource Managers Make Climate-Smart Conservation Decisions**

On January 19, 2011, an expert working group consisting of leading scientists from federal agencies (including NOAA), state agencies, non-profit organizations, and universities, produced *Scanning the Conservation Horizon: A Guide to Climate Change Vulnerability Assessment*. This guide offers conservationists and resource managers a way to understand the impact of climate change on species and ecosystems, and supports efforts to safeguard these valuable natural resources. The peer-reviewed guide helps conservation professionals and natural resource managers craft effective strategies to prepare for and cope with the effects of rapid climate change on the Nation's fish, wildlife, and natural habitats—and the communities and economies that depend on them.

**NOAA Establishes Supercomputing Center in West Virginia**

On March 9, 2011, NOAA Administrator Jane Lubchenco announced a \$27.6 million American Reinvestment and Recovery Act of 2009 (ARRA) investment to build a new state-of-the-art supercomputer center in Fairmont, WV, housed by the NOAA Environmental Security Computing Center. The center is geared to develop and improve the accuracy of global and regional climate and weather model predictions, giving NOAA a powerful new tool in climate and weather modeling and service delivery.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)	21	22	Met
Uncertainty in the magnitude of the North American (NA) carbon uptake	0.45 GtC/year	0.45 GtC/year	Met
Error in global measurement of sea surface temperature	0.50°C	0.51°C	Slightly Below
Number of regionally focused climate impacts and adaptation studies communicated to decisionmakers	41 assessments/evaluations	41 assessments/evaluations	Met

**FY 2011 STATUS**

---

NOAA met three of the four targets for this objective.

**FY 2011 MISSED TARGETS**

---

MEASURE	ERROR IN GLOBAL MEASUREMENT OF SEA SURFACE TEMPERATURE (NOAA)
<b>Explanation</b>	The performance target was set at an approximate target level, and the deviation from that level is slight. There was no effect on the overall program or activity performance.
<b>Action</b>	Overall the program is successful but is working to improve buoy deployment to improve data quality and meet future targets.

## OBJECTIVE 17

*Develop sustainable and resilient fisheries, habitats, and species (NOAA)*

## PUBLIC BENEFITS

Ocean and coastal ecosystems provide many extremely visible human benefits—they provide nourishment, they provide recreational opportunities, and they support economies. Yet ocean and coastal resources are already stressed by human uses and habitat changes resulting in depleted fish and shellfish stocks; increased numbers of species at-risk; and declining marine, coastal, and Great Lakes biodiversity. Since humans are an integral part of the ecosystem, these declines in ocean and coastal ecosystem functions and quality can directly impact human health and well being. As long-term environmental, climate, and population trends continue, global demands for seafood, recreational use of the marine environment, and other pressures on habitats and over-exploited species will increase, and concerns about the sustainability of ecosystems and safety of seafood will rise commensurately. Depleted fish stocks and declines in iconic species such as killer whales, salmon, and sea turtles result in lost opportunities for employment, economic growth, and recreation along the coasts. In addition, climate change impacts to the ocean—sea level rise, acidification, and warming—will alter habitats and the relative abundance and distribution of species as well as the productivity of coastal and marine ecosystems, affecting recreational, economic, and conservation activities.

NOAA will ensure that U.S. ocean, estuarine, and related ecosystems and the species that inhabit these ecosystems are vibrant and sustainable in the face of these challenges. A stronger understanding of these systems will support an ecosystem-based approach to management. These approaches account for the complex connections between organisms (including humans); their physical, biotic, cultural, and economic environments; and the wide range of processes that control their dynamics, and can assist policymakers weigh trade-offs between alternative courses of action. By working toward the long-term sustainability of all species, NOAA will also ensure, for present and future generations, that seafood is a safe, reliable, and affordable food source; that seafood harvest and production, recreational fishing opportunities, and non-consumptive uses of living marine resources continue to support vibrant coastal communities and economies; and that species of cultural and economic value can flourish. Restoration of natural habitat for compromised species requires a substantial amount of time. The levels of native species also can be affected by the inadvertent introduction of invasive species, often through the shipping industry or through direct human release of such species. NOAA defines them as “aquatic and terrestrial organisms and plants that have been introduced into new ecosystems (i.e., Great Lakes, San Francisco Bay, Florida, Hawaii) throughout the United States and the world and are both harming the natural resources in these ecosystems and threatening the human use of these resources.” Examples of recent invasive species include zebra mussels and snakeheads.

## ACHIEVEMENTS

**Steady Progress Toward Rebuilding the Nation's Fisheries**

In FY 2011, NOAA made significant progress toward ending overfishing and rebuilding overfished stocks. In July 2011, NOAA released the 14th annual report to Congress on the status of the Nation's fisheries that showed three additional formerly overfished stocks rebuilt to healthy levels, bringing the total rebuilt since 2000 to 21. As of December 31, 2010, NOAA had put in place annual catch limits or other management measures for all stocks subject to overfishing as mandated by the Magnuson-Stevens Act, with NOAA being on track to have annual catch limits in place for all remaining stocks by the end of 2011. During FY 2011, NOAA established required annual catch limits in 20 Fishery Management Plans (FMP), including key groundfish fisheries in Alaska, the mid-Atlantic, and

on the Pacific Coast, crab and scallop fisheries in Alaska, and all the FMPs in the Western Pacific. As of September 30, 2011, 25 FMPs had all required catch limits in place.

### **All Federal Waters of the Gulf Once Closed to Fishing Due to Spill Now Open**

On April 19, 2011, NOAA reopened 1,041 square miles of Gulf waters immediately surrounding the Deepwater Horizon wellhead, just east of Louisiana, to commercial and recreational fishing. This completed the reopening of all federal waters formerly closed to fishing due to the Deepwater Horizon oil spill. Sensory analysis found no detectable oil or dispersant odors or flavors, and chemical analysis for oil-related compounds and dispersants, conducted in part with a brand new method developed by NOAA to measure dispersants in seafood, were well below the levels of concern. The reopening followed consultation with the U.S. Food and Drug Administration.

NOAA continues to be involved in numerous activities following the reopening. Staff are engaged in both assessment studies and development of restoration activities under the Natural Resources Damage Assessment (NRDA) umbrella. NOAA is assessing damage to turtles, marine mammals, fish, and other trust resources. NOAA is the lead agency/Trustee for the development of the Deepwater Horizon Programmatic Environmental Impact Statement (PEIS), which will provide a framework to guide the decision-making of the Trustee Council, as well as provide transparency to the public and policymakers about the NRDA process. While the PEIS is being developed, NOAA has led the co-Trustees in the development of emergency restoration projects for submission to BP for funding, and is providing guidance and counsel to the Trustees to execute the \$1 billion framework agreement for early restoration.

### **NOAA Stimulates the Economy and Restores Habitat through the Implementation of the ARRA Habitat Restoration Projects**

In FY 2011, NOAA completed construction for 76 percent of the 50 habitat restoration projects supported through ARRA. NOAA restored 10,318 habitat acres with ARRA funds in FY 2011, for a total of 12,142 acres since FY 2009, exceeding the total cumulative projected target of 8,770 acres to be restored with ARRA funds. These projects will improve habitat conditions for living marine resources, including threatened and endangered species, and will also help the economies of coastal communities.

### **Fisheries Benefit from Catch Share Programs**

Final figures for Fishing Year 2010 of the Northeast groundfish fishery (May 1, 2010 – April 30, 2011), the first for the expanded sector program, show total gross revenues from all species caught by commercial groundfish vessels increased 24 percent from 2009. While total groundfish landings decreased by 17 percent, total groundfish revenues decreased by only two percent (likely due to higher groundfish prices). This is also the first year the Northeast groundfish fleet fished under comprehensive catch limits for the 20 stocks that account for both kept and discarded groundfish species; none of the new fishing sectors exceeded their annual catch allocations for groundfish stocks. Whereas the implementation of this complex program was an enormous undertaking for NOAA, its apparent success demonstrates the value of catch share programs.

### **Actions Taken to Combat Illegal, Unreported, and Unregulated Fishing and Bycatch of Protected Living Marine Resources**

In October 2010, a federal rule went into effect that allows NOAA to deny a vessel entry into a U.S. port or access to port services if that vessel has been listed for engaging in illegal, unreported, and unregulated (IUU) fishing by a regional fishery management organization. The rule also prohibits persons and businesses from providing certain services to, and engaging in commercial transactions with, listed foreign IUU vessels. Annual global economic losses due to IUU fishing are estimated to be as high as \$23 billion. In the 2010 Report to Congress, China, France, Italy, Libya, Panama, and Tunisia had been identified as having IUU fishing issues. The 2011

Report concluded that all six countries had taken corrective action, but that Colombia, Ecuador, Italy, Panama, Portugal, and Venezuela were identified as having new IUU fishing issues. The United States also joined more than 50 countries in July to recommend that tuna regional fishery management organizations better track vessels engaged in IUU fishing for tunas, swordfish, sharks, and other highly migratory species. Delegates also recommended a set of decision-making principles designed to ensure all management measures are consistent with scientific advice.

### **Weak Hooks Used to Protect Non-Target Tuna and Whales**

In May 2011, NOAA implemented a requirement for pelagic longline vessels in the Gulf of Mexico to use “weak hooks” designed to release spawning bluefin tuna while retaining the target yellowfin tuna and swordfish. Bluefin tuna is a newly-designated species of concern under the Endangered Species Act due to concerns regarding their depleted stock levels, and potential impacts of the Deep Water Horizon oil spill on their only known spawning grounds in the Western Atlantic. NOAA scientists worked with fishermen over three years to design and test weak hooks as a way of reducing bluefin tuna bycatch. To assist fishermen with the transition to these new, improved hooks, NOAA worked in cooperation with the National Fish and Wildlife Foundation to develop a voucher program whereby fishermen would be reimbursed by the foundation for the initial cost of purchasing the new hooks. NOAA also conducted a field study to determine the commercial viability of using weak hooks in the Hawaii deep-set longline fishery for bigeye tuna to reduce bycatch of false killer whales. The study showed that catch rates of bigeye tuna were maintained using hooks that can potentially be straightened by false killer whales, allowing them to escape. The study may provide the basis for a conservation measure now under consideration to reduce take in the Hawaii longline fishery.

### **NOAA Implements Improved Recreational Catch Estimates**

In FY 2011, NOAA delivered a new, independently-reviewed, design-unbiased survey methodology that will improve the accuracy of recreational catch estimates. The new approach addresses one of the major recommendations in the National Research Council’s Review of Recreational Fisheries Survey Methods. NOAA staff coordinated with councils, commissions, and constituents to roll out this major improvement to recreational fishing statistics, which is a milestone in meeting the data needs of NOAA’s management partners as well as addressing issues of public confidence in NOAA data. The new recreational catch estimation method will be used to produce the 2011 estimates and to revise historical estimates. In addition, NOAA met the Magnuson-Stevens Act January 1, 2011 deadline for the implementation of the registration renewal and fee acceptance functionality for the Marine Recreational Information Program National Saltwater Angler Registry, including full integration with Pay.gov.

### **Complete Roll-out of Final NOAA National Aquaculture Policy**

On June 9, 2011, the Department and NOAA issued complementary policies that together provide a national approach for supporting and enabling sustainable domestic marine aquaculture. NOAA’s vision for sustainable seafood includes aquaculture as a complement to wild-caught fisheries in meeting demand for seafood. NOAA’s policy will enable the development of sustainable marine aquaculture within the context of NOAA’s stewardship missions and broader social and economic goals. The intent of the policy is to guide NOAA’s aquaculture activities and to provide a national approach for supporting sustainable commercial production, expanding restoration aquaculture, and researching and developing new technologies. The policy provides overarching guidance and context for domestic aquaculture to contribute to the U.S. seafood supply, promote job creation, support coastal communities and important commercial and recreational fisheries, and help restore habitat and endangered species. Initiatives announced with the release of the final policies included: a national shellfish initiative; a job creation, technology transfer, and innovation initiative; and implementation of the Gulf of Mexico Fishery Management Plan for aquaculture.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Fish stock sustainability index (FSSI)	586	587	Met
Percentage of fish stocks with adequate population assessments and forecasts	60.4% (139/230)	55.7% (128/230)	Not Met
Number of protected species with adequate population assessments and forecasts	18.6% (73/392)	17.6% (69/392)	Not Met
Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels	28	29	Met
Number of habitat acres restored (annual)	8,888	15,420	Exceeded

**FY 2011 STATUS**

NOAA met three of the five targets under this objective.

**FY 2011 MISSED TARGETS**

MEASURE	PERCENTAGE OF FISH STOCKS WITH ADEQUATE POPULATION ASSESSMENTS AND FORECASTS (NOAA)
<b>Explanation</b>	The target for this measure was missed by 11 assessments. The completion of five assessments targeted for FY 2011 fourth quarter was delayed until FY 2012 first quarter, due mainly to a backlog resulting from the heavy workload for the statutorily mandated development of Annual Catch Limits, as well as funding delays in FY 2011. Six assessments did not meet the targeted standard of adequacy for reasons specific to each stock, generally due to an overall increase in expectations for what is needed to achieve adequacy.
<b>Action</b>	The five delayed assessments will be completed in FY 2012 first quarter. NOAA will attempt to achieve adequacy in FY 2012 on three of the six assessments that did not reach it in 2011, and one is scheduled for reassessment in 2014. The other two are not currently on the assessment schedule.
MEASURE	PERCENTAGE OF PROTECTED SPECIES WITH ADEQUATE POPULATION ASSESSMENTS AND FORECASTS (NOAA)
<b>Explanation</b>	The target for this measure was missed by four assessments. Two assessments of shortnose sturgeon in the Southeast were delayed until FY 2012 because the funds were not received in time for the contractor to complete the work in FY 2011. Two assessments for corals in the Southeast were cancelled due to an unexpected decrease in FY 2011 funding.
<b>Action</b>	The two sturgeon assessments will be completed in FY 2012. The two coral assessments depend on available funding and may be rescheduled once the FY 2012 appropriation is determined.

## OBJECTIVE 18

*Support coastal communities that are environmentally and economically sustainable (NOAA)*

## PUBLIC BENEFITS

Coastal areas are among the most developed in the Nation, with over half the population living on less than one-fifth of the land in the contiguous United States. At over 230 persons per square mile, the population density of the near shore is three times that of the Nation as a whole. The portion of the U.S. economy that depends directly on the ocean is also large, with 2.2 million people employed and over \$197 billion in value added to the national economy in 2000. Approximately 89 million people vacation and recreate along U.S. coasts every year. The amount added annually to the national economy by the commercial and recreational fishing industry alone is over \$43 billion with an additional \$1 billion of marine and freshwater aquaculture sales. With its Exclusive Economic Zone of 3.4 million square miles, the United States manages the largest marine territory of any nation in the world. While an increasing range of uses will allow coastal communities to create diverse ocean-based economies, care must be taken to ensure continued access to coastal areas, sustained ecosystems, maintained cultural heritage, and limited cumulative impacts.

No single region better exemplifies the complex interdependence of communities and changing climate and ecosystem conditions than the Arctic. There is evidence of widespread, dramatic change in the Arctic region, with local to global implications. National security concerns are increasing as reductions in sea-ice bring opportunities for economic development and increased access to Arctic resources. The breadth and complexity of the cultural, societal, economic, and environmental impacts within this region require a concerted, systematic, and rapid effort with partners from local to international levels.

Within this context, NOAA works with its partners to achieve a balance between the use and protection of these resources to ensure their sustainability, health, and vitality for the benefit of this and future generations and their optimal contribution to the Nation's economy and society. A coastal and marine spatial planning framework is a comprehensive management approach that is designed to support sustainable uses and ensure healthy and resilient ocean and coastal ecosystems. In some areas, NOAA and its partners collaboratively protect and manage critical coastal and ocean ecosystems.

NOAA will invigorate coastal communities and economies, and lead to increased resiliency and productivity. Comprehensive planning will address competing uses to protect coastal communities and resources from the impacts of hazards and land-based pollution on vulnerable ecosystems, as well as to improve water quality and foster integrated management for sustainable uses. Geospatial services will support communities, navigation, and economic efficiency with accurate, useful characterizations; charts and maps; assessments; tools; and methods. Coastal decisionmakers will have the capacity to adaptively manage coastal communities and ecosystems with best available natural and social science. Enabling this goal are strong collaborative partnerships with regional, state, and local private and public entities that have responsibilities and interests in managing coastal communities and ecosystems. Close collaboration across goals will ensure success in meeting NOAA's strategic priorities.

NOAA's Marine Transportation System (MTS) spans ports and inland waterways across U.S. coastal waters and oceans to support commerce, recreation, and national security. MTS supports the Nation's economy, with more than 77 percent by weight and 95 percent by volume of U.S. overseas trade carried by ship. By 2020, the value of domestic maritime freight is forecasted to nearly double. MTS is increasingly vulnerable to natural and human-caused disruptions, potentially impacting the viability of the economy. Increased maritime activity can stress sensitive marine and freshwater environments and increase the risk of maritime accidents. Improving the reliability and resilience of MTS will decrease risks to the economy and the environment.

## ACHIEVEMENTS

### **NOAA Helps Exporters Load More Cargo and Ensures Safe Navigation across the Nation**

Accurate depth information can make millions of dollars of difference to shippers taking U.S. exports to overseas markets, especially as the Nation attempts to double exports by 2015. With underwater keel clearances of less than 12 inches in some places and overhead bridge clearances just as tight, captains rely on NOAA's navigational data to determine how much cargo they can load on a particular vessel. NOAA worked with maritime communities in South Carolina and California to survey approaches and update nautical charts to provide the most precise information to commercial mariners. NOAA's navigation managers and navigation response teams worked with the Charleston Pilots Association, who had voiced concerns about shoaling that may interfere with traffic approaching the port terminal. NOAA also worked with the U.S. Army Corps of Engineers and U.S. Coast Guard to update navigational charts to reflect depth changes in the Ports of Los Angeles and Long Beach. NOAA's navigation response teams investigated a series of potential threats to navigation in order to maintain safety and efficiency of the Nation's maritime transportation system. One team searched for a sunken vessel and investigated reports of shoaling and other depth changes causing problems for ships in the inter-coastal waterway and the approach to Panama City, FL. At the request of the San Francisco Bar Pilot Association, another team investigated a variety of navigation issues and surveyed anchorage areas where munitions were once (but are no longer) offloaded, so the restrictions can be removed from NOAA nautical charts. Elsewhere, teams surveyed priority areas in Narragansett Bay, MA; King's Bay, FL; and Puget Sound, WA. A team also continued to survey in support of Lake Huron's Thunder Bay National Marine Sanctuary.

### **Hydrographic Surveys Address Backlog in Continental United States and Alaska**

Ocean transportation contributes more than \$742 billion to the national economy and provides employment for more than 13 million people. NOAA's nautical charting services provide updated information that ports and shippers use to increase both efficiency and safety. The United States has nearly 3.5 million square nautical miles of coastal waters U.S. Exclusive Economic Zone. NOAA's Office of Coast Survey began its 177th hydrographic survey season making progress towards addressing the survey backlog with updated hydrographic surveys of critical areas of the continental United States and Alaska. NOAA ships THOMAS JEFFERSON, FAIRWEATHER, and RAINIER surveyed more than 2,400 square nautical miles of coastal waters. NOAA works throughout the year with pilots, port authorities, the U.S. Coast Guard, researchers, and others when setting priorities for its annual survey schedule. The Virginia Pilots Association recently noted that the timing of NOAA's upcoming surveys in southern Chesapeake Bay is especially opportune because Operation Sail 2012 Virginia, a tall ship celebration, could generate more than \$150 million for the state in related and visitor spending.

### **NOAA Increases Great Lakes Marine Forecasting Capability**

NOAA significantly extended its Great Lakes forecasting of marine conditions, almost doubling its current 36-hour forecast capability to 60 hours. The improvement adds vital information to the Great Lakes Operational Forecast System, which provides forecasts of water levels, three-dimensional water temperature, and currents for the five Great Lakes every six hours. This output, combined with wind and wave forecasts provided by the National Centers for Environmental Prediction (NCEP), provides users a complete forecast package of important lake parameters. Users access the information via an interactive map offered online by NOAA's Center for Operational Oceanographic Products and Services (CO-OPS) and from the Office of Coast Survey's nowCOAST. This forecast improvement is possible thanks to a collaborative effort between CO-OPS, Office of Coast Survey, NCEP, the Great Lakes Environmental Research Laboratory, and Ohio State University.

### **New Storm Surge Monitoring Network in Mobile County, AL**

In summer 2011, NOAA completed the first three water level stations in the Mobile Bay Storm Surge Monitoring Network in Alabama. This accomplishment involved CO-OPS's first operational installation of microwave radar water level sensors, a new technology in which CO-OPS has invested significant effort over the last three years with tests and evaluation. The main objective of the project is to install a state-of-the-art water level network consisting of five new strategically located stations to provide real-time storm surge data to Mobile County's emergency managers, Weather Forecast Office, and others. The motivation is to provide better spatial coverage of water level observations throughout Alabama's complicated and flood prone coasts. Data will be extremely valuable to support local storm surge warning and related decision-making, as well as to continue development of new and improved storm surge forecast models. To ensure sustainability of the systems, measurement equipment is located high enough above the water to survive category 5 storm surge levels (22-25 feet above mean sea level). NOAA recently completed the first three stations, and will install the remaining two stations in August and September.

### **Harmful Algal Bloom Forecasts, Research, and Response**

The National Ocean Service's National Centers for Coastal Ocean Science (NCCOS) issued experimental harmful algal bloom forecasts bulletins for western Lake Erie. The region-specific software generates bulletins that are delivered to coastal resource managers; water treatment facilities; local, state, and federal public health officials; and academic and research institutions to initiate in situ sampling and bloom confirmation, and collect public health impact data. In the northeast, scientists from NCCOS's Gulf of Maine Toxicity project issued an outlook for a moderate regional bloom of toxic algae. In 2010, a forecast led to early monitoring of shellfish beds in Maine that forced closure of portions of Casco Bay, potentially avoiding human illness. Information between users and scientists have produced and transferred NOAA technologies to mitigate the socioeconomic impacts of harmful algal blooms on coastal communities. These include phone applications for volunteers at over 200 monitoring sites, toxin detection methods promoting international trade, autonomous underwater biosensors for early warning systems, hand-held sensors for health assessments, and event response and non-invasive methods to measure toxins in humans and wildlife.

### **NOAA's Office of Response and Restoration Continues to be the U.S. Scientific Resource for Oil Spills**

NOAA's Office of Response and Restoration (OR&R) is the leading U.S. scientific resource for oil spills, with mandates to provide scientific support during responses and to conduct the Natural Resource Damage Assessment (NRDA). OR&R's input is vital to science-based decision-making in Gulf communities in the wake of the Deepwater Horizon oil spill. OR&R had Scientific Support Coordinators on-scene throughout the incident who funneled scientific, technical, and environmental expertise from OR&R's modelers, chemists, biologists, and oceanographers to the response. OR&R oversees the Shoreline Cleanup and Assessment Technique (SCAT) effort which is now the most visible component of the Deepwater response. Due to the size of the Deepwater Horizon release and the large potential for injury, NRDA field efforts have far surpassed any other for a single oil release. By early June 2011, the trustees had approved over 115 study plans and collected more than 36,000 water, tissue, sediment, soil, tarball, and oil samples. More than 90 oceanic cruises have been conducted for NRDA with many more scheduled for the fall of 2011. NRDA will identify the extent of injuries to resources, the best methods for restoring those resources, and the type and amount of restoration required. OR&R also provides scientific input and review on high-level reports and assessments, e.g., Operational Science Advisory Team, Federal On-Scene Commander report, Incident Specific Preparedness Review, Presidential Commission, Report to the President by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, National Response Team after Action Report. OR&R is also providing on-site scientific support for the Silvertip Pipeline spill in the Yellowstone River, and has been at the forefront of coordinating federal partnerships to address marine debris created by the devastating March 2011 Japan tsunami. OR&R is using supplemental funding from Congress to address targeted science-based issues including:

- Improvement of algorithms and models showing subsurface blowout dynamics and transport mechanisms in three dimensions;
- Assessment of dispersed oil (both surface and subsurface) data and development of national research and development priorities for dispersants in marine environments; and
- Use of new oil budget algorithms in real-time fate models for better and quicker oil budget estimates during continuous release scenarios.

### **NOAA Disaster Response Center Set to Open in 2012**

The lessons learned from natural disasters over the past decade, such as the Deepwater Horizon spill and Hurricane Katrina, have shown that effective application of federal capabilities requires keen awareness and operational understanding of key products and services at every level of government. Delivering and applying these products and services requires highly trained staff and effective support resources, which highlights the importance of the new NOAA Disaster Response Center currently nearing completion in Mobile, AL. The center's mission to efficiently apply NOAA's capabilities to the unique circumstances of the Gulf of Mexico will improve the Agency's preparedness and response posture in a region known to be vulnerable to extreme events.

### **NOAA's National Geodetic Survey Deploys to Flood and Storm-Ravaged Areas**

Over the past year, the National Geodetic Survey (NGS) has provided vital emergency response imagery to flood and storm-ravaged areas. In April 2011, the Remote Sensing Division of NGS and NOAA's Office of Marine and Aviation Operations (OMAO) deployed to North Dakota to collect aerial imagery of areas affected by the Red River flooding. With more than 30 hours of flight time, imagery data were collected in coordination with NOAA's North Central River Forecast Center to validate their flood models. Later in April, and in early May, NGS and OMAO deployed to the Birmingham and Tuscaloosa, AL areas for aerial mapping of the long swath of catastrophic tornado damage in the southeast. Later in May, NGS again deployed, this time to Joplin, MO, to collect disaster response imagery of the catastrophic tornado damage that took place in that area, collecting nearly 1,500 images. NWS, OMAO, and the National Ocean Service conducted and coordinated these interagency projects along with the U.S. Army Corps of Engineers, the Federal Emergency Management Agency (FEMA), State of Alabama authorities, and others. NGS is ready to collect new imagery for hurricane damage assessment should the need arise. All imagery data were processed immediately following the flights and are available for public view on the NGS Web site [www.ngs.noaa.gov](http://www.ngs.noaa.gov).

### **Gulf of Mexico at a Glance: A Second Glance**

On August 2, 2011, the National Ocean Service released a new publication, *The Gulf of Mexico at a Glance: A Second Glance*. This publication provides coastal managers, planners, policy officials, and others with a reference to support regional decision-making and communications about the importance of healthy Gulf coastal ecosystems to a robust national economy, a safe population, and a high quality of life for residents. The report helps to better define the regional context in which NOAA and other state, local, and federal partners work through the Gulf of Mexico Alliance to better manage the Gulf's coastal natural resources. The report contributes to the implementation of the National Ocean Policy, and serves as a valuable reference to NOAA and its partners working to advance regional ocean governance through the Gulf of Mexico Alliance, and regional restoration through the Gulf Coast Ecosystem Restoration Task Force. This report is an update to the original *Gulf of Mexico at a Glance* report, published in June 2008. This update was produced in partnership with the U.S. Census Bureau and the U.S. Environmental Protection Agency Gulf of Mexico Program.

### **NOAA's Role in Developing a National Fish, Wildlife and Plants Climate Adaptation Strategy**

In FY 2011, NOAA, DOI's Fish and Wildlife Service, and the State of New York (on behalf of the States) initiated the development of a National Fish, Wildlife, and Plant Climate Adaptation Strategy. The goal of the strategy is to provide a nationwide unified approach—reflecting shared principles and science-based practices—to safeguard the Nation's biodiversity, ecosystem functions, and sustainable human uses of fish, wildlife, and plants in a changing climate. Congress called for development of the strategy by DOI in an FY 2010 appropriations conference report, and DOI subsequently invited NOAA to co-lead the effort. NOAA responsibilities include: co-chairing the intergovernmental Steering Committee that will oversee development of the strategy, providing direction and expertise on the Management team for the effort, and providing leadership and expertise on Technical teams. The interagency, intergovernmental Steering Committee officially kicked off the effort in January 2011, and five ecosystem-focused Technical teams began development of strategy content in March. Each team has representatives from NOAA's federal, state, and tribal partners in resource management, with over 100 formally engaged in the effort. The Office of Ocean and Coastal Resource Management is co-leading the Coastal Technical team along with the State of Florida. Teams have completed drafts of ecosystem sections that identify climate impacts and key strategies and actions for managing species and natural resources in a changing climate. The strategy will also include national-level strategies and a discussion of crosscutting issues such as the role of agriculture, transportation, and energy sectors in building the resilience of natural resources. A draft of the strategy will be released for Agency review in October and public review in December 2011.

### **Enhancing Access to Geospatial Information through the Digital Coast**

The Digital Coast is a community-driven enabling platform and partnership effort that provides an integrated suite of data, decision support tools, training, and real-world case studies for the Nation's coastal communities. The Digital Coast brings critical, place-based information to community leaders to ensure they are better equipped to take the steps needed to make their communities and their economies more resilient. Almost 2,500 communities used the Digital Coast Web site in the third quarter of FY 2011, exceeding the Department's balanced scorecard target of 1,918. This figure includes 37 percent of all Census-designated cities within NOAA-approved coastal counties. Improvements in FY 2011 included several new mapping and visualization tools. For each of these additions, the common theme was making complicated information easy to understand and use. For instance, the Sea Level Rise and Coastal Flooding Impacts Viewer allows users to "see" potential impacts from flooding and sea level rise. The Land Cover Atlas is making satellite imagery much more accessible to quickly evaluate changes in habitat or development. The expanded Coastal County Snapshots now includes ocean and Great Lakes-related employment data provided by the Bureau of Economic Analysis and Bureau of Labor Statistics, as well as a new economic-based dataset, Economics: National Ocean Watch, or ENOW. The new Digital Coast Webinar series is providing a popular means for users to get their questions answered and gain a better understanding of the utility provided in the Digital Coast.

### **NOAA Exceeds Performance Goal on Reprocessing Data for Other Purposes**

NOAA is making great strides with the Integrated Ocean and Coastal Mapping (IOCM) approach of "map once, use many times." Led by Coast Survey, the NOAA IOCM effort has reprocessed 226 square nautical miles of multibeam data, including 126 square nautical miles of fisheries multibeam data collected in southwest Alaska by the NOAA Ship OSCAR DYSON. The reprocessed data was forwarded to NOAA's hydrographic survey branch for use in navigation products such as nautical charts. An additional 100 square nautical miles of hydrographic multibeam bathymetry and backscatter data from the NOAA Ship FAIRWEATHER for the Olympic Coast National Marine Sanctuary was reprocessed to support the development of seafloor habitat maps. NOAA exceeded its target of 100 square nautical miles for reprocessed data while developing methods to reprocess data for additional uses, improved ease of data access, and improved quality of mapping products.

**SUMMARY OF PERFORMANCE**

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs	50	50	Met
Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management	45	55	Met
Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management	87%	88%	Met
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection	19,219	17,274	Not Met
Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year)	36%	43%	Exceeded
Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	2,400	2,278	Not Met
Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity	83.0%	84.3%	Met

**FY 2011 STATUS**

NOAA met and/or exceeded five of the targets under this objective.

**FY 2011 MISSED TARGETS**

<b>MEASURE</b>	<b>HYDROGRAPHIC SURVEY BACKLOG WITHIN NAVIGATIONALLY SIGNIFICANT AREAS (SQUARE NAUTICAL MILES SURVEYED PER YEAR) (NOAA)</b>
<b>Explanation</b>	NOAA missed the target of 2,400 square nautical miles in part due to delays in contract task order awards, a reduction in address survey backlog funds, and lost days at sea for NOAA Ship RAINIER due to emergency repairs to the ship's steering system and emergency generator switch board.
<b>Action</b>	The National Ocean Service and OMAO are working together to rationalize how planning and performance management is structured to monitor funds and performance for reducing the hydrographic survey backlog.
<b>MEASURE</b>	<b>ANNUAL NUMBER OF COASTAL, MARINE, AND GREAT LAKES HABITAT ACRES ACQUIRED OR DESIGNATED FOR LONG-TERM PROTECTION (NOAA)</b>
<b>Explanation</b>	The Coastal and Estuarine Land Conservation Program (CELCP) targets are established based on an evaluation of what real estate contracts will be closed from management plans 1-3 years prior to the year of performance measure execution. In FY 2010, a large CELCP contract closed September 30 that was expected to close in FY 2011, this artificially elevated the actual for FY 2010 and impacted actual for FY 2011. In addition, due to late appropriations for FY 2011, grants could not be processed in time to close a substantial contract closure prior to September 30, 2011. Both of these events greatly impacted the ultimate actual. The remaining CELCP acres will likely be achieved through contract closures in FY 2012.
<b>Action</b>	No action is required.

**THEME 3 PROGRAM EVALUATIONS**

The following program evaluations were conducted on programs related to this theme in FY 2011.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
NOAA	National Research Council	<i>Precise Geodetic Infrastructure: National Requirements for a Shared Resource</i>	10/2010	<a href="http://www.nap.edu/catalog.php?record_id=12954">http://www.nap.edu/catalog.php?record_id=12954</a>
NOAA	NOAA	<i>NOAA Management Control Review</i>	Ongoing, 2011	<a href="http://www.corporateservices.noaa.gov/~audit/MgmtControlOverview.html">http://www.corporateservices.noaa.gov/~audit/MgmtControlOverview.html</a>
NOAA	SRA International, Inc. & The Council Oak	<i>External Evaluation of State Coastal Zone Management and National Estuarine Research Reserve System Programs</i>	9/1/2010	<a href="http://coastalmanagement.noaa.gov/success/evaluation.html">http://coastalmanagement.noaa.gov/success/evaluation.html</a>
NOAA	GAO	<i>Chesapeake Bay: Restoration Effort Needs Common Federal and State Goals and Assessment Approach (GAO-11-802)</i>	Ongoing, 2011	<a href="http://gao.gov">http://gao.gov</a>
NOAA	GAO	<i>Financial Management: NOAA Needs to Better Document Its Policies and Procedures for Providing Management and Administration Services</i>	1/31/2011	<a href="http://www.gao.gov/new.items/d11226.pdf">http://www.gao.gov/new.items/d11226.pdf</a>
NOAA	National Research Council	<i>Tsunami Warning and Preparedness: An Assessment of the U.S. Tsunami Program and the Nation's Preparedness Efforts (2010)</i>	1/1/2011	<a href="http://www.nap.edu/catalog.php?record_id=12628">http://www.nap.edu/catalog.php?record_id=12628</a>
NOAA	NOAA	<i>Great Lakes Environmental Research Laboratory Science Review</i>	11/1/2010	<a href="http://www.glerl.noaa.gov/review/">http://www.glerl.noaa.gov/review/</a>
NOAA	NOAA	<i>Air Resources Laboratory Science Review</i>	5/1/2011	<a href="http://www.arl.noaa.gov/LR2011_Review.php">http://www.arl.noaa.gov/LR2011_Review.php</a>
NOAA	NOAA	<i>Cooperative Institute for Limnology and Ecosystems Research (CILER) External Science Review</i>	10/2010	<a href="http://www.sab.noaa.gov/Reports/CILER_Review_Report_final.pdf">http://www.sab.noaa.gov/Reports/CILER_Review_Report_final.pdf</a>
NOAA	NOAA	<i>Cooperative Institute for Arctic Research (CIFAR) External Science Review</i>	7/2011	<a href="http://www.sab.noaa.gov/Reports/CIFAR_2004.pdf">http://www.sab.noaa.gov/Reports/CIFAR_2004.pdf</a>
NOAA	OIG	<i>Survey of NOAA's System and Processes for Tracking Oil Spill Costs</i>	12/22/2010	<a href="http://www.oig.doc.gov/Pages/SurveyofNOAA'sSystemandProcessesforTrackingOilSpillCostsOIG-11-016-M.aspx">http://www.oig.doc.gov/Pages/SurveyofNOAA'sSystemandProcessesforTrackingOilSpillCostsOIG-11-016-M.aspx</a>

# THEMES 4, 5, AND 6 MANAGEMENT THEMES

.....

MANAGEMENT  
THEMES



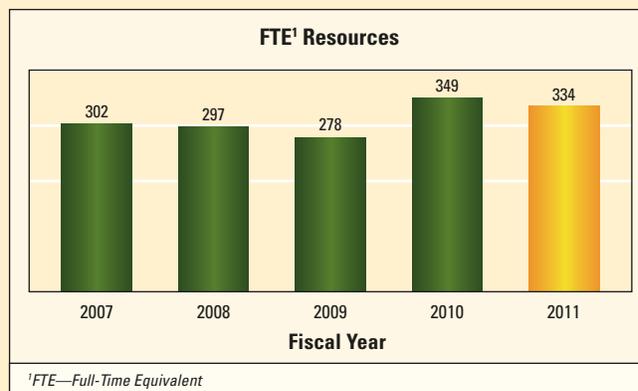
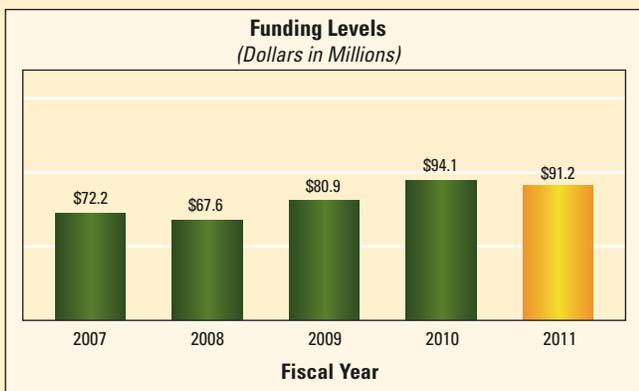
THEMES, STRATEGIC GOALS, AND OBJECTIVES		TARGETS MET OR EXCEEDED
<b>THEME 4: CUSTOMER SERVICE</b>		
<b>Strategic Goal: <i>Create a culture of outstanding communication and services to our internal and external customers</i></b>		
Objective 19	Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)	No measures in FY 2011
Objective 20	Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)	No measures in FY 2011
Objective 21	Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)	No measures in FY 2011
<b>THEME 5: ORGANIZATIONAL EXCELLENCE</b>		
<b>Strategic Goal: <i>Create a high-performing organization with integrated, efficient, and effective service delivery</i></b>		
Objective 22	Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)	2 of 5
Objective 23	Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)	0 of 1
Objective 24	Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)	1 of 1
<b>THEME 6: WORKFORCE EXCELLENCE</b>		
<b>Strategic Goal: <i>Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission</i></b>		
Objective 25	Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)	1 of 1
Objective 26	Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)	No measures in FY 2011
Objective 27	Provide an environment that empowers employees and creates a productive and safe workforce (DM)	No measures in FY 2011



**MANAGEMENT THEMES (THEMES 4, 5, AND 6)**

**B**elow is a funding, full-time equivalent (FTE), and performance summary of the following three management/administrative themes: Customer Service (Theme 4), Organizational Excellence (Theme 5), and Workforce Excellence (Theme 6). After this summary are individual sections for each of the themes.

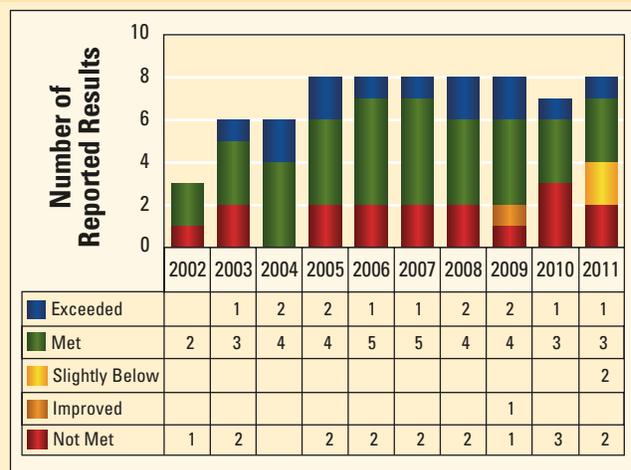
**MANAGEMENT THEMES TOTAL RESOURCES**



As U.S. society becomes increasingly oriented toward using electronic means of communication and information dissemination, federal agencies must ensure that they continue to be as responsive as possible to the needs of the public, the private sector, other levels of government, and other federal agencies. Departmental Management (DM) must promote leading-edge technologies, collaboration, and technology transformation across the Department, ensuring alignment with mission requirements, goals, and objectives in order to deploy and maintain systems able to perform at the highest levels.

Achieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. DM—consisting of the Offices of the Secretary, Deputy Secretary, Chief Financial Officer (CFO) and Assistant Secretary for Administration (ASA), Chief Infor-

**MANAGEMENT THEMES PERFORMANCE RESULTS**



*See Appendix A: Performance and Resource Tables for individual reported results.*

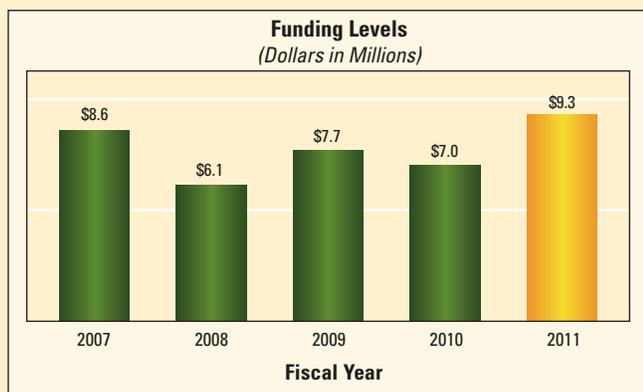
mation Officer (CIO), and General Counsel—provides the policies and guidelines that support the management infrastructure the Department needs to carry out its mission.

The Department must have the capacity to do business with the public and its partner agencies, both as a more than \$8 billion worldwide enterprise, and as an integrated set of individual programs. This requires that it identify, adopt, and maintain business practices essential to successful operations; use its resources wisely; and effectively implement the laws that affect it. In order to ensure the accomplishment of its mission, the Department has developed and put into place policies and programs designed to enable the successful operation of its units, the effective and efficient use of both material and human resources, and the implementation of laws and regulations that govern the use of those resources.

THEME 4: CUSTOMER SERVICE

**STRATEGIC GOAL:** *Create a culture of outstanding communication and services to our internal and external customers*

CUSTOMER SERVICE TOTAL RESOURCES



Fiscal Year	FTE Resources
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A

<sup>1</sup>FTE—Full-Time Equivalent  
<sup>2</sup>DM and OIG FTEs are shown in Theme 5, Organizational Excellence.

This strategic goal is comprised of three objectives which contribute to the Secretary’s theme of Customer Service and all of which are associated with DM. Since the latest strategic plan was only finalized during FY 2011, the Department had not yet developed performance measures for these three objectives. While there are definite benefits associated with all three objectives, the accomplishments have largely been associated with CommerceConnect, reflected in objective 19. Therefore, what follows are the public benefits and achievements associated with the following objectives within this theme:

OBJECTIVE 19

*Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)*

OBJECTIVE 20

*Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)*

OBJECTIVE 21

*Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)*

## PUBLIC BENEFITS

**T**hrough its CommerceConnect initiative, the Department provides a one-stop approach to expose businesses to the array of programs, services, and data available from the federal government. Teaming up with its partner bureaus and other federal and local agencies, CommerceConnect hopes to develop and improve programs that meet business needs, and to identify existing programs to better target areas of business need.

CommerceConnect streamlines access to enterprise assistance resources by assessing businesses needs and making targeted referrals to appropriate Department bureaus for export promotion, access to capital, contract opportunities, intellectual property protection, management and technical assistance, or guidance on how to make operations more efficient.

The Department initiated CommerceConnect to transform government and breakdown bureaucratic silos. The initiative fosters customer service to U.S. business enterprises and interagency collaboration.

CommerceConnect acts as a one stop touch point for the entire Department. It supports U.S. businesses by matching and referring them to the Department's more than 70 programs, services, and resources. The goal is simple: to help emerging entrepreneurs and established companies around the country overcome challenges, exploit opportunities, and connect to the right resources to advance their objectives.

CommerceConnect will provide assistance to U.S. businesses through a Web-based portal, call centers, stand alone field offices, and bureau field offices. All assistance portals are fully integrated with a customer relationship management system to track customer service and performance metrics, respecting business privacy.

The Department is working to improve information sharing to promote open and transparent access to information generated by the Department and bureaus. An understanding of existing processes, along with the willingness to accept change, is a critical factor in creating an atmosphere of open and transparent access to information. The Department will develop a culture of information sharing to promote outstanding customer service by using new tools, such as social media, to provide timely information sharing; providing single point of contact assistance to customers; and promoting access to information that meets Department customers' needs.

The Department-wide strategies to develop a culture of information sharing to promote outstanding customer service and transparency include the following:

- Develop the use of new tools, such as social media, to provide timely information sharing both inside and outside of the Department and bureaus. This may be achieved through integration of these tools into existing information dissemination processes.
- Provide single point of contact assistance to customers. This is achieved by understanding customer requirements, communicating clearly with Department customers, and following up with partners and customers to ensure that customers get the level of service they expect.
- Promote information access. This is achieved by understanding customer requirements, and then applying existing technology as well as creating new data products and services to meet customer requirements.

In addition to developing a culture of information sharing and a single point of access for customers, the Department will use its open government initiative to improve transparency, collaboration, and cooperation with the public and across all levels of government.

In seeking to develop a culture which emphasizes outstanding customer service, a variety of strategies will be developed and measured using a strategic planning and management system known as the Balanced Scorecard. The Department-wide strategies include the following:

- Provide integrated services and single point of contact assistance to customers. This may be achieved through enhanced stakeholder involvement, by means of improved interaction and communication using techniques such as partnerships and branding (see Objective 19).
- Promote information access. This may be achieved by establishing an understanding of customer requirements, and then applying existing technology as well as creating new data products and services to deliver added value to customers (see Objective 20).
- Establish the Department open government initiative to improve transparency, collaboration, and cooperation with the public and across all levels of government (see Objective 20).
- Implement CommerceConnect to provide businesses and entrepreneurs with a single source for economic, technology, trade, and statistical information (see Objective 19).
- Re-engineer key business processes in accordance with the President's Government-wide Hiring Reform Initiative to increase efficiencies and strengthen effectiveness (see Objective 25).
- Improve risk management and reduce Department exposure to high risk contracts (see Objective 23).

In addition, each operating unit will develop strategies unique to its mission; for example:

- Establish a uniform customer survey (CFO/ASA);
- Partner with the General Services Administration (GSA) to effectively represent the Department in all aspects of the Herbert C. Hoover Building renovation project for which GSA has responsibility, and plan and coordinate all aspects of the project for which the Department has responsibility (CFO/ASA);
- Evaluate and improve the means by which economic, statistical, trade, and other data may be made available to businesses, communities, and individuals (Economics and Statistics Administration (ESA));
- Create a modern IT infrastructure for a scientific enterprise (National Oceanic and Atmospheric Administration (NOAA));
- Increase the percentage of calls resolved directly by the Bureau of Industry and Security (BIS) call center operators (BIS); and
- Expand outreach to new stakeholders who participate in the open government initiative (Economic Development Administration (EDA)).

## ACHIEVEMENTS

---

CommerceConnect extended its local reach to 17 locations (beyond its stand alone operation in Michigan and a group of detailees working in the Gulf Coast) by cross-training existing bureau field staff including: Philadelphia, PA; Chicago, IL; Atlanta, GA; Los Angeles, CA; San Francisco, CA; Seattle, WA; Denver, CO; Boston, MA; New York, NY; Austin, TX; Dallas, TX; Kansas City, MO; Middletown, CT; Birmingham, AL; Charlotte, NC; Charleston, WV; and Baltimore, MD.

CommerceConnect made considerable progress in establishing an operational infrastructure to support the growth of the initiative, expand inter-bureau collaboration, and implement a Department-wide customer-oriented business model.

- CommerceConnect trained over 175 Department staff to help small and medium-size businesses to grow.
- Year-to-date, CommerceConnect engaged nearly 900 customers (vs. 90 clients in FY 2010); and provided over 1,300 referrals (vs. 333 referrals in FY 2010) to Department and other federal, state, local, and non-profit programs that address their specific needs.
- Customer service excellence is achieved by providing courteous interaction, easy matching, and responsive customer referrals that help U.S. businesses access key programs, resources, and services. CommerceConnect served as the Department's singular point of contact for first time callers. Customers in search of assistance received (on average) three referrals, thereby broadening their growth objectives.
- Customer service is also measured through feedback provided by clients during service engagements. Approximately 75 percent of the referrals made have been acted upon by clients. In other words, clients decided to take follow-up action three out of four times for every referral made.
- Referrals are critically important because among other things they help companies obtain financing for operations and expansion, improve the efficiency of their operations, protect their intellectual property, increase their exports, access data and information for more effective decision-making, and a host of other activities critical to the Nation's growth and economic prosperity.

In terms of infrastructure, CommerceConnect established a call center operation as the first point of contact for clients and a customer relationship management system to manage those client relationships and track outcomes. CommerceConnect also added a new self-service online tool, new Web site, and expanded marketing and research. CommerceConnect will soon release a more robust virtual service interface to better match business needs with programs, products and, services via the Internet. It will also initiate a new Web-based training program for additional Department staff in local field offices.

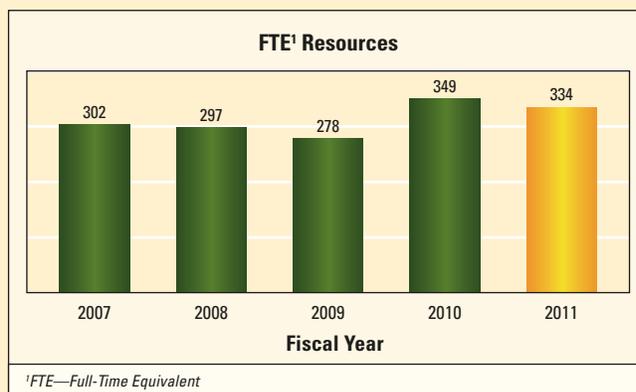
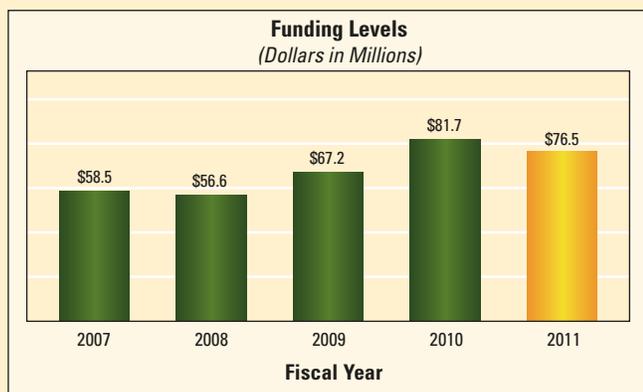
## SUMMARY OF PERFORMANCE

The Department is in the process of developing measures to evaluate progress toward achieving the objectives associated with this theme. Measures will appear in the FY 2012 Performance and Accountability Report (PAR).

THEME 5: ORGANIZATIONAL EXCELLENCE

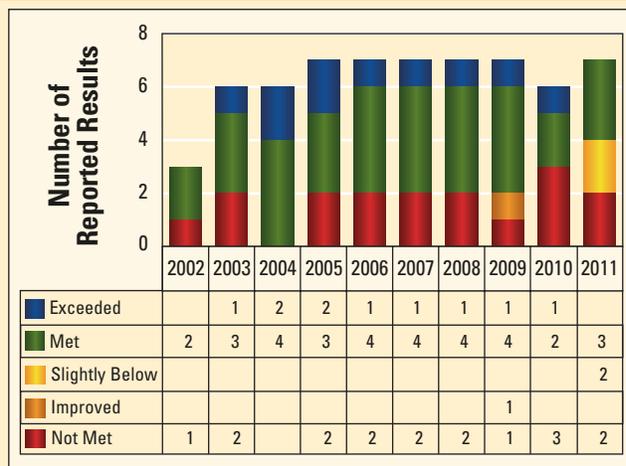
**STRATEGIC GOAL:** *Create a high-performing organization with integrated, efficient, and effective service delivery*

ORGANIZATIONAL EXCELLENCE TOTAL RESOURCES



This theme is comprised of three objectives which contribute to the Secretary’s theme of Organizational Excellence. The following public benefits, achievements, and performance results are associated with each objective.

ORGANIZATIONAL EXCELLENCE PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

## OBJECTIVE 22

***Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)***

## PUBLIC BENEFITS

**D**M strengthens financial and non-financial internal controls within the Department by conducting the Office of Management and Budget (OMB) Circular A-123 financial internal controls assessments annually, performing non-financial management internal controls reviews on selected sensitive programs, overseeing the development of corrective action plans to address any identified weakness, and continuously monitoring the progress made on corrective actions.

The Office of Inspector General (OIG) is responsible for improving Departmental programs and operations through independent and objective oversight and for detecting and preventing fraud, waste, abuse, and violations of law. Annually, it presents the Secretary with an objective analysis of the Department's top management challenges and areas of greatest program risk. Most of DM's and the OIG's work can be characterized as "behind-the-scenes," contributing to the efficiency with which operating units throughout the Department administer their programs.

The OIG audits and evaluations review critical Department activities to identify vulnerabilities, deficiencies or irregularities; and inefficiencies in information technology (IT) systems, contracts, and grants, and program operations. OIG criminal, civil, and administrative investigations continue to disclose instances of misconduct by employees, contractors, and grantees that threaten the integrity of the Department's programs and operations. In addition, auditors or inspectors in some matters identify investigative issues, such as fraud and conflicts of interest, and refer such matters to the OIG's investigators.

## ACHIEVEMENTS

DM achieved an unqualified audit opinion for the thirteenth consecutive year in FY 2011, and plans to maintain the same in FY 2012 and beyond.

DM continued work on the Business Application Solutions project (formerly known as the Future Financial and Administrative Planning Business Analysis). The project provided comprehensive business system modernization support services by determining the long-term viability of the legacy business systems and defining, planning, and driving Departmental modernization efforts.

In FY 2011, OIG audits and evaluations highlighted major Departmental challenges and made recommendations to improve the Department's operations. The OIG provided extensive oversight of the 2010 Census resulting in recommendations for the Census Bureau to operate more effectively and efficiently for the next decennial operation. In addition, the OIG has taken a proactive approach to monitoring the Broadband Technology Opportunities Program by providing the National Telecommunications and Information Administration (NTIA) with recommendations to enhance its administration of a critical American Recovery and Reinvestment Act (ARRA) of 2009 program. Finally, the OIG's ongoing reviews of Department IT security systems revealed vulnerabilities and provided the Department with recommendations to better protect valuable systems and data.

OIG investigative activities resulted in more than \$6.2 million in fines and other financial judgments in FY 2011. Most notable was a civil judgment against a National Institute of Standards and Technology (NIST) grantee convicted of intentionally misusing \$500,000 in grant funds that amounted to \$4.3 million in damages, penalties, restitution, and forfeited property, plus 15 months' imprisonment.

In addition to audits, evaluations, and investigations, the OIG supports the Secretary and Congress in many other ways. In FY 2011, the OIG advised the Secretary on ways to enhance internal operations, such as through a more effective suspension and debarment program, better controls on motor pool operations, and execution of the Department's Acquisition Reform initiatives, all of which would help the Department realize significant cost savings.

### SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency</li> <li>Complete FY 2011 A-123 assessment of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>Eliminated significant deficiency.</li> <li>Completed A-123 assessment</li> </ul>	Met
Effectively use commercial services management (DM)	<ul style="list-style-type: none"> <li>Increase use of competition by 2% measured by procurement dollars awarded</li> <li>Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hour contracts by 10%</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 2%</li> <li>&gt; 10%</li> </ul>	Met
Percent of OIG recommendations accepted by Departmental and bureau management (OIG)	95%	94%	Slightly Below
Dollar value of financial benefits identified by the OIG (OIG)	\$39.0M	\$33.6M	Not Met
Percent of criminal and civil matters that are accepted for prosecution (OIG)	75%	73%	Slightly Below

## FY 2011 STATUS

DM met both of its targets while the OIG was slightly below for two targets and didn't meet the third target.

## FY 2011 MISSED TARGETS

MEASURE	PERCENT OF OIG RECOMMENDATIONS ACCEPTED BY DEPARTMENTAL AND BUREAU MANAGEMENT (OIG)
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No additional action to be taken.
MEASURE	DOLLAR VALUE OF FINANCIAL BENEFITS IDENTIFIED BY THE OIG (OIG)
<b>Explanation</b>	Investigative recoveries were less than in previous years.
<b>Action</b>	TBD
MEASURE	PERCENT OF CRIMINAL AND CIVIL MATTERS THAT ARE ACCEPTED FOR PROSECUTION (OIG)
<b>Explanation</b>	The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.
<b>Action</b>	No additional action to be taken.

## HISTORICAL TRENDS

FY 2011 was an unusual year for the OIG. In the past, the OIG has consistently met its targets.

### OBJECTIVE 23

*Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)*

### PUBLIC BENEFITS

As U.S. society becomes increasingly oriented toward using electronic means of communication and information dissemination, federal agencies must ensure that they continue to be as responsive as possible to the needs of the public, the private sector, other levels of government, and other federal agencies. DM must promote leading-edge technologies, collaboration, and technology transformation across the Department, ensuring alignment with mission requirements, goals, and objectives in order to deploy and maintain systems able to perform at the highest levels.

## ACHIEVEMENTS

Acquisitions is one of the key areas in terms of re-engineering key business processes. The Office of Acquisitions Management achieved the following results in FY 2011:

- Provided proactive and timely guidance and oversight to the acquisition and grants community in the Department to ensure smooth implementation and execution of the ARRA, and has been recognized for the superior performance of its oversight of recipient reporting.
- Completed an in-depth spend analysis, prioritized commodities, and initiated five strategic sourcing projects to leverage spending opportunities across the Department and achieve savings.
- Developed a comprehensive and corporate framework for overseeing and managing acquisition projects with regard to requirements development/management and project management processes.

### SUMMARY OF PERFORMANCE

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Obligate funds through performance-based contracting (% of eligible service contracting \$)	50%	39%	Not Met

### FY 2011 STATUS

DM did not meet the target for this measure.

### FY 2011 MISSED TARGETS

MEASURE	OBLIGATE FUNDS THROUGH PERFORMANCE-BASED CONTRACTING (% OF ELIGIBLE SERVICE CONTRACTING \$) (DM)
<b>Explanation</b>	Not all requirements lend themselves to performance-based contracting. Successful implementation of performance-based contracting requires a behavioral management approach. Due to staffing shortages, resources have not been available to assist bureaus and program offices with a better understanding and implementation of performance-based contracting.
<b>Action</b>	TBD

### HISTORICAL TRENDS

DM has consistently missed this target due to the reasons noted in the explanation above.

## OBJECTIVE 24

***Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)***

## PUBLIC BENEFITS

The benefits of this objective are both internal and external. By having a strong IT enterprise architecture, the Department ensures the security of information both within its own structure and with outside stakeholders. The priorities driving the achievement of this objective are to (1) improve the effectiveness of IT investments and resources across the Department, (2) strengthen cyber security through an increased use of security technologies, and (3) increase collaboration across bureaus using the Department CIO community.

The Department IT Enterprise Architecture has a federated structure. This allows the various bureaus the flexibility they need to meet their mission-specific goals while at the same time providing an overarching structure to meet Department-wide program needs, and to encourage deploying and using IT resources more effectively wherever possible.

The goals of the Enterprise Architecture are to:

- Foster the development and use of IT architectural standards based on established best practices;
- Assist in identifying applications and systems that can be deployed with new technology solutions;
- Identify technologies and services that can be purchased and/or deployed Department-wide to reduce costs;
- Increase the use of automated continuous monitoring tools; and
- Provide tools and analysis to capital planners and acquisitions staff to channel purchases in the direction established by the CIO Council.

Taking a phased approach, initially the larger bureaus are looking at optimization and consolidation across geographically distributed organizations, while smaller co-located bureaus are prompted to work collaboratively. Subsequently, such efforts can be expanded to optimize more broadly the activities, operations, and investments of the Department as a whole.

## ACHIEVEMENTS

In FY 2011, the Office of the CIO (OCIO) completed the following tasks/activities to support this objective:

- Instituted the TechStat process which is a face-to-face, risk-based review by the Department's senior management that produces corrective action strategies for any of the Department's major IT investments which are underperforming and not providing value to the taxpayer. As part of the Department's transparency efforts, OCIO evaluated and submitted 45 business cases to the federal IT Dashboard, demonstrating to the public the sound management of the Department's IT investments. On average, OCIO achieved within five percent of its cost, schedule, and performance targets for the major IT investments undergoing development and enhancement. OCIO developed solid business cases for major IT investments with the business cases ensuring that OCIO managed and wisely invested those IT funds.

- Leveraged the Department Web Advisory Council to publish a Social Media and Web 2.0 Use Policy that includes an approval process for each use of social media in the Department. Additionally, this policy ensures that a Department terms of service agreement negotiated by the Office of General Counsel, is in place for each approved use of social media. OCIO, in conjunction with the Chief Privacy Officer, has approved and currently maintains 70 Privacy Impact Assessments which are posted on the Web.
- Signed Commerce Interim Technical Requirements (CITR) policies for Wireless Encryption and Contingency Plan testing and exercise activities. Provided additional guidance for Bluetooth, Configuration Management, and Risk Management Framework transition.
- Conducted 12 IT Security Compliance CIO-one-to-one evaluations and performed an additional eight security assessments of programs, applications; and systems to satisfy FY 2011 Internal Control Review activities.
- Conducted monthly reviews of Department information systems utilizing information within the IT security tool, Cyber Security Assessment and Management (CSAM). The reviews track progress in Authority to Operate (ATO) status, and in plans of action and milestones (POA&M) management. The scorecards and analysis were presented to the Department’s CIO Council. The implementation of these metrics has helped improve operating unit management of system ATOs and POA&Ms.
- Launched the Department’s first PII (personally identifiable information) Privacy Training module to be used as a companion to IT Security General Awareness Training.
- Hosted first annual Commerce IT Security Conference with role-based training sessions such as mobile device security; social networking; continuous monitoring; implementing cloud computing and managing a remote workforce; provided mandatory training for all Office of Secretary Approving Officer/Security Officers.
- Completed Cyber Security Development Program (CSDP) cycle with 19 graduates in FY 2011; and 52 IT Security personnel Department-wide obtaining IT security industry professional certifications.

## SUMMARY OF PERFORMANCE

The Department uses the following measures to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Improve the management of information technology	<ul style="list-style-type: none"> <li>● IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>● Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>● Increase security training completion rate to 80% for privileged users (role-based)</li> <li>● Deploy 80% of the required NCSO 3-10 communications capabilities. Expand cyber intelligence communications channel to all operating unit Computer Incident Response Teams.</li> </ul>	<ul style="list-style-type: none"> <li>● All IT investments within 10% of cost and schedule</li> <li>● Reviews completed</li> <li>● 89% completion rate</li> <li>● NCSO 3-10 did not receive funding</li> </ul>	<b>Met</b>

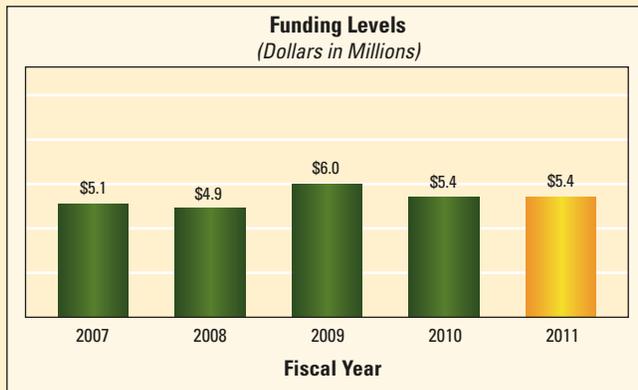
### FY 2011 STATUS

DM met its target.

THEME 6: WORKFORCE EXCELLENCE

**STRATEGIC GOAL:** *Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission*

WORKFORCE EXCELLENCE TOTAL RESOURCES



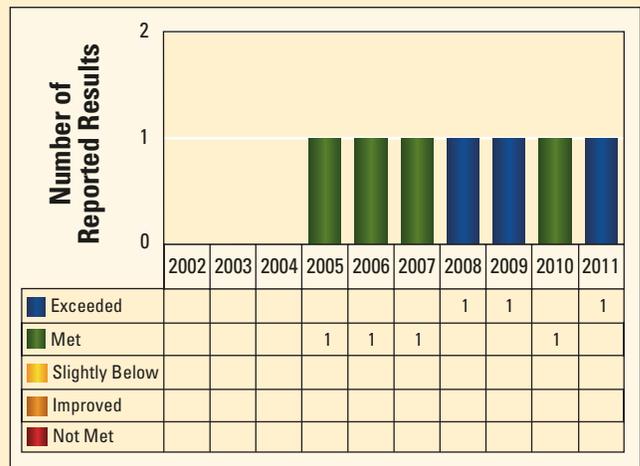
Fiscal Year	FTE Resources
2007	N/A
2008	N/A
2009	N/A
2010	N/A
2011	N/A

<sup>1</sup>FTE—Full-Time Equivalent  
<sup>2</sup>DM and OIG FTEs are shown in Theme 5, Organizational Excellence.

This theme consists of three objectives which contribute to the Secretary's theme of Workforce Excellence. The following public benefits, achievements, and performance results are associated with each objective.

The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in the services it provides. Leadership priorities for improvement are based on employee feedback to surveys, various skills assessments, and comprehensive workforce analyses. While performance management systems are effective in rewarding high performers, more targeted approaches are necessary to close skill gaps in the entire workforce. Training and development programs are based on competency assessments for mission-critical occupations such as meteorologist, statistician, acquisition, engineer, and chemist.

WORKFORCE EXCELLENCE PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

## OBJECTIVE 25

***Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)***

## PUBLIC BENEFITS

The Department is implementing the President's Hiring Reform Initiative that became effective November 1, 2010. This initiative is expected to streamline the process and increase the number of applicants who apply for positions thus attracting applicants in mission-critical occupations. The Department's front-end automated hiring system allows applicants to electronically submit their resumes (in any format), and cover letters as mandated by the President's initiative, enabling hiring managers and human resources practitioners to reduce the processing time. In addition, the front-end system allows applicants to receive status notifications electronically. The Department developed a Veterans Recruitment and Employment Operational Plan in FY 2010 that it will use over the next few years as a model to develop an operational plan for recruiting veterans and persons with disabilities. The Department will continue to provide retention incentives to retain skilled employees at all levels of the organization. The Department will continue to implement its pay for performance systems that have proven to be positive factors in the scientific and engineering fields, where historically, private sector pay scales for these difficult-to-fill positions are much higher than in the federal sector.

## ACHIEVEMENTS

Among the DM accomplishments in FY 2011 are:

- Reduced the average time-to-hire to 75 calendar days in the third quarter of FY 2011 from 105 days in FY 2010 in support of the Presidential Memorandum dated May 11, 2010, "Improving the Federal Recruitment and Hiring Process." This exceeds the OMB and Office of Personnel Management (OPM) target of 80 calendar days to hire, from the submission of a request to recruit to the Entrance on Duty. Significant quarterly improvements were achieved through policy and procedural modifications, the establishment of automated tracking systems, comprehensive data collection and analysis, the creation of a Hiring Timeline Dashboard, and top leadership involvement and review.
- Increased veteran new hires to 12.2 percent in FY 2011 (as of August 2011) from 10.2 percent in FY 2010, in support of Executive Order 13518, "Employment of Veterans in the Federal Government." Enhanced employment opportunities for veterans were cultivated through the creation of a Veterans Hiring Dashboard, Office of Civil Rights co-sponsored hiring manager training on veteran recruitment and hiring authorities, advertisement in G.I. Jobs Magazine, participation in the 2011 Wounded Warrior Federal Employment Conference, and direct delivery of qualified disabled veteran resumes to hiring managers. Strategies for continued progress will be executed in accordance with the FY 2011 – 2012 Veterans Employment and Recruitment Operational Plan.
- Obtained approval from OPM to utilize the Voluntary Early Retirement Authority and Voluntary Separation Incentive Program to assist in restructuring and streamlining the Department workforce to continue to meet mission goals during the current lean federal fiscal environment. Currently, the authority covers designated positions within certain units of ESA's Bureau of Economic Analysis (BEA) and Census Bureau, International Trade Administration (ITA), Minority Business Development Agency (MBDA), NIST, NTIA, and the Office of the Secretary.

**SUMMARY OF PERFORMANCE**

The Department uses the following measure to gauge the performance of the activities associated with this objective.

PERFORMANCE MEASURE (DM)	TARGET	ACTUAL	STATUS
Acquire and maintain diverse and highly qualified staff in mission-critical occupations	<ul style="list-style-type: none"> <li>● Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> </ul>	<ul style="list-style-type: none"> <li>● Four occupations</li> </ul>	<b>Exceeded</b>
	<ul style="list-style-type: none"> <li>● Meet or exceed the 80-day hiring goals mandated by OPM</li> </ul>	<ul style="list-style-type: none"> <li>● 83 days</li> </ul>	
	<ul style="list-style-type: none"> <li>● Train 100-200 participants on leadership development programs via ALDP, ELDP, and APCP</li> </ul>	<ul style="list-style-type: none"> <li>● 103 participants</li> </ul>	
	<ul style="list-style-type: none"> <li>● Train 180-200 participants via Careers in Motion</li> </ul>	<ul style="list-style-type: none"> <li>● 382 participants</li> </ul>	

**FY 2011 STATUS**

DM met or exceeded three of the four parts of this measure and was slightly below for the fourth.

**FY 2011 MISSED TARGETS**

MEASURE	ACQUIRE AND MAINTAIN DIVERSE AND HIGHLY QUALIFIED STAFF IN MISSION-CRITICAL OCCUPATIONS (DM)
<b>Subpart</b>	<b>Meet or exceed the 80-day hiring goals mandated by OPM</b>
<b>Explanation</b>	The deviation from the target was slight. In fact, the target was met in the third and fourth quarters. There was no effect on overall program or activity performance.
<b>Action</b>	Since the target was met in the third and fourth quarters, it is expected to be met in FY 2012. However, services HR offices will continue to refine business processes, increase automation, issue guidance, enhance communication, and maintain accountability in efforts to further reduce the average hiring timeline.

**HISTORICAL TRENDS**

DM has consistently met the different parts of this measure.

**OBJECTIVE 26**

*Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)*

**PUBLIC BENEFITS**

**B**y creating, sustaining, and strengthening its development of emerging leaders to assume leadership positions within all levels, the Department will ensure effective leadership during the Departmental changes that are sure to come within future decades. A continuous cycle of improved performance will become the culture of the Department by putting systems for accountability in place that will drive performance and excellence.

**ACHIEVEMENTS**

- Received OPM notification that the Department Senior Executive Service (SES) performance management program was recommended to obtain full OPM and OMB certification for calendar year 2012 – 2013. With a certified appraisal system, the Department has the authority to increase the base salary of superior performing SES members above Executive Schedule level III up to level II and have access to the higher aggregate pay limit. Achieving full or provisional certification requires agency programs to meet specific criteria in the areas of accountability, alignment, measureable results, balance, consultation, organizational assessment and guidelines, oversight, training, and performance differentiation. As of April 2011, only 52 percent of certified SES appraisal systems were fully certified.
- Launched an eight-month Executive Education Program Pilot for the continuing development of current SES members, in accordance with the revised regulations under Title 5, Code of Federal Regulations, Part 412. Upon the pilot's completion, feedback from the 29 SES participants was analyzed and used to support the redesign of the program for FY 2012, which will have a greater focus on the "Leading Change" and "Leading People" Executive Core Qualifications.

**SUMMARY OF PERFORMANCE**

The Department is in the process of developing measures to evaluate progress toward achieving this objective. Measures will appear in the FY 2012 PAR.

## OBJECTIVE 27

*Provide an environment that empowers employees and creates a productive and safe workforce (DM)*

## PUBLIC BENEFITS

**I**n the current economic climate, an effective and efficient workforce will be more critical than ever to the continued success of the Department in achieving its diverse missions. This will require workplaces free of recognized hazards so personnel can conduct their work safely in a variety of environments and the Department can provide its visitors and partners a safe experience. Identifying and controlling exposures to occupational safety and health hazards are an essential part of everyone's duties in the Department. Doing so will enhance the Department's safety culture and ensure that it remains an employer of choice.

The Department focuses on having its executives and managers responsible for safety programs in their bureaus actively participate in safety activities, such as the Department's Safety and Health Council meetings and awareness training opportunities. The Department enhances the role of leadership by making certain that the executives, managers, supervisors, and employees have the knowledge, skills, resources, and commitment in order to control hazards in the workplace and to strengthen efforts to protect employees, contractors, visitors, and others who enter Department workplaces. One method of doing this is conducting a gap analysis and preparing a written strategy to update and continuously improve the Department's Safety and Health Program Manual so that it is a comprehensive policy document to guide the bureaus' occupational safety and health programs to ensure a culture of safety.

## ACHIEVEMENTS

- Launched the Organizational Excellence Initiative (OEI) in response to the consultant recommendations resulting from a four-month comprehensive organizational and customer service assessment of the Office of Human Resources Management (OHRM). Leveraging current internal resources and subject matter expertise, more than 75 percent of the OHRM workforce volunteered to participate on four project teams that will produce 30 proposed deliverables to address multiple aspects of organizational design, including customer service, internal processes, technology, culture, strategic partnerships, and organizational structure. The initiative is overseen by top Department leadership on the OEI Governance Board and obtains Agency-wide human resources and finance executive input through the OEI Customer Advisory Board.
- Obtain approval from OPM/OMB for an exception business case to allow the Department to begin to migrate to a Human Resources Management system provided by the Department of Treasury. Migration will begin with the Census Bureau in FY 2012.

## SUMMARY OF PERFORMANCE

The Department is in the process of developing measures to evaluate progress toward achieving these objectives. Measures will appear in the FY 2012 PAR.

## MANAGEMENT THEMES PROGRAM EVALUATIONS

The following program evaluations were conducted on programs related to the management themes in FY 2011.

BUREAU	REVIEWER	NAME OF EVALUATION	DATE	WEB SITE
DM	OIG	<i>Commerce Has Procedures in Place for Recovery Act Recipient Reporting, but Improvements Should Be Made</i>	07/27/2011	<a href="http://www.oig.doc.gov/Pages/Commerce-Has-Procedures-in-Place-for-Recovery-Act-Recipient-Reporting,-but-Improvements-Should-Be-Made-.aspx">http://www.oig.doc.gov/Pages/Commerce-Has-Procedures-in-Place-for-Recovery-Act-Recipient-Reporting,-but-Improvements-Should-Be-Made-.aspx</a>
DM	OIG	<i>Commerce Needs to Strengthen Its Improper Payment Practices and Reporting</i>	03/25/2011	<a href="http://www.oig.doc.gov/Pages/Commerce-Needs-to-Strengthen.aspx">http://www.oig.doc.gov/Pages/Commerce-Needs-to-Strengthen.aspx</a>
DM	OIG	<i>Commerce Should Strengthen Accountability and Internal Controls in Its Motor Pool Operations</i>	10/27/2010	<a href="http://www.oig.doc.gov/Pages/CommerceShouldStrengthenAccountabilityandInternalControlsinItsMotorPoolOperationsOIG-11-004-A.aspx">http://www.oig.doc.gov/Pages/CommerceShouldStrengthenAccountabilityandInternalControlsinItsMotorPoolOperationsOIG-11-004-A.aspx</a>





# FINANCIAL SECTION



# MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2011 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate the achievements that have been made relative to its mission and the resources with which it is entrusted. The report highlights the Department's performance, provides detailed financial information, and fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Managers' Financial Integrity Act, and the Government Management Reform Act.

We are proud to report that in FY 2011 the Department of Commerce achieved an unqualified audit opinion for the thirteenth consecutive year.

In addition, the Department successfully resolved a long-standing significant deficiency in the Consolidated Financial Statement Audit concerning information technology security controls for financial systems. The Office of the Chief Information Officer (OCIO) and the Office of the Inspector General (OIG) collaborated to develop a strategy to improve certification and accreditation (C&A). The most significant impact of this strategy has been the Department's leverage of a tracking tool for security reporting and monitoring to improve the quality of the C&A process. Accomplishments resulting from the Department's efforts to remove the information technology (IT) significant deficiency include developing the Cyber Security Strategic Plan with input of the Department's operating units; implementing a Cyber Security Development Program, a role-based training program offered Department-wide; and implementing the IT Audit Working Group, a joint effort between the OCIO and the Office of Financial Management to resolve prior year findings and design enterprise-wide solution. The Department received a significant deficiency in FY 2011 relating to the National Oceanic and Atmospheric Administration (NOAA) accounting for satellites.

The Department also continued to participate in the government-wide initiative to strengthen internal controls under the Federal Managers' Financial Integrity Act and Office of Management and Budget (OMB) Circular A-123, and is currently engaged in enhancing both financial and non-financial controls. These efforts are a reflection of our commitment to excellence in managing financial systems and safeguarding financial resources and investments. The Department's assessment for FY 2011 identified no material weaknesses in its financial internal controls.

The Department is committed to driving savings and efficiencies by pursuing over \$140 million in acquisition, personnel, facility, travel, and related costs through its FY 2012 Administrative Savings Plan.

For example, the Department launched a Department-wide strategic sourcing/cost reduction program built around specific commodities with expected savings of \$13 million to \$23 million in FY 2012 in addition to greater process efficiencies. The commodities, which include personal computers (PCs), wireless, print management, office supplies, small package delivery, software, professional and technical services, will use better contracting strategies and better management of Department resources to drive savings and efficiencies. The Department validated reported administrative savings through a new process, launched in April, 2011, after collaboration between the Office of the Chief Financial Officer/Assistant Secretary of Administration (CFO/ASA) and the bureaus, and in consultation with the OIG, including review and control with emphasis on appropriate visibility at all organizational levels.

While strengthening its financial management and driving savings and efficiencies, the Department remains committed to successfully meeting its mission to help make American businesses more innovative at home and more competitive abroad. In the past year, the Department launched CommerceConnect, a comprehensive portfolio of federal, state, local, and non-profit business assistance resources, including more than 70 Department programs. By matching American businesses and entrepreneurs to specific business needs, the Department is helping them breakdown programmatic silos and connect to the right resources to advance their objectives. The Department is also leading in developing a White House initiative to expand this "no-wrong-door" customer service model across the many government agencies. This initiative, called BusinessUSA, is focused on promoting exports and meeting the highest priority service needs of small and medium-sized businesses, including but not limited to, those wanting to export.

Moving forward, the Department remains committed to ensuring strong financial management and leadership to ensure the appropriate stewardship of public resources and efficient and effective delivery of mission critical programs. By putting in place strong controls, working collaboratively within and outside the Department, and focusing on accountability, transparency and performance, we are hopeful that we can continue to build on the success of the previous year.

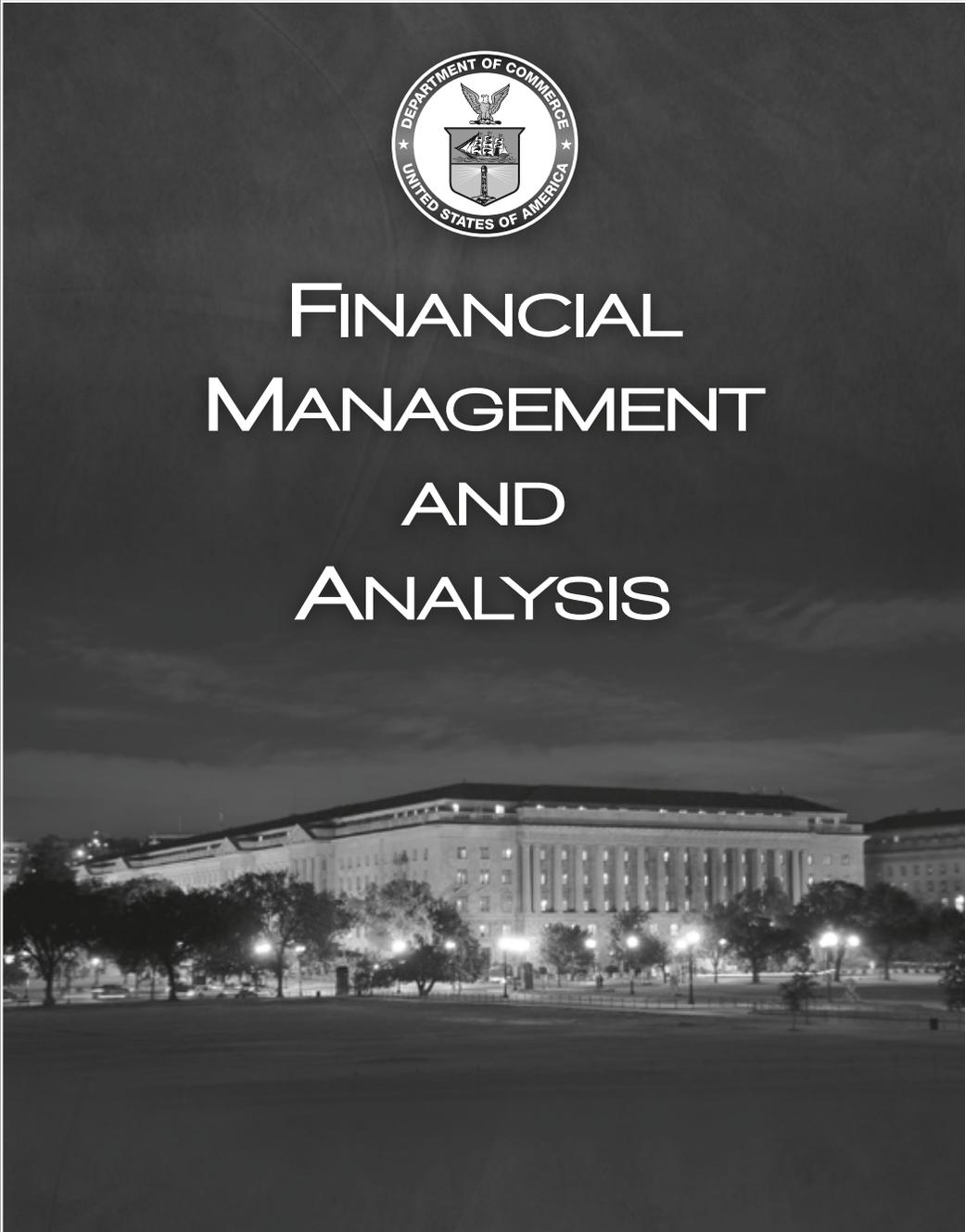


Scott Quehl  
Chief Financial Officer  
and Assistant Secretary for Administration  
November 15, 2011

F I N A N C I A L   S E C T I O N



FINANCIAL  
MANAGEMENT  
AND  
ANALYSIS





## FINANCIAL MANAGEMENT AND ANALYSIS

**U**nder the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the Department continuing to receive unqualified audit opinions, maintaining a single integrated financial system, and continuing its compliance with the Federal Financial Management Improvement Act (FFMIA).

Highlights of accomplishments for FY 2011 and future initiatives are discussed further below.

### FINANCIAL MANAGEMENT SYSTEMS

The Department maintains an FFMIA-compliant financial management system, the Commerce Business Systems (CBS). CBS provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System (CFS), including the Commerce Purchase Card System (CPCS) and the Budget and Execution Data Warehouse. CBS is interfaced with the Commerce Standard Acquisition and Reporting System (CSTARS), the National Finance Center Payroll System, and the Automated Standard Application for Payments (ASAP).

The financial information from CBS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a commercial, off-the-shelf software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/Fund Group level. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

During FY 2011, the Department accomplished the following initiatives:

- Continued Operations and Maintenance activities for CBS;
- Continued work on the Business Application Solutions (BAS) project (formerly known as the Future Financial and Administrative Planning Business Analysis). Determined the long-term viability of the legacy business system and began definition and planning of the Departmental modernization efforts;
- Continued to support the C.Award migration—upgrading the Commerce Standard Acquisition and Reporting System (CSTARS) contract writing and management system—for NOAA, Office of the Secretary, NIST and Census. Assisted the vendor with mock migrations for each bureau, arranging the training logistics and supporting the production migration preparation activities;
- Completed analysis and finalized the list of all standard Office of Management and Budget (OMB) and non-OMB object classes to be utilized by all Department bureaus;

- Continued to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metric reports;
- Continued to support the key areas of the Modernization Blueprint effort. This initiative facilitates a critical review and prioritization of the Department's administrative business systems and provides a framework for managing projects from start through operation; and
- Conducted an analysis of E-Invoicing solutions to automate existing manual invoice processes and to support the Department's goal of lowering the cost to process an invoice while streamlining the process. Initiated an Internet Payment Platform (IPP) Pilot Proof of Concept to determine if this is a viable option for the Department.

In FY 2012 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Continue Operations and Maintenance activities for CBS;
- Continue the Modernization Blueprint program, focus on maintaining a comprehensive inventory of programs, initiatives, and systems across the Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA) in order to enable Department managers to prioritize and plan resources, and perform better analyses of programs and initiatives that are underway or planned through FY 2013;
- Complete the upgrade of CSTARS; the existing procurement and acquisition system to the web version of C.Award.
- Complete the IPP Pilot Proof of Concept;
- Maintain and possibly enhance the OFM/CSC Portal that provides for a unified gateway for access to Department administrative applications, including single sign-on and self-service administration, as well as hosting the Modernization Blueprint program; and
- Continue to monitor bureau efforts in implementing standardized processes for identified accounting events, and track and measure the bureaus' performance through performance metrics reports.

## FINANCIAL REPORTING

The Department is committed to making financial management a priority, and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999. The Department met the financial statement submission deadlines for FY 2011. The significant deficiency cited from prior years relating to deficiencies in general information technology (IT) controls was resolved. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. The Department received a significant deficiency in FY 2011 relating to the National Oceanic and Atmospheric Administration (NOAA) accounting for satellites. In FY 2011, the Department conducted an assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix A, including adhering to the risk-based three-year rotational testing plan. A Senior Management Council (SMC) and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 implementation process. The final report, which reported no material weaknesses, was incorporated into management's overall assurance statement provided under the requirements of the Financial Managers' Financial Integrity Act (FMFIA). In addition, the Department conducted an improper payment sample testing; the results revealed no significant improper payment or internal control deficiencies. Overall, the Department's assessments demonstrate that the Department has strong internal controls over

the disbursement processes, the amounts of improper payment in the Department are immaterial, and the risk of improper payment is low. See Appendix D for reporting details of the Improper Payments Information Act (IPIA) of 2002, as amended.

The Department accomplished the following initiatives that resulted in meeting the aforementioned goals:

- Implemented, effective 2011, the payment recapture audit provisions of the Improper Payments Elimination and Recovery Act (IPERA) of 2010, including an evaluation of the cost-effectiveness of expanding payment recapture audits to additional categories of disbursements. As a result of this evaluation, the Department expanded payment recapture auditing to grants and other cooperative agreements (i.e. financial assistance), and a payment recapture audit of Department-wide grants and other cooperative agreements was carried out in 2011. The Department also continues to perform payment recapture audits of bureaus' closed contracts/obligations on a rotational basis, and carried out a payment recapture audit of closed contracts/obligations for NTIA in 2011;
- Implemented, effective FY 2011, revised single-asset capitalization thresholds, and new personal property bulk purchase capitalization thresholds, for several bureaus/reporting entities for property, plant, and equipment acquisitions;
- Each of the Department's bureaus/reporting entities has completed over a one to three-year period (depending on the size of the entity), an initial improper payment risk assessments covering all programs/activities as required by OMB Circular A-123, Appendix C. These improper payment risk assessments of the entity's programs/activities also include assessments of the control, procurement, and grants management environments, and are now in the continuous process stage of being updated or revised every three years, unless significant changes occur, in which case an assessment will be updated quicker;
- Each of the Department's bureaus/reporting entities has completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A;
- Prepared and monitored CAPs for the significant deficiency and management letter comments and monitored progress toward their completion throughout the year;
- Facilitated intragovernmental transaction reconciliations using the Department's Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large differences. Although the Department has seen an improvement in trading partners' participation, continued improvement is needed in order to reconcile all differences;
- Quarterly financial metrics were compiled, analyzed, and reported to individual bureaus which also included a status report comparing bureau results with Departmental goals. The results of bureaus' metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings;
- Held monthly or quarterly meetings led by the Department's Deputy CFO with individual bureau CFOs to discuss financial management issues, including financial statements, OMB Circular A-123, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO and the monthly Finance Officer meetings led by the Deputy CFO;
- Held meetings throughout the fiscal year with the Office of Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements;
- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to

identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that could have impeded the Department's ability to produce timely, accurate financial statements.

In FY 2012 and beyond, the Department plans to accomplish the following:

- Continue to enhance OMB Circular A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAPs for any identified deficiencies as a result of the A-123 and financial statement audit process;
- Continue to identify areas that will facilitate the acceleration of providing accurate, reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups among the Department's financial managers and participation in government-wide financial management committees and workgroups;
- Continue to monitor and minimize improper payments, and continue to work with OMB and Treasury Department as appropriate, on the future implementation of the Presidential Memorandum regarding "Do Not Pay List" screening requirements;
- Continue to work with OMB, Treasury Department, and the government-wide Central Reporting Team to improve the intragovernmental transactions reconciliation process; and
- Continue to work with Treasury Department to implement Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) for production in December 2013.

## GRANTS MANAGEMENT

Under the CFO/ASA, the Office of Acquisition Management (OAM) is responsible for the Department's enterprise-wide grants management policy, projects, and oversight. The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs in order to strengthen compliance, work toward a single automated grants management system, and enhance/formalize workforce education. Targeted efforts continue to transform the decentralized Department grants management community into an effective and efficient partnership. The sharing of resources and responsibilities to accomplish enterprise goals is a recurring theme throughout the partnership effort.

Integral to the Department's effort to move aggressively into the world of electronic grants is the continued utilization of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online system, a back-office solution to the Grants.gov storefront. The system is designed to facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems and with grant recipients. It continues to demonstrate significant success in reducing paperwork, increasing accountability, and simplifying the post award process. The Grants Online system has also been identified as the solution to standardizing grants procedures in the Department. Grants Online is a paperless electronic grants management system that has gained government-wide recognition for streamlining and accelerating the grants application process. This standardization effort is successfully aligning internal processes for the federal Grants Management Line of Business (GMLOB) system consolidation efforts.

System consolidation plans have moved forward in FY 2011. In October 13, 2010, the Department CFO advised the grant making bureaus at the National Institute of Standards and Technology (NIST), NOAA, and the Economic Development Administration (EDA) that the Department had committed to OMB to consolidate all the bureau grant management systems within the Department to NOAA's Grants Online system if a planned analysis demonstrated that it makes good business sense. Accordingly, the Department has secured the services of a contractor to complete a gap analysis between Grants Online, employed by NOAA, and the grants systems employed by NIST, known as Grants Management Information System (GMIS), and the system employed

by the EDA, known as the Operations Planning and Control System (OPCS). The gap analysis will determine what gaps exist between Grants Online functionality and the current requirements of both EDA and NIST grant management processes. The gap analysis will further include the identification of potential solutions to close the gaps, resources needed, and the resulting impacts. The gap analysis is scheduled to be finished by the end of November 2011.

This action continues a process already set in motion by the migration of the grant management functions of the International Trade Administration (ITA), the Minority Business Development Administration (MBDA), and the Office of the Secretary (OS) from OAM to NOAA Grants Online. OAM coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and the Office of General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community. OAM has formally instituted a process of Grant Management Reviews which requires that the respective grants divisions at NOAA, NIST, and EDA undergo a review of its functions and processes once every three years. The reviews are conducted by multi-bureau teams lead by OAM. The first of these reviews was completed at NIST in FY 2010. A second review was performed at NOAA in FY 2011.

The Department is currently conducting a comprehensive Grants Internal Control Assessment involving all grant-making bureaus and service providers to include grants program process mapping, risk identification, development and completion of a grants program and grants administration internal control risk assessment questionnaire, evaluation and scoring of risk categories, and eventual testing of grant internal controls. Incorporating risk management into the grants process will help to ensure effective use of resources and achievement of intended program objectives and mission.

The OAM Director and the Director of the Grants Management Division (GMD) serve on the Grants Executive Board and the Grants Policy Committee, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov milestones and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government. Continued review and updating of the manual will occur to keep pace with the new requirements engendered by the transition to Grants.gov as the business process model for federal financial assistance programs.

The Department made significant progress in meeting the data-reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (PL 109-282). Significant technical requirements were presented by this act. As of FY 2011, the Department continues to be up to date with its three grant-making bureaus in providing accepted data to the universal Web site, USASpending.gov, consistent with the goal established in the FY 2008 PAR.

OAM GMD is the point of contact for Catalogue of Federal Domestic Assistance (CFDA) updates and represents the Department at CFDA User Group meetings. GMD coordinates the response to annual CFDA data calls. OAM GMD continues to hold the responsibility for coordinating and processing Individual Background Screenings utilizing form CD-346 (Applicant for Funding Assistance) which passed from the OIG to OAM/GMD in FY 2010. As of mid-August 2011, GMD had processed 490 Individual Background Screenings for Department bureaus through a Federal Bureau of Investigation database. The relative reduction at this date may be attributable to the hold in processing awards connected to the delay in the passage of a Continuing Resolution by Congress.

OAM has taken further steps to provide guidance to improve accuracy in data quality for all Department financial assistance programs. Grants officers and subordinate supervisors along with program offices are required to verify that data reported to USASpending.gov is accurate and consistent. This element will be a performance metric in grants management reviews conducted by GMD. On February 10, 2011, the OMB Controller announced that the Federal Assistance Awards Data System

(FAADS) is terminated for FY 2011 and beyond. Accordingly, the Department is taking the following steps pursuant to OMB guidance:

- Data will be submitted via FAADS for FY 2010, and any required modifications of FY 2010 data should continue to be coordinated with the Census Bureau.
- Effective for FY 2011, the collection of federal financial assistance data will be done through the existing FAADS+ collection process used to populate USAspending.gov.
- There will be no new submissions of FY 2011 data via FAADS.

The Department’s grant awards are processed by the grant management systems of the three major grant making bureaus—NIST, NOAA, and EDA. These bureaus upload grant award data monthly to USAspending.gov through the Data System Validation Tool Web site. In addition to their own grant awards, these bureaus serve as grants offices for the programs of smaller Department grant making bureaus including NTIA, ITA, and OS.

The Department bureaus have made progress in reducing the backlog of expired awards and deobligating unexpired balances of funds from these awards during FY 2011. The following table illustrates the number of awards closed and amount deobligated by each bureau from October 1, 2010 through July 31, 2011 as well as the expired awards remaining to be closed and funds pending deobligation. NTIA, ITA and OS are included in the NOAA data below as NOAA is their servicing bureau.

Bureau	Awards Closed	Funds Deobligated	Awards Pending Closure	Funds Pending Deobligation
NOAA	678	\$ 19,299,784	30	\$ 2,870,281
NIST	698	\$ 13,145,636	846	\$ 25,995,330
EDA	141	\$ 24,108,148	105	\$ 10,829,923

Under OMB circulars, organizations receiving federal awards are assigned to a single federal agency (cognizant agency) which acts on behalf of all federal agencies in approving indirect cost and other rates for that organization. The Department is responsible for reviewing indirect cost proposals (IDC) submitted by assigned grantee organizations and, based on those reviews, negotiates appropriate indirect cost rates. OAM’s responsibility for the management of this program continued throughout the fiscal year. New rate review procedures that were implemented during FY 2007 produced greater levels of financial analysis that resulted in financial savings to the Department through indirect cost rate adjustments from grantees’ proposed rates. In FY 2011, GMD expects to approve in excess of 100 IDCs. Program focus for the coming year will include continued implementation of stronger internal controls.

OAM will continue to actively seek opportunities to support government-wide goals of transparency and data quality management.

## HUMAN CAPITAL

Both the President and Congress recognize that the federal workforce is central to the delivery of services to the U.S. public. Acknowledging that people are the key to mission accomplishment, Departmental leadership continues to implement and evaluate programs to ensure that there is succession planning in the area of financial management. Internship and leadership development programs are used as vehicles for making progress in the recruitment and retention of a highly-skilled and diverse workforce. Internship programs are implemented through a variety of sources to provide finance and accounting majors an opportunity to gain hands-on experience, while introducing potential future employees to the opportunities that exist at the Department. Ongoing training and development opportunities are offered as a component of continuous learning in the area of financial management.

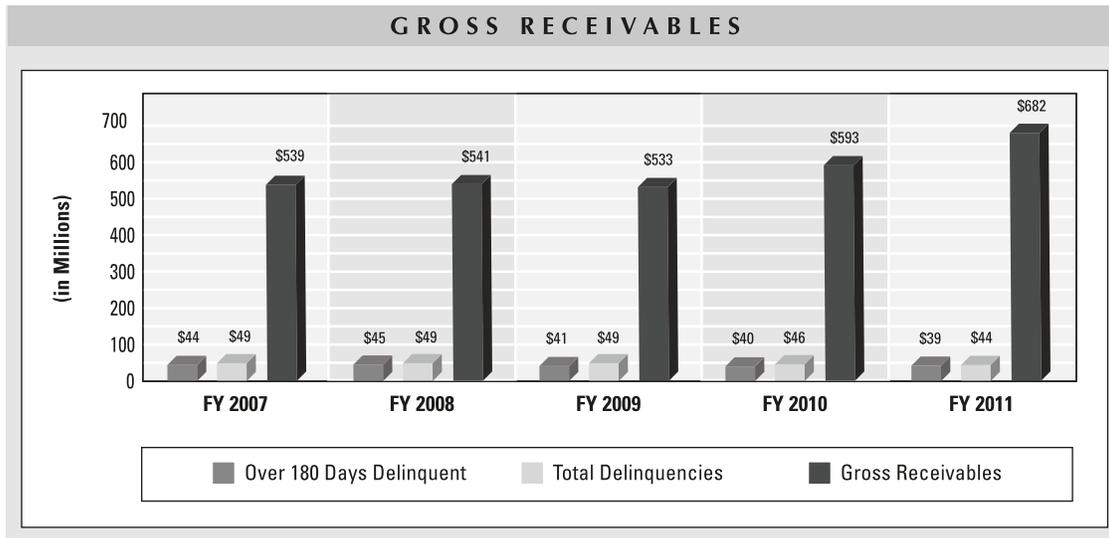
The Department continued its recruitment efforts in the area of financial management by maintaining its partnership with the National Academy Foundation (NAF) Academy of Finance (AOF). The NAF AOF students are brought on-board through the Student Temporary Employment Program to enhance their individual and collective learning experiences in the finance and accounting fields. At the completion of the eight weeks of the NAF program, students make presentations to Department leaders to demonstrate newly acquired skills in their respective areas. Departmental supervisors monitor the performance of the interns throughout their appointment, and after successful completion, many supervisors have extended the temporary appointment or utilized other programs (i.e., Student Career Experience Program) to bring in entry-level talent. In FY 2011, the Department recruited six AOF high school students for the summer who were placed across finance offices in bureaus and organizational units including, EDA, ITA, NOAA, and OFM. Additionally, four previous NAF interns were asked to return as temporary appointments to the Census Bureau, the Bureau of Economic Analysis (BEA), and NOAA.

In addition to the recruitment efforts being implemented to attain a highly-skilled workforce in the area of financial management, the Department has succession planning strategies in place, including the development of competencies within the current workforce. As one of the Department's recognized mission-critical occupations, accounting and budgeting series employees at the GS-7 through GS-15 and equivalent levels are eligible to apply for the following major leadership development programs: Leadership Education and Development Certificate Program, Aspiring Leaders Development Program, Executive Leadership Development Program, and Senior Executive Service Candidate Development Program. These program activities include competency assessments, formal classroom training, developmental assignments, seminars, action learning task team projects, and mentoring sessions.

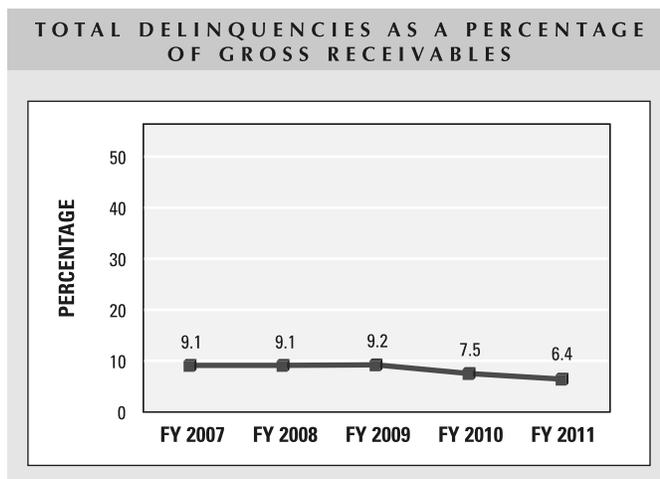
## DEBT MANAGEMENT

### RECEIVABLES AND DEBT MANAGEMENT

The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish significantly the amount of risk inherent in credit programs. These procedures were established to ensure that credit costs are properly identified and controlled, that borrowers' needs are met, and that costs to the taxpayers are minimized.



The Department’s gross receivables increased 15.1 percent, from \$593 million at September 30, 2010 to \$682 million at September 30, 2011, as reported on the Department’s Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on its gross receivables and delinquent debt due from the public. Debt over 180 days delinquent decreased from just under \$40 million at September 30, 2010 to \$39 million at September 30, 2011. Total delinquencies as a percentage of gross receivables decreased from 7.5 percent at September 30, 2010 to 6.4 percent at September 30, 2011, due to a significant increase in gross receivables.



The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury’s Financial Management Service as the federal government’s debt collection center. Nearly \$36 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 50 percent of the Department’s overall delinquent debt that is eligible for referral to Treasury is in litigation with the Department of Justice for enforced collection.

During FY 2001, the issuance of the revised Federal Claims Collection Standards and the revised OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

## PAYMENT PRACTICES

### Prompt Payment

The Prompt Payment Act of 1982 generally requires agencies to pay their bills to vendors on a timely basis (within 30 days of receipt of relevant documents), and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and the bureaus submit quarterly reports of prompt payment performance to the Deputy Chief Financial Officer.

The Department has decreased slightly its prompt payment performance to 98 percent in FY 2011 from 99 percent in FY 2010. The number of invoices with late-payment interest penalties remained steady with 5,108 in FY 2011 and 5,102 in FY 2010. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes. For example, the Department conducted an analysis of E-invoicing solutions to automate existing manual invoice processes, and initiated an Internal Payment Platform (IPP) Pilot Proof of Concept to determine whether this would be a viable option.

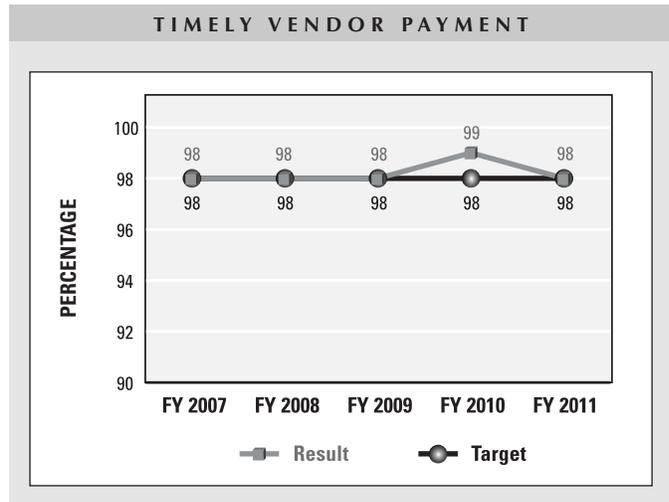
A September 2011 OMB memorandum, *Accelerating Payment to Small Businesses for Goods and Services*, outlines a new Executive Branch policy that, to the full extent permitted by law, agencies shall make their payments to small business contractors as soon as practicable, with the goal of making payments within 15 days of such receipt. This policy will improve cash flow for small businesses and provide them with a more predictable stream of resources, and will have the effect of preserving and increasing small business participation in federal contracting, which benefits the federal agencies and taxpayers. The Department will implement this new payment policy for small business contractors in FY 2012.

### Bankcards

The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. The Department has incorporated more effective oversight and risk management reviews relative to purchase card accounts that are inactive over an 18 month period. For inactive accounts, the Department determines if there is a need for the card; if it is determined that there is not a sufficient need for the card, the account is subsequently closed. Additionally, more stringent training requirements are required for employees with purchase cards, which has contributed to the decrease over the years in the number of bankcards issued and in use by the Department.

The Department has incorporated the use of the purchase card for existing Departmental payment vehicles, when possible, to enhance Departmental efficiency for disbursements and increase purchase card refunds.

Due to findings identified in FY 2010 through internal testing of the Purchase Card cycle under OMB Circular A-123, Appendix A, the Department hired an independent contractor to perform a full Department-wide purchase card review during FY 2011. This review



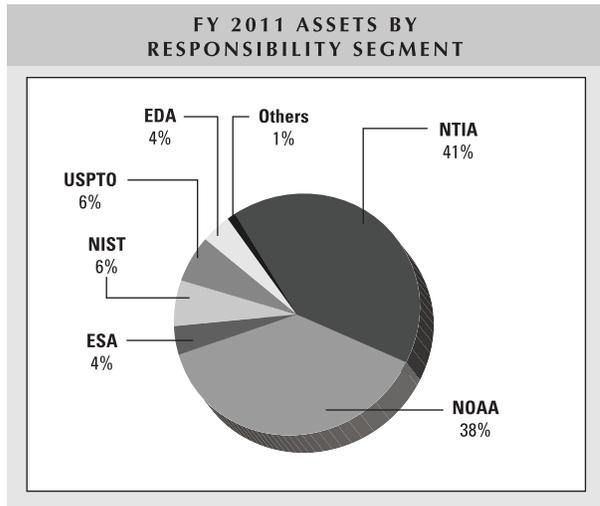
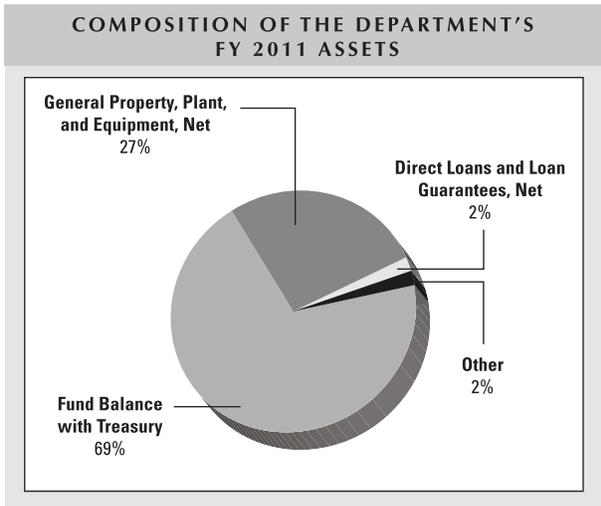
included data mining, analyzing and testing data, updating internal control documentation, developing communications and training programs, and improving the Department’s Purchase Card program. The independent contractor concurred with the Department’s findings, and identified additional findings and recommendations for Department-wide corrective actions. The Department developed corrective action plans that are tracked to ensure timely resolution of all the findings and recommendations identified. The Department plans to test the Purchase Card cycle in FY 2012 through the OMB Circular A-123, Appendix A process. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper.

## ANALYSIS OF FY 2011 FINANCIAL CONDITION AND RESULTS

### Composition of Assets and Assets by Responsibility Segment

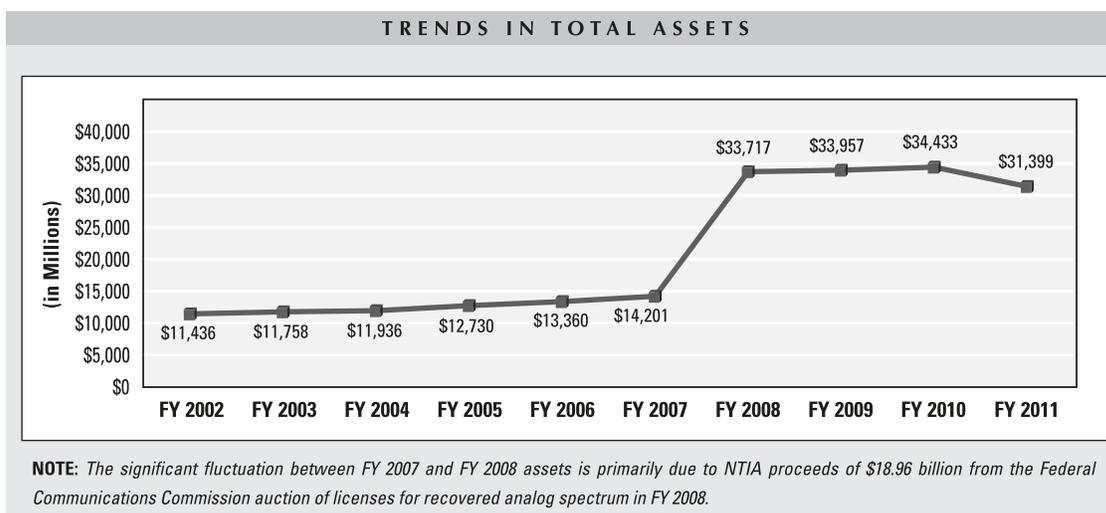
The composition (by percentage) and distribution (by responsibility segment) of the Department’s assets changed somewhat from September 30, 2010 to September 30, 2011. Fund Balance with Treasury decreased from 75 percent of total assets at September 30, 2010 to 69 percent of total assets at September 30, 2011. General Property Plant and Equipment, Net increased from 21 percent of total assets at September 30, 2010 to 27 percent of total assets at September 30, 2011. As a result of the above fluctuations (explained in Trends in Assets section below), ESA’s assets decreased from 10 percent of total assets at September 30, 2010 to 4 percent of total assets at September 30, 2011.

Total assets amounted to \$31.40 billion at September 30, 2011. Fund Balance with Treasury of \$21.66 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment, Net of Accumulated Depreciation (General PP&E) of \$8.36 billion includes \$5.48 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; \$1.05 billion of Satellites/Weather Systems; \$972 million of Structures, Facilities, and Leasehold Improvements; and \$866 million of other General PP&E. Direct Loans and Loan Guarantees, Net of \$566 million primarily relates to NOAA’s direct loan programs. Other Assets of \$809 million primarily includes Advances and Prepayments of \$416 million; Accounts Receivable, Net of \$239 million; and Inventory, Materials, and Supplies, Net of \$98 million.



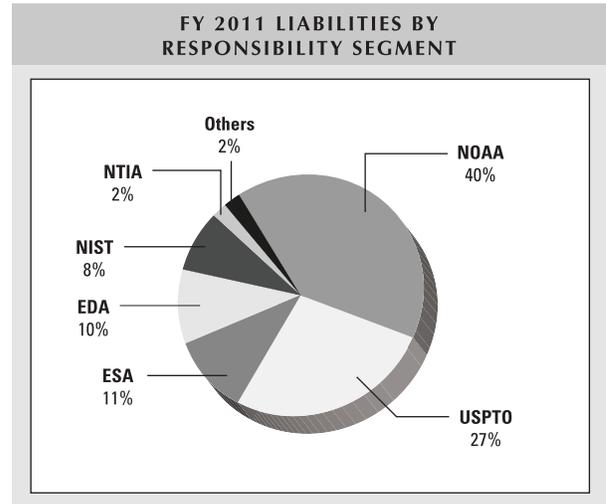
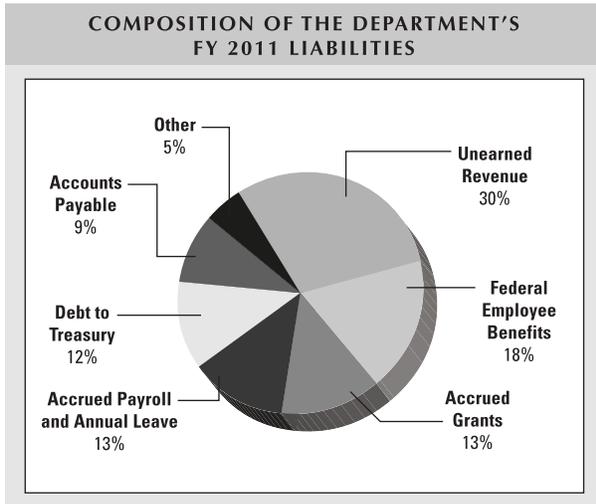
### Trends in Assets

Total Assets decreased \$3.03 billion or 9 percent, from \$34.43 billion at September 30, 2010 to \$31.40 billion at September 30, 2011. Fund Balance with Treasury decreased \$4.12 billion or 16 percent, from \$25.79 billion to \$21.66 billion primarily due to significantly decreased appropriations and significantly increased rescissions for Census Bureau as a result of the completion of the 2010 Decennial Census, and a significant increase in payments to grantees for NTIA's Broadband Technology Opportunities Program. General PP&E, Net increased \$968 million or 13 percent, from \$7.39 billion to \$8.36 billion, mainly due to an increase in NOAA Construction-in-progress of \$1.17 billion, primarily for satellite programs. Other Assets increased by \$97 million or 14 percent, primarily due to an increase of \$73 million in NOAA Accounts Receivable with an oil company for restoration activities related to the 2010 Deepwater Horizon oil spill.



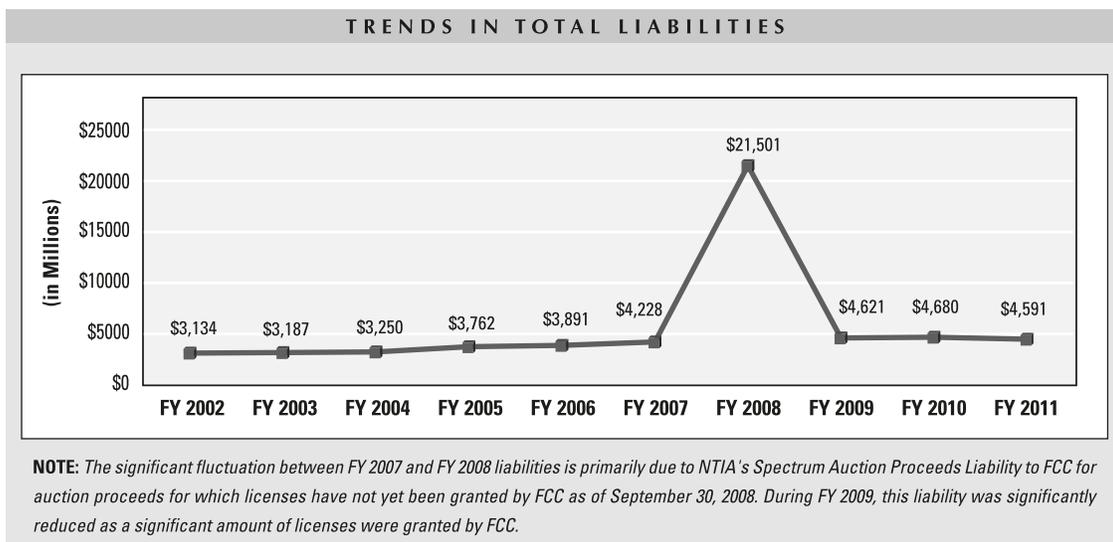
### Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities remained consistent from September 30, 2010 to September 30, 2011. Total liabilities amounted to \$4.59 billion at September 30, 2011. Unearned Revenue of \$1.37 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits Liability of \$808 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System (\$524 million) and the NOAA Corps Post-retirement Health Benefits (\$48 million), and Actuarial FECA Liability (\$236 million), which represents the actuarial liability for future workers' compensation benefits. Accrued Grants of \$596 million, which relates to a diverse array of financial assistance programs and projects, includes EDA's accrued grants of \$385 million for its economic development assistance funding to state and local governments. Accrued Payroll and Annual Leave of \$579 million includes salaries and wages earned by employees, but not disbursed as of September 30, 2011. Debt to Treasury of \$540 million consists of monies borrowed primarily for NOAA's direct loan programs. Accounts Payable of \$432 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Other Liabilities of \$262 million primarily includes Environmental and Disposal Liabilities of \$63 million, Accrued Benefits of \$48 million, an accrued liability of \$42 million related to the NOAA satellites program, Accrued FECA Liability of \$30 million, Resources Payable to Treasury of \$21 million, ITA Foreign Service Nationals' Voluntary Separation Pay Liability of \$12 million, and Capital Lease Liabilities of \$10 million.



**Trends in Liabilities**

Total Liabilities decreased \$89 million or 2 percent, from \$4.68 billion at September 30, 2010 to \$4.59 billion at September 30, 2011. Accrued Grants decreased by \$170 million or 22 percent, from \$766 million to \$596 million, primarily resulting from a decrease of \$103 million in EDA's Accrued Grants, mainly due to reduced grantee expenditures related to previous funding received under the American Recovery and Reinvestment Act of 2009, and received under a FY 2010 supplemental appropriation for a major storms and flooding disaster that occurred in 2010. NTIA's Accrued Grants also decreased by \$79 million, mainly due to a refinement in the grant accrual methodology for the Broadband Technology Opportunities Program. There was a decrease of \$32 million or 93 percent, from \$34 million to \$2 million, in NTIA's Spectrum Auction Proceeds Liability to FCC. This liability represents FCC auction proceeds for which licenses have not yet been granted by FCC. During FY 2011, the liability was reduced due to the payment of FCC administrative fees for developing and implementing the auction program. Unearned Revenue increased by \$42 million or 3 percent, from \$1.33 billion at September 30, 2010 to \$1.37 billion at September 30, 2011, primarily due to a \$74 million increase in USPTO's Unearned Revenue from patent and trademark fees. Federal Employee Benefits Liability increased \$39 million or 5 percent, from \$769 million to \$808 million, primarily due to an increase of \$21 million in the NOAA Corps

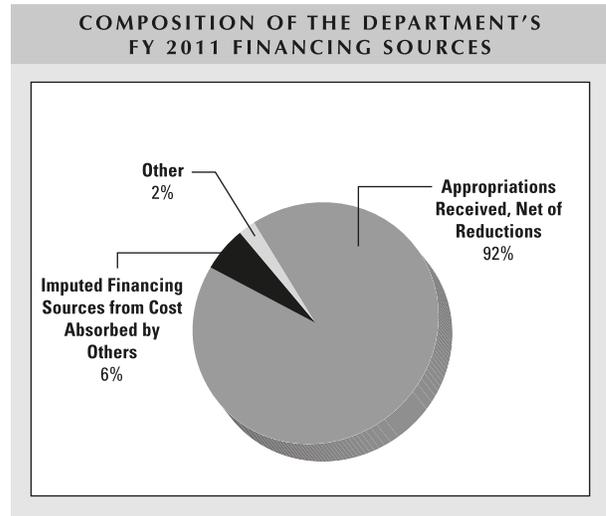


Retirement System Liability, and from the effect of increased Decennial Census employees on the valuation of the Department's Actuarial FECA Liability. Debt to Treasury increased \$22 million or 4 percent, from \$518 million to \$540 million, mainly due to new borrowings in FY 2011 for NOAA's direct loan programs.

**Composition of and Trends in Financing Sources**

The Department's Financing Sources, shown on the Consolidated Statement of Changes in Net Position, are traditionally obtained primarily from Appropriations Received, Net of Reductions. The composition (by percentage) and dollar amount of the Department's financing sources changed significantly from FY 2010 to FY 2011, mainly due to the large decrease in Appropriations Received of \$6.07 billion or 87 percent, for Census Bureau's Periodic Censuses and Programs fund group, as well as \$1.74 billion of rescissions in FY 2011 for this fund group, as compared to \$129 million of rescissions in FY 2010, as a result of the completion of the 2010 Decennial Census.

Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, and imputed financing sources from costs absorbed by other federal agencies.

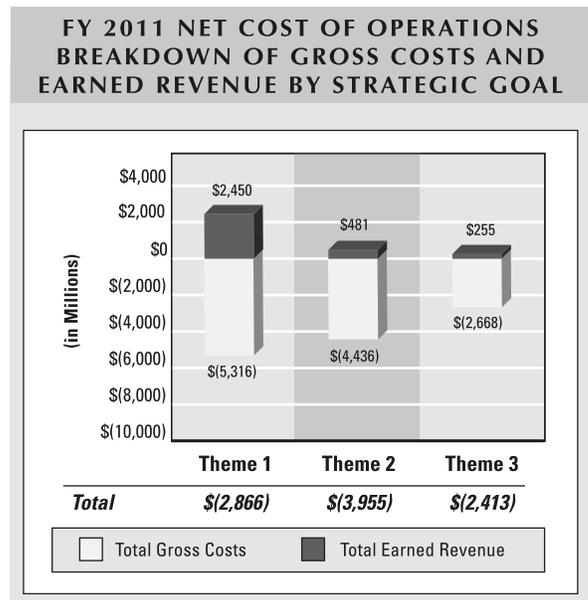


Total Financing Sources decreased \$7.79 billion or 55 percent, from \$14.08 billion for FY 2010 to \$6.29 billion for FY 2011. Appropriations Received, Net of Reductions decreased by \$7.60 billion or 57 percent, from \$13.41 billion for FY 2010 to \$5.81 billion for FY 2011, primarily due to the large decrease in Appropriations Received for Census Bureau, and the large FY 2011 rescissions for the Census Bureau.

**FY 2011 Net Cost of Operations by Theme**

In FY 2011, Net Cost of Operations amounted to \$9.23 billion, which consists of Gross Costs of \$12.42 billion less Earned Revenue of \$3.19 billion.

*Theme 1, Economic Growth*, includes Net Program Costs of (\$131) million (Gross Costs of \$2.11 billion less Earned Revenue of \$2.24 billion) for the U.S. Patent and Trademark Office's (USPTO) patents and trademark programs. The issuance of patents provides incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of trademarks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of intellectual property protection and facilitates the development and sharing of new technologies worldwide. Theme 1 also includes Net Program



Costs of \$714 million (Gross Costs of \$845 million less Earned Revenue of \$131 million) for NIST's Measurement and Standards Laboratories. These laboratories are the stewards of the Nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. NTIA's programs and activities also support Theme 1, with Net Program Costs of \$1.00 billion (Gross Costs of \$1.03 billion less Earned Revenue of \$25 million). NTIA serves as the principal adviser to the President on domestic and international communications and information policy-making, promotes access to telecommunications services for all Americans and competition in domestic and international markets, manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum, and conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies. ITA's programs and activities also support Theme 1, with Net Program Costs of \$472 million (Gross Costs of \$494 million less Earned Revenue of \$22 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers. Theme 1 also includes Net Program Costs of \$351 million (Gross Costs of \$361 million less Earned Revenue of \$10 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, the closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

*Theme 2, Science and Information*, includes Net Program Costs of \$2.27 billion (Gross Costs of \$2.40 billion less Earned Revenue of \$132 million) for NOAA's programs and activities related to improving weather, water quality, and climate reporting and forecasting, as well as supporting economic growth through improved innovation and technology. NOAA develops and procures satellite systems, aircraft, and ships to examine oceanic and atmospheric patterns worldwide and to provide information on weather patterns and forecasts. The Census Bureau also supports Theme 2, with Net Program Costs of \$1.54 billion (Gross Costs of \$1.83 billion less Earned Revenue of \$292 million) for the Census Bureau. The Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs.

*Theme 3, Environmental Stewardship*, includes Net Program Costs of \$2.38 billion (Gross Costs of \$2.66 billion less Earned Revenue of \$278 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources. The Department has a responsibility for stewardship of the marine ecosystem and for setting standards to protect and manage the shared resources and harvests of the oceans. The Department strives to balance sustainable development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

## LIMITATIONS OF THE FINANCIAL STATEMENTS

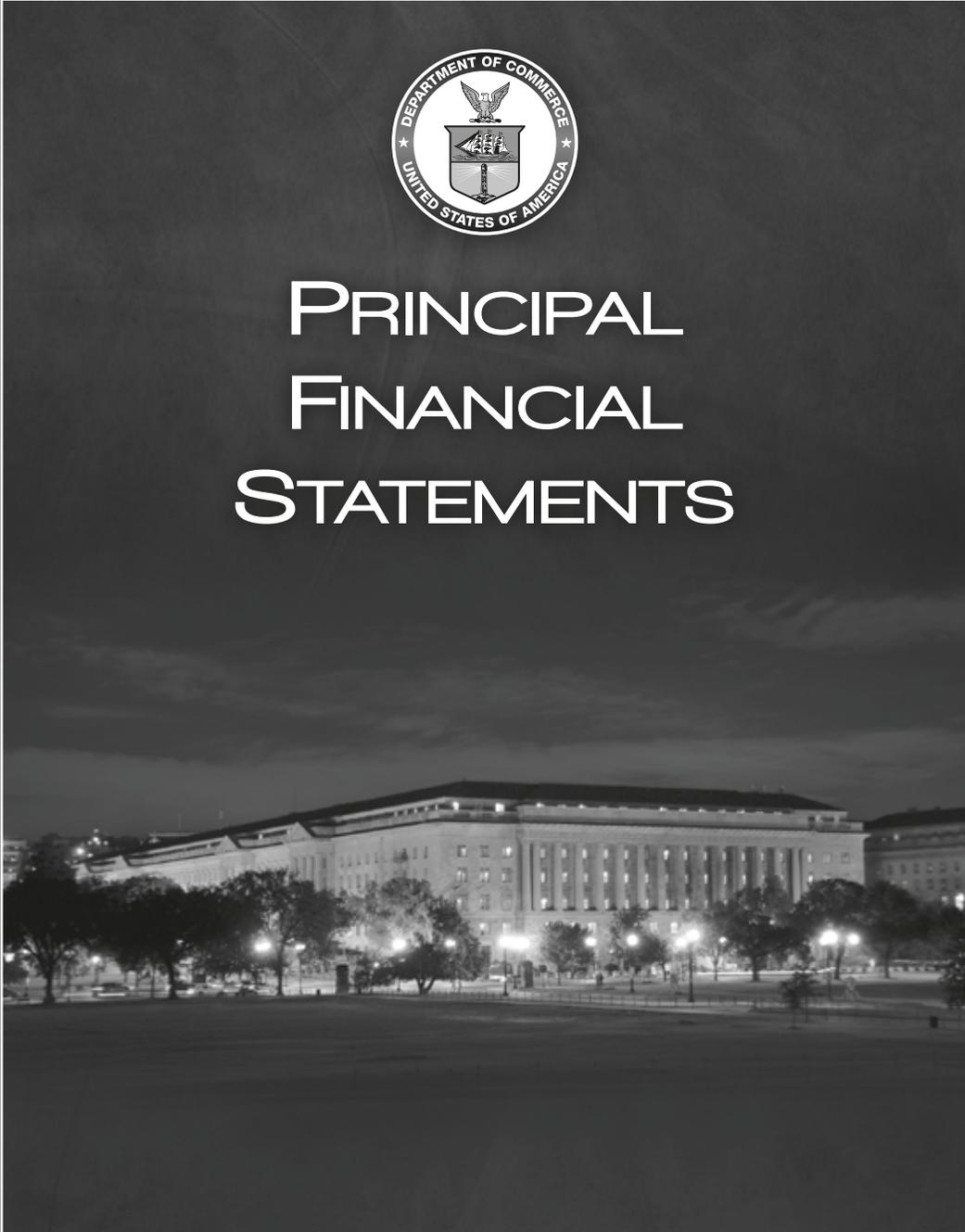
These financial statements have been prepared to report the overall financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Department in accordance with the form and content prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

F I N A N C I A L   S E C T I O N



# PRINCIPAL FINANCIAL STATEMENTS





**United States Department of Commerce Consolidated Balance Sheets  
As of September 30, 2011 and 2010 (In Thousands)**

	FY 2011	FY 2010
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Notes 2 and 18)	\$ 21,661,030	\$ 25,785,547
Accounts Receivable (Note 3)	98,360	84,479
Advances and Prepayments	415,683	400,042
<b>Total Intragovernmental</b>	<b>22,175,073</b>	<b>26,270,068</b>
Cash (Note 4)	3,466	3,616
Accounts Receivable, Net (Note 3)	140,846	70,780
Direct Loans and Loan Guarantees, Net (Note 5)	566,250	540,147
Inventory, Materials, and Supplies, Net (Note 6)	97,823	98,326
General Property, Plant, and Equipment, Net (Note 7)	8,362,263	7,394,711
Other (Note 8)	53,320	55,122
<b>TOTAL ASSETS</b>	<b>\$ 31,399,041</b>	<b>\$ 34,432,770</b>
Stewardship Property, Plant, and Equipment (Note 23)		
<b>LIABILITIES</b>		
<b>Intragovernmental:</b>		
Accounts Payable	\$ 88,455	\$ 60,088
Debt to Treasury (Note 10)	540,001	517,930
Other		
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	2,436	33,838
Resources Payable to Treasury	21,448	18,899
Unearned Revenue	338,657	373,921
Other (Note 11)	90,668	104,344
<b>Total Intragovernmental</b>	<b>1,081,665</b>	<b>1,109,020</b>
Accounts Payable	343,280	402,605
Loan Guarantee Liabilities (Notes 5 and 16)	563	565
Federal Employee Benefits (Note 12)	808,482	769,035
Environmental and Disposal Liabilities (Note 13)	63,377	54,649
Other		
Accrued Payroll and Annual Leave	578,952	561,154
Accrued Grants	595,721	766,204
Capital Lease Liabilities (Note 14)	10,068	9,278
Unearned Revenue	1,035,867	958,474
Other (Note 11)	73,153	49,181
<b>TOTAL LIABILITIES</b>	<b>\$ 4,591,128</b>	<b>\$ 4,680,165</b>
Commitments and Contingencies (Notes 5, 14, and 16)		
<b>NET POSITION</b>		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 21)	\$ 3,390,451	\$ 4,099,319
Unexpended Appropriations - All Other Funds	5,829,206	8,782,873
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 21)	10,073,516	10,189,816
Cumulative Results of Operations - All Other Funds	7,514,740	6,680,597
<b>TOTAL NET POSITION</b>	<b>\$ 26,807,913</b>	<b>\$ 29,752,605</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 31,399,041</b>	<b>\$ 34,432,770</b>

The accompanying notes are an integral part of these statements.

## United States Department of Commerce Consolidated Statements of Net Cost

For the Year Ended September 30, 2011 (Note 17) (*In Thousands*)

	FY 2011
<b>Theme 1: Economic Growth</b>	
Gross Costs	\$ 5,315,520
Less: Earned Revenue	(2,450,163)
<b>Net Program Costs</b>	<b>2,865,357</b>
<b>Theme 2: Science and Information</b>	
Gross Costs	4,436,424
Less: Earned Revenue	(481,062)
<b>Net Program Costs</b>	<b>3,955,362</b>
<b>Theme 3: Environmental Stewardship</b>	
Gross Costs	2,667,910
Less: Earned Revenue	(254,829)
<b>Net Program Costs</b>	<b>2,413,081</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 9,233,800</b>

For the Year Ended September 30, 2010 (Note 17) (*In Thousands*)

	FY 2010
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>	
Gross Costs	\$ 8,140,086
Less: Earned Revenue	(261,482)
<b>Net Program Costs</b>	<b>7,878,604</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>	
Gross Costs	3,586,729
Less: Earned Revenue	(2,324,724)
<b>Net Program Costs</b>	<b>1,262,005</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>	
Gross Costs	4,800,594
Less: Earned Revenue	(277,123)
<b>Net Program Costs</b>	<b>4,523,471</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 13,664,080</b>

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Changes in Net Position  
For the Years Ended September 30, 2011 and 2010 (In Thousands)**

	FY 2011			FY 2010		
	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total	Earmarked Funds (Note 21)	All Other Funds	Consolidated Total
<b>Cumulative Results Of Operations:</b>						
<b>Beginning Balance</b>	\$ 10,189,816	\$ 6,680,597	\$ 16,870,413	\$ 10,155,041	\$ 6,044,457	\$ 16,199,498
<b>Budgetary Financing Sources:</b>						
Appropriations Used	665,766	8,776,595	9,442,361	249,598	13,406,937	13,656,535
Non-exchange Revenue	95,804	15,379	111,183	18,515	1,028	19,543
Donations and Forfeitures of Cash and Cash Equivalents	-	1,651	1,651	-	1,335	1,335
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission (Note 18)	-	-	-	196,613	-	196,613
Transfers In/(Out) Without Reimbursement, Net	25,795	93,378	119,173	18,613	107,179	125,792
Rescissions (Note 18)	-	(54,800)	(54,800)	-	-	-
Other Budgetary Financing Sources/(Uses), Net	-	(4,000)	(4,000)	-	817	817
<b>Other Financing Sources (Non-exchange):</b>						
Donations and Forfeitures of Property	-	458	458	-	461	461
Transfers In/(Out) Without Reimbursement, Net	-	(4,062)	(4,062)	(349)	(4,455)	(4,804)
Imputed Financing Sources from Cost Absorbed by Others	22,797	325,128	347,925	22,990	323,782	346,772
Downward Subsidy Reestimates Payable to Treasury	-	-	-	-	(8,087)	(8,087)
Other Financing Sources/(Uses), Net	-	(8,246)	(8,246)	-	18	18
<b>Total Financing Sources</b>	<b>810,162</b>	<b>9,141,481</b>	<b>9,951,643</b>	<b>505,980</b>	<b>13,829,015</b>	<b>14,334,995</b>
<b>Net Cost of Operations</b>	<b>(926,462)</b>	<b>(8,307,338)</b>	<b>(9,233,800)</b>	<b>(471,205)</b>	<b>(13,192,875)</b>	<b>(13,664,080)</b>
<b>Net Change</b>	<b>(116,300)</b>	<b>834,143</b>	<b>717,843</b>	<b>34,775</b>	<b>636,140</b>	<b>670,915</b>
<b>Cumulative Results of Operations – Ending Balance</b>	<b>10,073,516</b>	<b>7,514,740</b>	<b>17,588,256</b>	<b>10,189,816</b>	<b>6,680,597</b>	<b>16,870,413</b>
<b>Unexpended Appropriations:</b>						
<b>Beginning Balance</b>	4,099,319	8,782,873	12,882,192	4,890,417	8,246,105	13,136,522
<b>Budgetary Financing Sources:</b>						
Appropriations Received (Note 18)	-	7,669,352	7,669,352	-	14,109,905	14,109,905
Appropriations Transferred In/(Out), Net	-	11,239	11,239	-	14,387	14,387
Rescissions of Appropriations (Note 18)	-	(1,803,198)	(1,803,198)	(541,500)	(155,000)	(696,500)
Other Adjustments	(43,102)	(54,465)	(97,567)	-	(25,587)	(25,587)
Appropriations Used	(665,766)	(8,776,595)	(9,442,361)	(249,598)	(13,406,937)	(13,656,535)
<b>Total Budgetary Financing Sources</b>	<b>(708,868)</b>	<b>(2,953,667)</b>	<b>(3,662,535)</b>	<b>(791,098)</b>	<b>536,768</b>	<b>(254,330)</b>
<b>Unexpended Appropriations – Ending Balance</b>	<b>3,390,451</b>	<b>5,829,206</b>	<b>9,219,657</b>	<b>4,099,319</b>	<b>8,782,873</b>	<b>12,882,192</b>
<b>NET POSITION</b>	<b>\$ 13,463,967</b>	<b>\$ 13,343,946</b>	<b>\$ 26,807,913</b>	<b>\$ 14,289,135</b>	<b>\$ 15,463,470</b>	<b>\$ 29,752,605</b>

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Combined Statements of Budgetary Resources  
For the Years Ended September 30, 2011 and 2010 (Note 18) (In Thousands)**

	FY 2011		FY 2010	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
<b>BUDGETARY RESOURCES:</b>				
Unobligated Balance, Brought Forward, October 1	\$ 12,155,652	\$ 873	\$ 16,593,521	\$ 2,335
Adjustments to Unobligated Balance, Brought Forward	1	(1)	-	-
Recoveries of Prior-years Unpaid Obligations	323,886	98,196	230,289	10,149
<b>Budget Authority</b>				
Appropriations	7,693,976	-	14,322,512	-
Borrowing Authority	-	77,597	-	78,375
Spending Authority From Offsetting Collections				
Earned				
Collected	3,976,827	72,048	3,698,411	98,229
Change in Receivables	88,936	-	37,895	-
Change in Unfilled Customer Orders				
Advances Received	49,386	-	8,453	-
Without Advances	33,929	(345)	193,858	-
Previously Unavailable	2,591	-	2,716	-
<b>Total Budget Authority</b>	<b>11,845,645</b>	<b>149,300</b>	<b>18,263,845</b>	<b>176,604</b>
Nonexpenditure Transfers, Net	129,434	-	140,391	-
Temporarily Not Available Pursuant to Public Law	(208,856)	-	(52,543)	-
Permanently Not Available	(1,955,880)	(139,216)	(722,371)	(79,884)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 22,289,882</b>	<b>\$ 109,152</b>	<b>\$ 34,453,132</b>	<b>\$ 109,204</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Obligations Incurred				
Direct	\$ 8,402,497	\$ 109,066	\$ 18,874,186	\$ 108,331
Reimbursable	3,892,270	-	3,423,294	-
<b>Total Obligations Incurred</b>	<b>12,294,767</b>	<b>109,066</b>	<b>22,297,480</b>	<b>108,331</b>
Unobligated Balance				
Apportioned	581,374	-	2,651,510	-
Exempt From Apportionment	392,735	-	577,107	-
<b>Total Unobligated Balance</b>	<b>974,109</b>	<b>-</b>	<b>3,228,617</b>	<b>-</b>
Unobligated Balance Not Available	9,021,006	86	8,927,035	873
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 22,289,882</b>	<b>\$ 109,152</b>	<b>\$ 34,453,132</b>	<b>\$ 109,204</b>
<b>CHANGE IN UNPAID OBLIGATED BALANCE, NET:</b>				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	\$ 13,171,979	\$ 229,115	\$ 8,073,367	\$ 261,279
Less: Uncollected Customer Payments, Brought Forward	(523,383)	(735)	(291,630)	(735)
<b>Total Unpaid Obligated Balance, Net, Brought Forward</b>	<b>12,648,596</b>	<b>228,380</b>	<b>7,781,737</b>	<b>260,544</b>
Obligations Incurred	12,294,767	109,066	22,297,480	108,331
Less: Gross Outlays	(13,990,252)	(94,906)	(16,968,579)	(130,346)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(323,886)	(98,196)	(230,289)	(10,149)
Change in Uncollected Customer Payments	(122,865)	345	(231,753)	-
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 10,506,360</b>	<b>\$ 144,689</b>	<b>\$ 12,648,596</b>	<b>\$ 228,380</b>
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	\$ 11,152,608	\$ 145,079	\$ 13,171,979	\$ 229,115
Less: Uncollected Customer Payments	(646,248)	(390)	(523,383)	(735)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 10,506,360</b>	<b>\$ 144,689</b>	<b>\$ 12,648,596</b>	<b>\$ 228,380</b>
<b>NET OUTLAYS:</b>				
Gross Outlays	\$ 13,990,252	\$ 94,906	\$ 16,968,579	\$ 130,346
Less: Offsetting Collections	(4,026,213)	(72,048)	(3,706,864)	(98,229)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	-	(28,541)	-
<b>NET OUTLAYS</b>	<b>\$ 9,930,469</b>	<b>\$ 22,858</b>	<b>\$ 13,233,174</b>	<b>\$ 32,117</b>

The accompanying notes are an integral part of these statements.

# NOTES TO THE FINANCIAL STATEMENTS

*(All Tables are Presented in Thousands)*

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **A** Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, the National Intellectual Property Law Enforcement Coordination Council, and Departmental Management.

For the *Consolidating Statements of Net Cost* (see Note 17), the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA) — based on organizational structure
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- National Institute of Standards and Technology (NIST)
- National Telecommunications and Information Administration (NTIA)
- Others
  - Bureau of Industry and Security (BIS)
  - Economic Development Administration (EDA)
  - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)
  - International Trade Administration (ITA)
  - Minority Business Development Agency (MBDA)
  - National Intellectual Property Law Enforcement Coordination Council (NIPC)
  - National Technical Information Service (NTIS)

- Departmental Management (DM)
  - Franchise Fund
  - Gifts and Bequests (G&B)
  - Herbert C. Hoover Building Renovation Project (HCHB)
  - Office of Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)

## **B** Basis of Accounting and Presentation

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Revised Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. EDA allocates funds, as the parent, to the U.S. Department of Agriculture's Rural Development Administration. Therefore, all financial activity related to these funds are reported in the Department's financial statements. NIST, NOAA, EDA, Census Bureau, BEA, NTIS, and USPTO receive allocation transfers, as the child, from the General Services Administration, Environmental Protection Agency, Delta Regional Authority, and Appalachian Regional Commission. Activity relating to these child allocation transfers is not reported in the Department's financial statements.

In FY 2011, the Department is reporting Gross Costs and Earned Revenue according to the Department's new FY 2011-2016 Strategic Plan, which replaces strategic goals with themes, and modifies performance objectives and measures accordingly. Because the new themes and the old strategic goals are not equivalent, FY 2011 and FY 2010 are presented separately on the Consolidated Statements of Net Cost.

### **C Earmarked Funds**

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include a general fund, public enterprise revolving funds (not including credit reform financing funds), special funds, and a trust fund. (See Note 21, *Earmarked Funds*.)

### **D Elimination of Intra-entity and Intra-Departmental Transactions and Balances**

Transactions and balances within a reporting entity (intra-entity) have been eliminated from the financial statements, except as noted below. Transactions and balances among the Department's entities (intra-Departmental) have been eliminated from the *Consolidated Balance Sheets*, the *Consolidated Statements of Net Cost*, and the *Consolidated Statements of Changes in Net Position*. The *Statements of Budgetary Resources* are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

### **E Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds include amounts held in customer deposit accounts and the Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC).

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

### **F Accounts Receivable, Net**

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

### **G Advances and Prepayments**

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (monthly or quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

## **H Direct Loans and Loan Guarantees**

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

**Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992):** Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end, based on its outstanding receivables as of September 30.

**Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991):** Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

## **I Inventory, Materials, and Supplies, Net**

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the average, weighted-average, and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

## **J** General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, Net (General PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. General PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

### **Capitalization Thresholds:**

For FY 2010, the Department's general policy was to capitalize General PP&E if the initial acquisition price is \$25 thousand or more and the useful life is two years or more. NOAA was an exception to this policy, based on a cost vs. benefits and materiality analysis given the size of NOAA, having a capitalization threshold of \$200 thousand. General PP&E with an acquisition cost less than the capitalization threshold was expensed when purchased. NOAA and Census Bureau had bulk purchase capitalization thresholds of \$1 million and \$250 thousand, respectively, for personal property bulk purchases. For other bureaus, when the purchase of a large quantity of personal property items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase was capitalized as a group.

Effective FY 2011, based on a Department-wide capitalization threshold review that was completed in 2010, revisions were made to the Department's capitalization thresholds. NOAA's capitalization thresholds did not change. For NIST and USPTO, the capitalization threshold was increased to \$50 thousand. All other bureaus retained their capitalization thresholds of \$25 thousand, and all bureaus other than NOAA now have a bulk purchase capitalization threshold of \$250 thousand for personal property bulk purchases. NOAA retained its \$1 million capitalization threshold for personal property bulk purchases.

**Depreciation:** Depreciation is recognized on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

**Real Property:** The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA. Land Improvements consist of a retaining wall to protect against shoreline erosion.

**Construction-in-progress:** Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

## **K** Notes Receivable

Notes Receivable, included in Other Assets, arise through the NOAA sale of foreclosed property to non-federal parties. The property is used as collateral, and an Allowance for Uncollectible Amounts is established if the net realizable value of the collateral is less than the outstanding balance of the Notes Receivable. An analysis of the collectability of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

## **L Non-entity Assets**

Non-entity assets are assets held by the Department that are not available for use in its operations. Non-entity Fund Balance with Treasury includes customer deposits held by the Department until customer orders are received, and monies payable to the Treasury General Fund for custodial activity and for loan programs. Non-entity Direct Loans and Loan Guarantees, Net represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

## **M Liabilities**

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

**Accounts Payable:** Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

**Debt to Treasury:** The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, and has borrowed funds for the Fishing Vessel Obligation Guarantee (FVOG) loan guarantee program. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense. The amount reported for Debt to Treasury includes accrued interest payable.

**Spectrum Auction Proceeds Liability to Federal Communications Commission:** FCC completed the auction of licenses for recovered analog spectrum in March 2008. These auction proceeds provide funding for several programs. Auction proceeds are considered a liability to FCC until FCC grants the license. When the license is granted, a budgetary financing source is recognized on the Consolidated Statement of Changes in Net Position for the earned net auction proceeds (auction proceeds less FCC administrative fees due to FCC), and the liability is reduced by the dollar amount of the license granted. See Note 18, *Combined Statements of Budgetary Resources*, for more information on NTIA's Digital Television and Transition Public Safety Fund.

**Resources Payable to Treasury:** Resources Payable to Treasury includes liquidating fund assets in excess of liabilities that are being held as working capital for the Economic Development Revolving Fund loan programs and the FVOG loan guarantee program. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to the Treasury General Fund. The Portfolio collections are returned to the Treasury General Fund annually, and the liability is reduced accordingly.

**Unearned Revenue:** Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

**Accrued FECA Liability:** The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to DOL for claims paid on behalf of the Department.

**Loan Guarantee Liabilities:** Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

For a non-acquired guaranteed loan outstanding, the present value of the estimated cash inflows less cash outflows of the loan guarantee is recognized as a Loan Guarantee Liability. The Loan Guarantee Liability is normally reestimated annually each year, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense).

**Federal Employee Benefits:**

**Actuarial FECA Liability:** Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments; and (2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

**NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability:** These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund

actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

**Environmental and Disposal Liabilities:** NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be \$80.3 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof Islands in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with asbestos-containing materials (ACM) and lead-based paints (LBP) at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for ACM and LBP contamination. All known issues, however, are contained, and NOAA facilities meet current environmental standards. No cost estimates are presently available for facilities that have not yet been assessed for ACM or LBP issues.

**Accrued Payroll and Annual Leave:** These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken.

**Accrued Grants:** The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

**Capital Lease Liabilities:** Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department.

**ITA Foreign Service Nationals' Voluntary Separation Pay:** This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

**Contingent Liabilities and Contingencies:** A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

**Liabilities Not Covered by Budgetary Resources:** These are liabilities for which congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund groups, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for Federal Employee Benefits when they are needed for disbursements.

## **N** Commitments

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16, *Commitments and Contingencies*.

## **O** Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

## **P** Revenues and Other Financing Sources

**Appropriations Used:** Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available

for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

**Exchange and Non-exchange Revenue:** The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, and other sales of goods and services. This revenue is presented on the Department's *Consolidated Statements of Net Cost*, and serves to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. This revenue is not considered to reduce the cost of the Department's operations and is therefore reported on the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

**Imputed Financing Sources from Cost Absorbed by Others (and Related Imputed Costs):** In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source from Cost Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

**Transfers In/(Out):** Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

## ① Employee Retirement Benefits

**Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS):** Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service

cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

For FERS-covered regular employees, the Department was required to make contributions of 11.7 percent of basic pay. Employees contributed 0.8 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration.

**NOAA Corps Retirement System:** Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2011, included 306 active duty officers, 359 nondisability retiree annuitants, 17 disability retiree annuitants, and 50 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

**Foreign Service Retirement and Disability System, and the Foreign Service Pension System:** Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

**Thrift Savings Plan (TSP):** Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2011 may not exceed the IRS limit of \$16.5 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

**Federal Employees Health Benefit (FEHB) Program:** Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement health benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others.

**NOAA Corps Post-retirement Health Benefits:** Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

**Federal Employees Group Life Insurance (FEGLI) Program:** Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others.

### **R Use of Estimates**

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

### **S Tax Status**

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

### **T Fiduciary Activities**

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the U.S. government of cash or other assets in which non-federal individuals or entities have an ownership interest that the U.S. government must uphold. Fiduciary cash and other assets are not assets of the U.S. government, and, accordingly, are not recognized in the accompanying consolidated financial statements.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, and the Australian Patent Office, from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 20.

**NOTE 2. FUND BALANCE WITH TREASURY*****Fund Balance with Treasury, by type, is as follows:***

	<u>FY 2011</u>	<u>FY 2010</u>
General Funds	\$ 11,214,030	\$ 15,013,746
Revolving Funds	957,367	912,082
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	9,062,212	9,396,152
Others	76,244	84,423
Deposit Funds		
Spectrum Auction Proceeds Liability to FCC	2,436	33,838
Others	124,547	123,020
Trust Funds	1,407	2,104
Other Fund Types	(10,742)	(13,347)
Total	<u>\$ 21,661,030</u>	<u>\$ 25,785,547</u>

***Status of Fund Balance with Treasury is as follows:***

	<u>FY 2011</u>	<u>FY 2010</u>
Temporarily Precluded From Obligation	\$ 810,049	\$ 603,783
Unobligated Balance		
Available	973,765	3,228,225
Unavailable	9,021,092	8,927,908
Obligated Balance Not Yet Disbursed	10,506,354	12,648,592
Non-budgetary	349,770	377,039
Total	<u>\$ 21,661,030</u>	<u>\$ 25,785,547</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2011 and FY 2010.

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

<b>FY 2011</b>			
	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Accounts Receivable, Net</u>
Intragovernmental	\$ 98,360	\$ -	\$ 98,360
With the Public	\$ 152,642	\$ (11,796)	\$ 140,846
<b>FY 2010</b>			
	<u>Accounts Receivable, Gross</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Accounts Receivable, Net</u>
Intragovernmental	\$ 84,479	\$ -	\$ 84,479
With the Public	\$ 82,980	\$ (12,200)	\$ 70,780

As a major partner in the federal response to the 2010 Deepwater Horizon oil spill, NOAA has incurred certain costs for providing coordinated scientific weather and biological response services to that region, for which it expects to be reimbursed. As of September 30, 2011, NOAA has recorded receivables from the Coast Guard (Intragovernmental) totaling \$33.5 million for response and removal activities. NOAA has also recorded receivables from an oil company (With the Public) totaling \$94.8 million for restoration activities. NOAA believes these receivables are fully collectible, based on costs submitted to date, and reimbursements received. Therefore, no allowance for uncollectible accounts has been established for these receivables.

**NOTE 4. CASH**

	<u>FY 2011</u>	<u>FY 2010</u>
Cash Not Yet Deposited with Treasury	\$ 3,120	\$ 3,222
Imprest Funds	346	394
Total	\$ 3,466	\$ 3,616

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments.

**NOTE 5. DIRECT LOANS AND LOAN GUARANTEES, NET**

*The Department operates the following direct loan and loan guarantee programs:*

**Direct Loan Programs:**

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans <sup>1</sup>
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans <sup>1</sup>
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Finance Tuna Fleet Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans <sup>1</sup>
NOAA	New England Lobster Buyback Loans <sup>1</sup>
NOAA	Pacific Groundfish Buyback Loans

<sup>1</sup> No loans have been issued under these programs as of September 30, 2011.

**Loan Guarantee Programs:**

EDA	Economic Development Revolving Fund
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)

*The net assets for the Department's loan programs consist of:*

	<u>FY 2011</u>	<u>FY 2010</u>
Direct Loans Obligated Prior to FY 1992	\$ 20,910	\$ 23,834
Direct Loans Obligated After FY 1991	544,773	514,038
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	563	2,271
Total	<u>\$ 566,250</u>	<u>\$ 540,147</u>

*Direct Loans Obligated Prior to FY 1992 consist of:*

<b>FY 2011</b>				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 20,223	\$ 4,965	\$ (18,974)	\$ 6,214
Drought Loan Portfolio	9,926	141	(104)	9,963
Fisheries Loan Fund	244	39	(283)	-
Economic Development Revolving Fund	4,756	25	(48)	4,733
Total	<u>\$ 35,149</u>	<u>\$ 5,170</u>	<u>\$ (19,409)</u>	<u>\$ 20,910</u>

<b>FY 2010</b>				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 20,318	\$ 5,035	\$ (18,636)	\$ 6,717
Drought Loan Portfolio	11,522	156	(117)	11,561
Economic Development Revolving Fund	5,579	33	(56)	5,556
Total	<u>\$ 37,419</u>	<u>\$ 5,224</u>	<u>\$ (18,809)</u>	<u>\$ 23,834</u>

**Direct Loans Obligated After FY 1991 consist of:**

<b>FY 2011</b>				
<b>Direct Loan Program</b>	<b>Loans Receivable, Gross</b>	<b>Interest Receivable</b>	<b>Allowance for Subsidy Cost (Present Value)</b>	<b>Value of Assets Related to Direct Loans, Net</b>
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 33,458	\$ 274	\$ 7,304	\$ 41,036
Bering Sea Pollock Fishery Buyback	46,499	63	4,190	50,752
Crab Buyback Loans	91,609	2,798	22,098	116,505
Fisheries Finance IFQ Loans	24,362	214	4,561	29,137
Fisheries Finance Traditional Loans	229,847	2,129	33,189	265,165
Pacific Groundfish Buyback Loans	31,662	1,021	9,495	42,178
<b>Total</b>	<b>\$ 457,437</b>	<b>\$ 6,499</b>	<b>\$ 80,837</b>	<b>\$ 544,773</b>

<b>FY 2010</b>				
<b>Direct Loan Program</b>	<b>Loans Receivable, Gross</b>	<b>Interest Receivable</b>	<b>Allowance for Subsidy Cost (Present Value)</b>	<b>Value of Assets Related to Direct Loans, Net</b>
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 33,645	\$ 1,036	\$ 7,825	\$ 42,506
Bering Sea Pollock Fishery Buyback	49,232	143	6,185	55,560
Crab Buyback Loans	94,049	2,957	20,770	117,776
Fisheries Finance IFQ Loans	21,665	245	3,379	25,289
Fisheries Finance Traditional Loans	197,583	1,938	28,477	227,998
Fisheries Finance Tuna Fleet Loans	374	1	(2)	373
Pacific Groundfish Buyback Loans	33,472	1,043	10,021	44,536
<b>Total</b>	<b>\$ 430,020</b>	<b>\$ 7,363</b>	<b>\$ 76,655</b>	<b>\$ 514,038</b>

**New Disbursements of Direct Loans (Post-FY 1991):**

<b>Direct Loan Program</b>	<b>FY 2011</b>	<b>FY 2010</b>
Fisheries Finance IFQ Loans	\$ 5,132	\$ 5,349
Fisheries Finance Traditional Loans	50,811	84,935
<b>Total</b>	<b>\$ 55,943</b>	<b>\$ 90,284</b>

**Subsidy Expense for Direct Loans by Program and Component:**

**Subsidy Expense for New Disbursements of Direct Loans:**

<b>FY 2011</b>					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (1,064)	\$ 19	\$ (29)	\$ 444	\$ (630)
Fisheries Finance Traditional Loans	(8,018)	158	(236)	3,805	(4,291)
Total	<u>\$ (9,082)</u>	<u>\$ 177</u>	<u>\$ (265)</u>	<u>\$ 4,249</u>	<u>\$ (4,921)</u>

<b>FY 2010</b>					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (1,094)	\$ 21	\$ (36)	\$ 424	\$ (685)
Fisheries Finance Traditional Loans	(13,777)	202	(486)	7,447	(6,614)
Total	<u>\$ (14,871)</u>	<u>\$ 223</u>	<u>\$ (522)</u>	<u>\$ 7,871</u>	<u>\$ (7,299)</u>

**Modifications and Reestimates:**

<b>FY 2011</b>		<b>FY 2011</b>		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ 187	\$ 187
Bering Sea Pollock Fishery Buyback	-	-	1,605	1,605
Crab Buyback Loans	-	-	(3,823)	(3,823)
Fisheries Finance IFQ Loans	-	-	(781)	(781)
Fisheries Finance Traditional Loans	-	-	(2,008)	(2,008)
Fisheries Finance Tuna Fleet Loans	-	-	(3)	(3)
Pacific Groundfish Buyback Loans	-	-	(196)	(196)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,019)</u>	<u>\$ (5,019)</u>

<b>FY 2010</b>		<b>FY 2010</b>		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ 274	\$ 274
Bering Sea Pollock Fishery Buyback	-	-	(3,483)	(3,483)
Crab Buyback Loans	-	-	901	901
Fisheries Finance IFQ Loans	-	-	(95)	(95)
Fisheries Finance Traditional Loans	-	-	582	582
Fisheries Finance Tuna Fleet Loans	-	-	572	572
Pacific Groundfish Buyback Loans	-	-	154	154
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,095)</u>	<u>\$ (1,095)</u>

**Total Direct Loan Subsidy Expense:**

Direct Loan Program	FY 2011	FY 2010
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 187	\$ 274
Bering Sea Pollock Fishery Buyback	1,605	(3,483)
Crab Buyback Loans	(3,823)	901
Fisheries Finance IFQ Loans	(1,411)	(780)
Fisheries Finance Traditional Loans	(6,299)	(6,032)
Fisheries Finance Tuna Fleet Loans	(3)	572
Pacific Groundfish Buyback Loans	(196)	154
Total	<u>\$ (9,940)</u>	<u>\$ (8,394)</u>

**Subsidy Rates for Direct Loans by Program and Component:**

**Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:**

FY 2011					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.51) %	0.14 %	(0.38) %	3.50 %	(15.25) %
Fisheries Finance Traditional Loans	(13.28) %	0.06 %	(0.17) %	2.93 %	(10.46) %

FY 2010					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(21.26) %	0.42 %	(0.57) %	9.41 %	(12.00) %
Fisheries Finance Traditional Loans	(16.90) %	0.42 %	(0.54) %	8.53 %	(8.49) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal-year(s) cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

**Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):**

	<u>FY 2011</u>	<u>FY 2010</u>
<b>Beginning Balance of the Allowance for Subsidy Cost</b>	\$ 76,655	\$ 68,463
<b>Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:</b>		
Interest Rate Differential Costs	9,082	14,871
Default Costs (Net of Recoveries)	(177)	(223)
Fees and Other Collections	265	522
Other Subsidy Costs	(4,249)	(7,871)
Total of the above Subsidy Expense Components	<u>4,921</u>	<u>7,299</u>
<b>Adjustments:</b>		
Fees Received	(378)	(316)
Subsidy Allowance Amortization	(5,380)	114
Total of Adjustments	<u>(5,758)</u>	<u>(202)</u>
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	75,818	75,560
<b>Add or Subtract Subsidy Reestimates by Component:</b>		
Technical/Default Reestimates	5,019	1,095
<b>Ending Balance of the Allowance for Subsidy Cost</b>	<u>\$ 80,837</u>	<u>\$ 76,655</u>

**Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:**

<b>FY 2011</b>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 7,785	\$ 2	\$ (7,783)	\$ 4

<b>FY 2010</b>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 11,997	\$ 4	\$ (11,997)	\$ 4

**Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:**

<b>FY 2011</b>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 14,128	\$ 1,254	\$ (14,819)	\$ 563

<b>FY 2010</b>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 14,128	\$ 1,254	\$ (13,111)	\$ 2,271

**Loan Guarantees:**

**Guaranteed Loans Outstanding:**

Outstanding non-acquired guaranteed loans as of September 30, 2011 and 2010, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	<b>FY 2011</b>		<b>FY 2010</b>	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	\$ 2,467	\$ 2,467	\$ 3,939	\$ 3,939

**New Guaranteed Loans Disbursed:**

There were no new guaranteed loans disbursed during FY 2011 and FY 2010.

**Loan Guarantee Liabilities:**

	<b>FY 2011</b>	<b>FY 2010</b>
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
FVOG Program	\$ 563	\$ 565

**Subsidy Expense for Loan Guarantees by Program and Component:**

**Subsidy Expense for New Loan Guarantees Disbursed:**

As there were no new loan guarantees disbursed during FY 2011 and FY 2010, there is not any related subsidy expense.

**Modifications and Reestimates:**

<b>FY 2011</b>		<b>FY 2011</b>		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 614	\$ 614

<b>FY 2010</b>		<b>FY 2010</b>		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 510	\$ 510

**Total Loan Guarantee Subsidy Expense:**

Loan Guarantee Program	<b>FY 2011</b>	<b>FY 2010</b>
FVOG Program	\$ 614	\$ 510

**Subsidy Rates for Loan Guarantees by Program and Component:**

**Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:**

There were no new cohorts of guaranteed loans during FY 2011 and FY 2010.

**Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):**

	<u>FY 2011</u>	<u>FY 2010</u>
<b>Beginning Balance of Loan Guarantee Liabilities</b>	\$ 565	\$ 589
<b>Adjustments:</b>		
Fees Received	1	8
Interest Accumulation on the Liabilities Balance	(3)	(32)
<b>Ending Balance of Loan Guarantee Liabilities</b>	<u>\$ 563</u>	<u>\$ 565</u>

**Administrative Expenses:**

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

<u>Direct Loan Program</u>	<u>FY 2011</u>	<u>FY 2010</u>
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 1,206	\$ 776
NOAA Direct Loan Programs	3,368	2,494
Total	<u>\$ 4,574</u>	<u>\$ 3,270</u>
<u>Loan Guarantee Program</u>	<u>FY 2011</u>	<u>FY 2010</u>
Emergency Steel Loan Guarantee Program	\$ -	\$ 98
FVOG Program	189	180
Total	<u>\$ 189</u>	<u>\$ 278</u>

## NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2011	FY 2010
<b>Inventory</b>			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	\$ 22,414	\$ 22,340
Other	Various	449	166
Allowance for Excess, Obsolete, and Unserviceable Items		(97)	(140)
Total Inventory, Net		22,766	22,366
<b>Materials and Supplies</b>			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	44,279	49,178
Census Bureau's Decennial Census	First-in, first-out	155	26,089
Other	Various	4,816	4,699
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	42,607	42,775
Allowance for Excess, Obsolete, and Unserviceable Items		(16,800)	(46,781)
Total Materials and Supplies, Net		75,057	75,960
Total		\$ 97,823	\$ 98,326

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment. The Census Bureau's Decennial Census materials and supplies are comprised of employment forms, payroll forms, various other administrative forms, and training and production materials.

**NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET****FY 2011**

<b>Category</b>	<b>Useful Life (Years)</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	N/A	\$ 16,749	\$ -	\$ 16,749
Land Improvements	30-40	2,996	(1,378)	1,618
Structures, Facilities, and Leasehold Improvements	2-60	1,543,671	(571,303)	972,368
Satellites/Weather Systems Personal Property	3-20	5,137,980	(4,091,908)	1,046,072
Other Personal Property	2-30	2,499,056	(1,656,622)	842,434
Assets Under Capital Lease	3-40	23,067	(18,274)	4,793
Construction-in-progress	N/A	5,478,229	-	5,478,229
<b>Total</b>		<b>\$ 14,701,748</b>	<b>\$ (6,339,485)</b>	<b>\$ 8,362,263</b>

**FY 2010**

<b>Category</b>	<b>Useful Life (Years)</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land	N/A	\$ 16,787	\$ -	\$ 16,787
Land Improvements	30-40	2,996	(1,286)	1,710
Structures, Facilities, and Leasehold Improvements	2-60	1,406,982	(520,827)	886,155
Satellites/Weather Systems Personal Property	3-20	5,080,613	(3,656,875)	1,423,738
Other Personal Property	2-30	2,365,104	(1,518,219)	846,885
Assets Under Capital Lease	3-40	23,562	(17,693)	5,869
Construction-in-progress	N/A	4,213,567	-	4,213,567
<b>Total</b>		<b>\$ 13,109,611</b>	<b>\$ (5,714,900)</b>	<b>\$ 7,394,711</b>

**NOTE 8. OTHER ASSETS**

	<u>FY 2011</u>	<u>FY 2010</u>
<b>With the Public</b>		
Advances and Prepayments	\$ 45,448	\$ 47,254
Note Receivable	1,601	1,410
Bibliographic Database	6,267	6,454
Other	4	4
Total	<u>\$ 53,320</u>	<u>\$ 55,122</u>

As of September 30, 2011 and 2010, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

The bibliographic database relates to NTIS’s scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$65.3 million and \$62.7 million, less accumulated amortization of \$59.0 million and \$56.2 million, at September 30, 2011 and 2010, respectively.

**NOTE 9. NON-ENTITY ASSETS**

The assets that are not available for use in the Department’s operations are summarized below:

	<u>FY 2011</u>	<u>FY 2010</u>
<b>Intragovernmental</b>		
Fund Balance with Treasury	\$ 121,036	\$ 153,731
Total Intragovernmental	121,036	153,731
<b>With the Public</b>		
Cash	756	652
Accounts Receivable, Net	2,187	8,022
Direct Loans and Loan Guarantees, Net	13,693	11,561
Other	1,604	-
Total	<u>\$ 139,276</u>	<u>\$ 173,966</u>

## NOTE 10. DEBT TO TREASURY

Loan Program	FY 2011		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
<b>Direct Loan Program</b>			
Fisheries Finance, Financing Account	\$ 514,841	\$ 24,461	\$ 539,302
<b>Loan Guarantee Program</b>			
FVOG Program	3,089	(2,390)	699
Total	\$ 517,930	\$ 22,071	\$ 540,001

For the Direct Loan and Loan Guarantee programs, maturity dates range from September 2012 to September 2038, and interest rates range from 2.59 to 6.97 percent.

Loan Program	FY 2010		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
<b>Direct Loan Program</b>			
Fisheries Finance, Financing Account	\$ 482,405	\$ 32,436	\$ 514,841
<b>Loan Guarantee Program</b>			
FVOG Program	4,870	(1,781)	3,089
Total	\$ 487,275	\$ 30,655	\$ 517,930

## NOTE 11. OTHER LIABILITIES

	FY 2011			FY 2010
	Current Portion	Non-current Portion	Total	Total
<b>Intragovernmental</b>				
Accrued FECA Liability	\$ 21,810	\$ 8,595	\$ 30,405	\$ 44,253
Accrued Benefits	47,907	-	47,907	43,613
Custodial Activity	1,769	-	1,769	7,964
Downward Subsidy Reestimates Payable to Treasury	9,135	-	9,135	8,087
Other	1,452	-	1,452	427
<b>Total</b>	<b>\$ 82,073</b>	<b>\$ 8,595</b>	<b>\$ 90,668</b>	<b>\$ 104,344</b>
<b>With the Public</b>				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,558	\$ 9,835	\$ 12,393	\$ 10,694
Contingent Liabilities (Note 16)	3,402	-	3,402	12,155
Employment-related	8,000	-	8,000	17,954
Other	49,358	-	49,358	8,378
<b>Total</b>	<b>\$ 63,318</b>	<b>\$ 9,835</b>	<b>\$ 73,153</b>	<b>\$ 49,181</b>

The Current Portion represents liabilities expected to be paid by September 30, 2012, while the Non-current Portion represents liabilities expected to be paid after September 30, 2012.

**NOTE 12. FEDERAL EMPLOYEE BENEFITS**

*These liabilities consist of:*

	<u>FY 2011</u>	<u>FY 2010</u>
Actuarial FECA Liability	\$ 235,982	\$ 210,235
NOAA Corps Retirement System Liability	524,100	502,800
NOAA Corps Post-retirement Health Benefits Liability	48,400	56,000
Total	<u>\$ 808,482</u>	<u>\$ 769,035</u>

**Actuarial FECA Liability:**

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	<u>FY 2011</u>	<u>FY 2010</u>
Year 1	3.54%	3.65%
Year 2 and Thereafter	4.03%	4.30%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, were as follows:

<b>FY 2011</b>		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2012	2.10 %	3.07 %
2013	2.53 %	3.62 %
2014	1.83 %	3.66 %
2015	1.93 %	3.73 %
2016	2.00 %	3.73 %

<b>FY 2010</b>		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2011	2.23 %	3.45 %
2012	1.13 %	3.43 %
2013	1.70 %	3.64 %
2014	1.90 %	3.66 %
2015	1.93 %	3.73 %

**NOAA Corps Retirement System Liability:**

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2011 and 2010 actuarial calculations used the following economic assumptions:

	<u>FY 2011</u>	<u>FY 2010</u>
Discount Rate	4.73%	4.89%
Annual Basic Pay Scale Increases	3.15%	3.12%
Annual Inflation	2.40%	2.37%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2011</u>	<u>FY 2010</u>
Normal Cost	\$ 9,800	\$ 9,100
Interest on the Unfunded Liability	24,100	26,500
Actuarial (Gains)/Losses, Net		
From Experience	(6,500)	5,200
From Discount Rate Assumption Change	11,000	65,100
From Long-term Assumption Changes		
Annual Inflation	1,500	(37,800)
Annual Basic Pay Scale Increases	600	(14,900)
Demographic	1,800	(400)
Total Pension Costs	<u>\$ 42,300</u>	<u>\$ 52,800</u>

**NOAA Corps Post-retirement Health Benefits Liability:**

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board of Actuaries economic assumptions as used for the NOAA Corps Retirement System actuarial calculations:

	<u>FY 2011</u>	<u>FY 2010</u>
Discount Rate	4.74%	4.77%
Ultimate Medical Trend Rate	5.65%	6.25%

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2011</u>	<u>FY 2010</u>
Normal Cost	\$ 1,500	\$ 1,800
Interest on the Unfunded Liability	2,600	2,000
Actuarial (Gains)/Losses, Net		
From Experience	(100)	2,100
From Discount Rate Assumption Change	100	3,800
From Long-term Assumption Changes – Medical Claims Costs	(9,100)	5,200
Total Post-retirement Health Benefits Costs	<u>\$ (5,000)</u>	<u>\$ 14,900</u>

**NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES**

	<u>FY 2011</u>	<u>FY 2010</u>
Pribilof Islands Cleanup	\$ 2,569	\$ 3,017
Nuclear Reactor	57,362	48,598
Other	3,446	3,034
Total	<u>\$ 63,377</u>	<u>\$ 54,649</u>

**NOTE 14. LEASES*****Capital Leases:***

Assets under capital leases are as follows:

	<u>FY 2011</u>	<u>FY 2010</u>
Structures, Facilities, and Leasehold Improvements	\$ 23,043	\$ 23,538
Equipment	24	24
Less: Accumulated Depreciation	(18,274)	(17,693)
Net Assets Under Capital Leases	<u>\$ 4,793</u>	<u>\$ 5,869</u>

Capital Lease Liabilities are primarily related to NOAA. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from 10 to 40 years.

**Capital Lease Liabilities:**

Future payments due under capital leases are as follows:

<b>FY 2011</b>	
Fiscal Year	General PP&E Category Real Property
2012	\$ 3,877
2013	3,723
2014	3,041
2015	1,903
2016	873
Thereafter	9,929
Total Future Lease Payments	23,346
Less: Imputed Interest	(9,303)
Less: Executory Costs	(3,975)
Net Capital Lease Liabilities	<u>\$ 10,068</u>

<b>FY 2010</b>	
Fiscal Year	General PP&E Category Real Property
2011	\$ 4,081
2012	3,878
2013	3,729
2014	3,049
2015	1,901
Thereafter	10,770
Total Future Lease Payments	27,408
Less: Imputed Interest	(13,399)
Less: Executory Costs	(4,731)
Net Capital Lease Liabilities	<u>\$ 9,278</u>

**Operating Leases:**

Most of the Department’s facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department’s (1) estimated real property rent payments to GSA for FY 2012 through FY 2016; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

<b>FY 2011</b>		
Fiscal Year	General PP&E Category	
	GSA Real Property	Non-GSA Real Property
2012	\$ 254,865	\$ 18,582
2013	253,985	17,423
2014	247,318	12,823
2015	246,892	11,322
2016	245,527	9,854
Thereafter	<sup>1</sup>	107,387
Total Future Lease Payments		<u>\$ 177,391</u>

<sup>1</sup> *Not estimated.*

## NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>FY 2011</u>	<u>FY 2010</u>
<b>Intragovernmental</b>		
Accrued FECA Liability	\$ 30,307	\$ 37,216
Total Intragovernmental	30,307	37,216
Accrued Payroll	41,003	36,359
Accrued Annual Leave	270,561	264,720
Federal Employee Benefits	808,482	769,035
Environmental and Disposal Liabilities	63,377	54,649
Contingent Liabilities	3,402	12,155
Unearned Revenue	667,775	551,263
ITA Foreign Service Nationals' Voluntary Separation Pay	12,393	10,694
Other	89	253
Total	<u>\$ 1,897,389</u>	<u>\$ 1,736,344</u>

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported above is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

## NOTE 16. COMMITMENTS AND CONTINGENCIES

**Commitments:**

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments as of September 30, 2011 is shown below.

**Major Long-term Commitments:**

Description	FY 2011						Total
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Thereafter	
Geostationary Operational Environmental Satellites	\$ 819,600	\$ 817,000	\$ 816,900	\$ 817,500	\$ 562,500	\$ 1,233,100	\$ 5,066,600
Convergence Satellites	1,160,000	960,000	740,000	610,000	834,500	3,655,000	7,959,500
Polar Operational Environmental Satellites	40,900	40,900	40,900	40,900	22,900	3,000	189,500
Climate Sensors	55,400	51,100	50,600	35,500	25,700	21,400	239,700
Ocean Surface Topography	53,000	29,000	2,000	2,000	1,000	2,000	89,000
Deep Space Climate Observatory	38,300	25,400	3,800	2,400	5,700	7,500	83,100
Other Weather Service	135,518	118,161	104,117	104,225	82,150	82,506	626,677
Other	87	-	-	-	-	-	87
Total	<u>\$ 2,302,805</u>	<u>\$ 2,041,561</u>	<u>\$ 1,758,317</u>	<u>\$ 1,612,525</u>	<u>\$ 1,534,450</u>	<u>\$ 5,004,506</u>	<u>\$ 14,254,164</u>

**Legal Contingencies:**

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

**Probable Likelihood of an Adverse Outcome:**

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately \$3.4 million and \$12.2 million as of September 30, 2011 and 2010, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2011 and 2010, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

**Reasonably Possible Likelihood of an Adverse Outcome:**

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed

\$86.1 million as of September 30, 2011. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$551.7 million as of September 30, 2011. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

### ***Guaranteed Loan Contingencies***

**Fishing Vessels Obligation Guarantee Program:** This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2011 and 2010, with outstanding principal balances totaling \$2.5 million and \$3.9 million respectively. A loan guarantee liability of \$563 thousand and \$565 thousand is recorded for the outstanding guarantees at September 30, 2011 and 2010, respectively.

### ***Restructuring the National Polar-orbiting Operational Environmental Satellite System (NPOESS) to the Joint Polar Satellite System (JPSS)***

In 2010, the Executive Office of the President directed the restructure of the government's approach to meeting its polar-orbiting environmental data collection needs. Accordingly, the President's FY2011 budget contains a restructuring of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) in order to put the critical program on a more sustainable pathway toward success. The Joint Polar Satellite Program (JPSS) is a national priority – essential to meeting both civil and military weather forecasting, storm tracking, and climate monitoring requirements. After reviewing options, including those suggested by an Independent Review Team (IRT) and Congressional Committees, the President's FY2011 budget takes significant new steps. The Executive Office of the President directed NOAA and the Air Force to no longer continue to jointly procure the polar-orbiting satellite system, known as NPOESS. This decision is in the best interest of the American public to preserve critical operational weather and climate observations into the future.

The three agencies (DoD, NOAA and NASA) have and will continue to partner to ensure a successful way forward for the respective programs, while utilizing international partnerships to sustain and enhance weather and climate observation from space.

The major challenge of NPOESS was jointly executing the program between three agencies of different sizes with divergent objectives and different acquisition procedures. The new system will resolve this challenge by splitting the procurements. NOAA and NASA will take primary responsibility for the afternoon orbit, and DoD will take primary responsibility for the morning orbit. The agencies will continue to partner in those areas that have been successful in the past, such as a shared ground system. The restructured programs will also eliminate the NPOESS tri-agency structure that has made management and oversight difficult, contributing to the poor performance of the program.

The restructuring effort continued throughout FY 2011. During this time, NOAA and the Air Force continued to work together to decide which program components will remain with DoD versus which program components will transfer to NOAA to become part of JPSS. If any program component that remains with NOAA is not needed for JPSS, the costs incurred for those components will be written off. For example, one component that will not be used by NOAA was the Conical-scanning Microwave Image/Sounder (CMIS) sensor, with costs incurred of \$107.5M, which was charged to expense in FY2010.

During FY 2011, the following equipment and instruments were transferred to NOAA (through the NASA contact): 1) all Ground Tracking systems equipment, 2) the Ozone Mapping and Profiler Suite (OMPS)-Nadir sensor, 3) the Cross-track Infrared Sounder (CrIS) sensor, and 4) the Visible/Infrared Imager/Radiometer Suite (VIIRS) Flight Model 2 (F2) sensor (to fly on JPSS-1). The Advanced Technology Microwave sensor (ATMS) was transferred to NOAA on October 4, 2011. The Material for VIIRS F3 and the Charlie 1(CI) bus remained under the Air Force contract.

NOAA has determined that it will not use the C1 bus for its JPSS-1 satellite, and uncertainties exist with NOAA's use of the C1 bus design for its JPSS-2 satellite. NOAA plans to recomplete the contract for this component for use on JPSS-2 in 2014.

The Air Force contract with Northrop Grumman has not been terminated and a final cost accounting to finalize the split of all costs incurred between NOAA and the Air Force relating to the NPOESS program has not yet taken place. Final costs are subject to change pending verification of all costs with the Air Force and a reconciliation of those costs to NOAA's Construction Work in Progress records and the final distribution of assets (i.e., systems, components, and instruments, and their costs). The ultimate amount of impairment charges, if any, that may result from the satellite restructuring cannot be estimated as of September 30, 2011.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST (NOTE 1)

FY 2011 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
<b>Theme 1: Economic Growth</b>										
Intragovernmental Gross Costs	\$ -	\$ 456,141	\$ -	\$ 143,462	\$ 312,972	\$ 271,871	\$ 82,225	\$ 1,266,671	\$ (101,299)	\$ 1,165,372
Gross Costs With the Public	-	1,691,956	-	994,864	713,608	718,578	31,142	4,150,148	-	4,150,148
Total Gross Costs	-	2,148,097	-	1,138,326	1,026,580	990,449	113,367	5,416,819	(101,299)	5,315,520
Intragovernmental Earned Revenue	-	(8,060)	-	(122,955)	(24,757)	(21,177)	(77,851)	(254,800)	101,299	(153,501)
Earned Revenue From the Public	-	(2,228,314)	-	(53,618)	(7)	(14,720)	(3)	(2,296,662)	-	(2,296,662)
Total Earned Revenue	-	(2,236,374)	-	(176,573)	(24,764)	(35,897)	(77,854)	(2,551,462)	101,299	(2,450,163)
<b>Net Program Costs</b>	<b>-</b>	<b>(88,277)</b>	<b>-</b>	<b>961,753</b>	<b>1,001,816</b>	<b>954,552</b>	<b>35,513</b>	<b>2,865,357</b>	<b>-</b>	<b>2,865,357</b>
<b>Theme 2: Science and Information</b>										
Intragovernmental Gross Costs	523,874	-	466,185	-	8,067	7,811	82,224	1,088,161	(96,834)	991,327
Gross Costs With the Public	1,876,549	-	1,477,867	-	15,376	44,163	31,142	3,445,097	-	3,445,097
Total Gross Costs	2,400,423	-	1,944,052	-	23,443	51,974	113,366	4,533,258	(96,834)	4,436,424
Intragovernmental Earned Revenue	(121,539)	-	(287,288)	-	(17,480)	(41,846)	(77,851)	(546,004)	96,834	(449,170)
Earned Revenue From the Public	(10,396)	-	(10,855)	-	(137)	(10,501)	(3)	(31,892)	-	(31,892)
Total Earned Revenue	(131,935)	-	(298,143)	-	(17,617)	(52,347)	(77,854)	(577,896)	96,834	(481,062)
<b>Net Program Costs</b>	<b>2,268,488</b>	<b>-</b>	<b>1,645,909</b>	<b>-</b>	<b>5,826</b>	<b>(373)</b>	<b>35,512</b>	<b>3,955,362</b>	<b>-</b>	<b>3,955,362</b>
<b>Theme 3: Environmental Stewardship</b>										
Intragovernmental Gross Costs	311,824	-	-	-	-	-	82,249	394,073	(100,998)	293,075
Gross Costs With the Public	2,343,684	-	-	-	-	-	31,151	2,374,835	-	2,374,835
Total Gross Costs	2,655,508	-	-	-	-	-	113,400	2,768,908	(100,998)	2,667,910
Intragovernmental Earned Revenue	(95,827)	-	-	-	-	-	(77,874)	(173,701)	100,998	(72,703)
Earned Revenue From the Public	(182,123)	-	-	-	-	-	(3)	(182,126)	-	(182,126)
Total Earned Revenue	(277,950)	-	-	-	-	-	(77,877)	(355,827)	100,998	(254,829)
<b>Net Program Costs</b>	<b>2,377,558</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,523</b>	<b>2,413,081</b>	<b>-</b>	<b>2,413,081</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,646,046</b>	<b>\$ (88,277)</b>	<b>\$ 1,645,909</b>	<b>\$ 961,753</b>	<b>\$ 1,007,642</b>	<b>\$ 954,179</b>	<b>\$ 106,548</b>	<b>\$ 9,233,800</b>	<b>\$ -</b>	<b>\$ 9,233,800</b>

**FY 2010 Consolidating Statement of Net Cost:**

	NOAA	USPTO	ESA	NIST	NTIA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>										
Intragovernmental Gross Costs	\$ -	\$ -	\$ 1,045,041	\$ 30	\$ -	\$ 273,146	\$ 77,819	\$ 1,396,036	\$ (87,024)	\$ 1,309,012
Gross Costs With the Public	-	-	5,770,979	102,393	-	926,965	30,737	6,831,074	-	6,831,074
Total Gross Costs	-	-	6,816,020	102,423	-	1,200,111	108,556	8,227,110	(87,024)	8,140,086
Intragovernmental Earned Revenue	-	-	(230,177)	-	-	(28,747)	(74,893)	(333,817)	87,024	(246,793)
Earned Revenue From the Public	-	-	(5,724)	-	-	(8,962)	(3)	(14,689)	-	(14,689)
Total Earned Revenue	-	-	(235,901)	-	-	(37,709)	(74,896)	(348,506)	87,024	(261,482)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>6,580,119</b>	<b>102,423</b>	<b>-</b>	<b>1,162,402</b>	<b>33,660</b>	<b>7,878,604</b>	<b>-</b>	<b>7,878,604</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>										
Intragovernmental Gross Costs	-	425,881	-	133,541	386,909	7,425	77,820	1,031,576	(98,523)	933,053
Gross Costs With the Public	-	1,581,057	-	788,127	213,178	40,576	30,738	2,653,676	-	2,653,676
Total Gross Costs	-	2,006,938	-	921,668	600,087	48,001	108,558	3,685,252	(98,523)	3,586,729
Intragovernmental Earned Revenue	-	(9,375)	-	(113,045)	(29,939)	(38,567)	(74,893)	(265,819)	98,523	(167,296)
Earned Revenue From the Public	-	(2,092,307)	-	(54,445)	(151)	(10,522)	(3)	(2,157,428)	-	(2,157,428)
Total Earned Revenue	-	(2,101,682)	-	(167,490)	(30,090)	(49,089)	(74,896)	(2,423,247)	98,523	(2,324,724)
<b>Net Program Costs</b>	<b>-</b>	<b>(94,744)</b>	<b>-</b>	<b>754,178</b>	<b>569,997</b>	<b>(1,088)</b>	<b>33,662</b>	<b>1,262,005</b>	<b>-</b>	<b>1,262,005</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>										
Intragovernmental Gross Costs	772,455	-	-	-	-	-	77,850	850,305	(99,604)	750,701
Gross Costs With the Public	4,019,147	-	-	-	-	-	30,746	4,049,893	-	4,049,893
Total Gross Costs	4,791,602	-	-	-	-	-	108,596	4,900,198	(99,604)	4,800,594
Intragovernmental Earned Revenue	(203,896)	-	-	-	-	-	(74,915)	(278,811)	99,604	(179,207)
Earned Revenue From the Public	(97,913)	-	-	-	-	-	(3)	(97,916)	-	(97,916)
Total Earned Revenue	(301,809)	-	-	-	-	-	(74,918)	(376,727)	99,604	(277,123)
<b>Net Program Costs</b>	<b>4,489,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,678</b>	<b>4,523,471</b>	<b>-</b>	<b>4,523,471</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,489,793</b>	<b>\$ (94,744)</b>	<b>\$ 6,580,119</b>	<b>\$ 856,601</b>	<b>\$ 569,997</b>	<b>\$ 1,161,314</b>	<b>\$ 101,000</b>	<b>\$ 13,664,080</b>	<b>\$ -</b>	<b>\$ 13,664,080</b>

NOTES TO THE FINANCIAL STATEMENTS

**Major Programs:** The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each theme (FY 2011) or strategic goal (FY 2010). The "Others" column refers to the Department's reporting entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Total columns on the *Consolidating Statements of Net Cost*.

**FY 2011 Statement of Net Cost by Major Program (Combining Basis):**

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
<b>Theme 1: Economic Growth</b>						
<b>Measurements and Standards Laboratories</b>						
Gross Costs	\$ -	\$ -	\$ 845,241	\$ -	\$ -	\$ 845,241
Less: Earned Revenue	-	-	(131,317)	-	-	(131,317)
<b>Net Program Costs</b>	-	-	<b>713,924</b>	-	-	<b>713,924</b>
<b>Patents</b>						
Gross Costs	-	-	-	1,913,354	-	1,913,354
Less: Earned Revenue	-	-	-	(2,005,269)	-	(2,005,269)
<b>Net Program Costs</b>	-	-	-	<b>(91,915)</b>	-	<b>(91,915)</b>
<b>Trademarks</b>						
Gross Costs	-	-	-	191,760	-	191,760
Less: Earned Revenue	-	-	-	(231,105)	-	(231,105)
<b>Net Program Costs</b>	-	-	-	<b>(39,345)</b>	-	<b>(39,345)</b>
<b>Other Programs</b>						
Gross Costs	-	-	293,085	42,983	2,130,396	2,466,464
Less: Earned Revenue	-	-	(45,256)	-	(138,515)	(183,771)
<b>Net Program Costs</b>	-	-	<b>247,829</b>	<b>42,983</b>	<b>1,991,881</b>	<b>2,282,693</b>
<b>Net Program Costs for Theme 1</b>	-	-	<b>961,753</b>	<b>(88,277)</b>	<b>1,991,881</b>	<b>2,865,357</b>
<b>Theme 2: Science and Information</b>						
<b>Decennial and Periodic Censuses</b>						
Gross Costs	-	656,684	-	-	-	656,684
Less: Earned Revenue	-	-	-	-	-	-
<b>Net Program Costs</b>	-	<b>656,684</b>	-	-	-	<b>656,684</b>
<b>Weather, Water, and Climate</b>						
Gross Costs	1,457,847	-	-	-	-	1,457,847
Less: Earned Revenue	(76,349)	-	-	-	-	(76,349)
<b>Net Program Costs</b>	<b>1,381,498</b>	-	-	-	-	<b>1,381,498</b>
<b>Other Programs</b>						
Gross Costs	942,576	1,177,607	-	-	298,544	2,418,727
Less: Earned Revenue	(55,586)	(292,298)	-	-	(153,663)	(501,547)
<b>Net Program Costs</b>	<b>886,990</b>	<b>885,309</b>	-	-	<b>144,881</b>	<b>1,917,180</b>
<b>Net Program Costs for Theme 2</b>	<b>2,268,488</b>	<b>1,541,993</b>	-	-	<b>144,881</b>	<b>3,955,362</b>
<b>Theme 3: Environmental Stewardship</b>						
<b>Sustainable Fisheries</b>						
Gross Costs	1,410,297	-	-	-	-	1,410,297
Less: Earned Revenue	(87,112)	-	-	-	-	(87,112)
<b>Net Program Costs</b>	<b>1,323,185</b>	-	-	-	-	<b>1,323,185</b>
<b>Other Programs</b>						
Gross Costs	1,245,211	-	-	-	113,400	1,358,611
Less: Earned Revenue	(190,838)	-	-	-	(77,877)	(268,715)
<b>Net Program Costs</b>	<b>1,054,373</b>	-	-	-	<b>35,523</b>	<b>1,089,896</b>
<b>Net Program Costs for Theme 3</b>	<b>2,377,558</b>	-	-	-	<b>35,523</b>	<b>2,413,081</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,646,046</b>	<b>\$ 1,541,993</b>	<b>\$ 961,753</b>	<b>\$ (88,277)</b>	<b>\$ 2,172,285</b>	<b>\$ 9,233,800</b>

## FY 2010 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>						
<b>Decennial and Periodic Censuses</b>						
Gross Costs	\$ -	\$ 5,648,403	\$ -	\$ -	\$ -	\$ 5,648,403
Less: Earned Revenue	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>-</b>	<b>5,648,403</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,648,403</b>
<b>Other Programs</b>						
Gross Costs	-	1,053,844	102,423	-	1,422,440	2,578,707
Less: Earned Revenue	-	(229,415)	-	-	(119,091)	(348,506)
<b>Net Program Costs</b>	<b>-</b>	<b>824,429</b>	<b>102,423</b>	<b>-</b>	<b>1,303,349</b>	<b>2,230,201</b>
<b>Net Program Costs for Strategic Goal 1</b>	<b>-</b>	<b>6,472,832</b>	<b>102,423</b>	<b>-</b>	<b>1,303,349</b>	<b>7,878,604</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>						
<b>Measurement and Standards Laboratories</b>						
Gross Costs	-	-	643,838	-	-	643,838
Less: Earned Revenue	-	-	(127,894)	-	-	(127,894)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>515,944</b>	<b>-</b>	<b>-</b>	<b>515,944</b>
<b>Patents</b>						
Gross Costs	-	-	-	1,777,871	-	1,777,871
Less: Earned Revenue	-	-	-	(1,887,538)	-	(1,887,538)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109,667)</b>	<b>-</b>	<b>(109,667)</b>
<b>Trademarks</b>						
Gross Costs	-	-	-	182,565	-	182,565
Less: Earned Revenue	-	-	-	(214,144)	-	(214,144)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,579)</b>	<b>-</b>	<b>(31,579)</b>
<b>Other Programs</b>						
Gross Costs	-	-	277,830	46,502	756,646	1,080,978
Less: Earned Revenue	-	-	(39,596)	-	(154,075)	(193,671)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>238,234</b>	<b>46,502</b>	<b>602,571</b>	<b>887,307</b>
<b>Net Program Costs for Strategic Goal 2</b>	<b>-</b>	<b>-</b>	<b>754,178</b>	<b>(94,744)</b>	<b>602,571</b>	<b>1,262,005</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>						
<b>Ecosystems</b>						
Gross Costs	1,781,600	-	-	-	-	1,781,600
Less: Earned Revenue	(109,657)	-	-	-	-	(109,657)
<b>Net Program Costs</b>	<b>1,671,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,671,943</b>
<b>Other Programs</b>						
Gross Costs	3,010,002	-	-	-	108,596	3,118,598
Less: Earned Revenue	(192,152)	-	-	-	(74,918)	(267,070)
<b>Net Program Costs</b>	<b>2,817,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,678</b>	<b>2,851,528</b>
<b>Net Program Costs for Strategic Goal 3</b>	<b>4,489,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,678</b>	<b>4,523,471</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 4,489,793</b>	<b>\$ 6,472,832</b>	<b>\$ 856,601</b>	<b>\$ (94,744)</b>	<b>\$ 1,939,598</b>	<b>\$ 13,664,080</b>

**NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES**

The amount of Budget Authority, Appropriations, on the *Combined Statements of Budgetary Resources* (SBR) reconciles to the amount of Budgetary Financing Sources, Appropriations Received, reported on the *Consolidated Statements of Changes in Net Position* (SCNP) as follows:

	<u>FY 2011</u>	<u>FY 2010</u>
Budget Authority, Appropriations (SBR)	\$ 7,693,976	\$ 14,322,512
Less:		
Appropriated Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(24,624)	(15,994)
Appropriated Receipts for NTIA's Digital Television Transition and Public Safety Fund, Classified as Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	(196,613)
Budgetary Financing Sources, Appropriations Received (SCNP)	<u>\$ 7,669,352</u>	<u>\$ 14,109,905</u>

Budget Authority, Appropriations, included on the SBR decreased significantly from FY 2010 to FY 2011 primarily due to the large decrease of \$6.07 billion in Appropriations for Census Bureau's Periodic Censuses and Programs fund.

Total borrowing authority available for NOAA's loan programs amounted to \$144.7 million and \$228.4 million at September 30, 2011 and 2010, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Ninety five percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Reductions to the Department's appropriations under Public Laws 112-6 and 112-10 amounted to \$1.86 billion for FY 2011, while reductions for FY 2010 under Public Laws 111-226, 111-212, 111-224, and 111-118 amounted to \$696.5 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also reported on the Rescissions lines of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2011 and FY 2010 include the following:

- The Department's Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes \$790.1 million and \$581.2 million, respectively, of USPTO offsetting collections exceeding the current year and prior years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2 on the lines *General Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (breakdown by status).

- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through the end of FY 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2011 and 2010, \$233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Special Fund* (Patent and Trademark Surcharge Fund) (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes funds temporarily not available for the Digital Television and Transition Public Safety Fund of \$8.74 billion. These funds are included in Note 2 on the lines Digital Television and Transition Public Safety Fund - Special Funds section (breakdown by type), and Unobligated Balance - Unavailable (breakdown by status). On the SBR, these funds are included on the line Unobligated Balance Not Available.
- The Department's Fund Balance with Treasury as of September 30, 2011 and 2010 includes \$17.8 million and \$20.4 million, respectively, of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2 on the lines *Revolving Funds* (breakdown by type), and *Temporarily Precluded From Obligation* (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the FY 2010 and FY 2009 *Combined Statements of Budgetary Resources* and the actual FY 2010 and FY 2009 amounts reported in the FY 2012 and FY 2011 budgets of the U.S. government, respectively. The President's Budget that will report actual amounts for FY 2011 has not yet been published.

**Apportionment Categories of Obligations Incurred:**

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A, Category B, and Exempt from Apportionment are as follows:

	<b>FY 2011</b>		
	<u>Direct</u>	<u>Reimbursable</u>	<u>Total</u>
Category A	\$ 3,146,550	\$ 2,837,935	\$ 5,984,485
Category B	5,195,930	965	5,196,895
Exempt from Apportionment	169,083	1,053,370	1,222,453
<b>Total</b>	<b>\$ 8,511,563</b>	<b>\$ 3,892,270</b>	<b>\$ 12,403,833</b>

	<b>FY 2010</b>		
	<u>Direct</u>	<u>Reimbursable</u>	<u>Total</u>
Category A	\$ 8,365,156	\$ 2,529,674	\$ 10,894,830
Category B	10,457,428	25,150	10,482,578
Exempt from Apportionment	159,933	868,470	1,028,403
<b>Total</b>	<b>\$ 18,982,517</b>	<b>\$ 3,423,294</b>	<b>\$ 22,405,811</b>

Category A apportionments distribute budgetary resources by fiscal quarters, whereas Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

**Undelivered Orders:**

Undelivered orders were \$10.44 billion and \$12.36 billion at September 30, 2011 and 2010, respectively.

**Digital Television Transition and Public Safety Fund:**

The Digital Television Transition and Public Safety Fund (Fund) was created by the Digital Television Transition and Public Safety Act of 2005. This NTIA fund receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts.

The Federal Communications Commission (FCC) completed the auction of licenses for recovered analog spectrum in March 2008. The auction resulted in proceeds of \$18.96 billion, which were deposited to the Fund by FCC on June 30, 2008. A net auction proceed (auction proceed less any FCC administrative fees due to FCC) becomes a budgetary resource on the SBR when FCC grants the license and the net auction proceed is provided as a budgetary resource by OMB. Net auction proceeds for which licenses have been granted, totaling \$0 and \$196.6 million for FY 2011 and FY 2010, respectively, are included as a budgetary resource on the SBR (Budget Authority, Appropriations), and as a budgetary financing source on the SCNP. Auction proceeds for which licenses have not yet been granted, totaling \$2.4 million and \$33.8 million as of September 30, 2011 and 2010, respectively, are considered a non-budgetary financing source (unavailable for use), and, accordingly, are not included in the SBR and are recorded as a liability to FCC on the Consolidated Balance Sheet. For the proprietary financial statements, an auction proceed is considered a liability to FCC until FCC grants the license. When the license is granted, a financing source (Transfers In of Spectrum Auction Proceeds from FCC) is recognized on the SCNP for the earned net auction proceeds, and the liability is reduced by the dollar amount of the license granted.

As of September 30, 2011, payments for the programs under the Fund may not exceed \$2.82 billion. In September 2009, the Fund transferred \$7.36 billion to the General Fund of the Treasury. The Department understands that Congress' intent is for the Fund to further transfer funds beyond the needs of its programs to the General Fund of the Treasury. At September 30, 2011, the Fund has a Net Position, Cumulative Results of Operations balance of \$9.24 billion.

Below is a brief summary of the two largest active programs under this Fund, and significant financial activity recorded for the FY 2011 and FY 2010 SBR under this Fund for each program:

**Public Safety Interoperable Communications (PSIC):** This is a grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize reallocated public safety spectrum for radio communication. The Fund may make payments not to exceed \$1.00 billion for this program. The Department has in place a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA), in which FEMA administers the PSIC grant program. NTIA provides FEMA with funds for the grants under the program, and for the charges for FEMA's management and administrative services. NTIA records budgetary obligations with FEMA, while FEMA records the grants activity under the program. Budgetary obligations for FY 2011 and FY 2010 under the PSIC program amounted to \$2.6 million and \$8.8 million, respectively. Budgetary obligations through September 30, 2009 under the PSIC program amounted to \$987.0 million.

**National Alert and Tsunami Warning Program:** This program is to implement a unified national alert system capable of alerting the public, on a national, regional, or local basis to emergency situations by using a variety of communications technologies. The Fund made payments not exceeding \$156.0 million for this program. The Department shall use \$50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. Budgetary obligations for FY 2011 and FY 2010 amounted to \$47.6 million and \$37.5 million, respectively.

#### **NOTE 19. CUSTODIAL NONEXCHANGE ACTIVITY**

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For FY 2011, the Department had custodial nonexchange revenue of \$6.7 million; custodial nonexchange revenue of \$1.8 million was payable to Treasury at September 30, 2011. For FY 2010, the Department had custodial nonexchange revenue of \$19.5 million; custodial nonexchange revenue of \$8.0 million was payable to Treasury at September 30, 2010.

**NOTE 20. FIDUCIARY ACTIVITIES**

**Schedule of Fiduciary Activities for the Year Ended September 30, 2011**

	<b>FY 2011</b>		
	<b>Patent Cooperation Treaty</b>	<b>Madrid Protocol</b>	<b>Total</b>
Fiduciary Net Assets, Beginning Balance	\$ 9,452	\$ 576	\$ 10,028
Contributions	131,755	14,551	146,306
Disbursements to and on Behalf of Beneficiaries	(128,343)	(14,789)	(143,132)
Increase/(Decrease) in Fiduciary Net Assets	3,412	(238)	3,174
Fiduciary Net Assets, Ending Balance	<u>\$ 12,864</u>	<u>\$ 338</u>	<u>\$ 13,202</u>

**Fiduciary Net Assets as of September 30, 2011**

	<b>FY 2011</b>		
	<b>Patent Cooperation Treaty</b>	<b>Madrid Protocol</b>	<b>Total</b>
Fund Balance with Treasury	<u>\$ 12,864</u>	<u>\$ 338</u>	<u>\$ 13,202</u>

**Schedule of Fiduciary Activities for the Year Ended September 30, 2010**

	<b>FY 2010</b>		
	<b>Patent Cooperation Treaty</b>	<b>Madrid Protocol</b>	<b>Total</b>
Fiduciary Net Assets, Beginning Balance	\$ 9,134	\$ 452	\$ 9,586
Contributions	121,679	9,923	131,602
Disbursements to and on Behalf of Beneficiaries	(121,361)	(9,799)	(131,160)
Increase/(Decrease) in Fiduciary Net Assets	318	124	442
Fiduciary Net Assets, Ending Balance	<u>\$ 9,452</u>	<u>\$ 576</u>	<u>\$ 10,028</u>

**Fiduciary Net Assets as of September 30, 2010**

	<b>FY 2010</b>		
	<b>Patent Cooperation Treaty</b>	<b>Madrid Protocol</b>	<b>Total</b>
Fund Balance with Treasury	<u>\$ 9,452</u>	<u>\$ 576</u>	<u>\$ 10,028</u>

## NOTE 21. EARMARKED FUNDS

The following tables depict major earmarked funds separately chosen based on their significant financial activity and importance to taxpayers. All other earmarked funds not shown are aggregated as "Other Earmarked Funds."

**United States Department of Commerce Consolidated Balance Sheet  
As of September 30, 2011**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>ASSETS</b>									
Fund Balance with									
Treasury	\$ 1,526,349	\$ 9,062,212	\$ 3,389,425	\$ 124,660	\$ 36,350	\$ 27,231	\$ 17,848	\$ 43,979	\$ 14,228,054
Cash	2,364	-	-	-	-	-	-	-	2,364
Accounts Receivable, Net	433	-	-	164	-	3,180	-	193	3,970
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	6,213	-	6,213
Inventory, Materials, and Supplies, Net	-	-	-	-	-	48	-	-	48
General Property, Plant, and Equipment, Net	206,628	-	-	-	-	1,882	-	-	208,510
Other	12,137	175,620	18,767	-	53	6,736	-	56	213,369
<b>TOTAL ASSETS</b>	<b>\$ 1,747,911</b>	<b>\$ 9,237,832</b>	<b>\$ 3,408,192</b>	<b>\$ 124,824</b>	<b>\$ 36,403</b>	<b>\$ 39,077</b>	<b>\$ 24,061</b>	<b>\$ 44,228</b>	<b>\$ 14,662,528</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 85,554	\$ 1,557	\$ -	\$ 693	\$ -	\$ 10,839	\$ -	\$ 127	\$ 98,770
Federal Employee Benefits	8,406	-	-	-	-	1,176	-	-	9,582
Other									-
Accrued Payroll and Annual Leave	188,709	11	-	460	-	1,644	-	198	191,022
Accrued Grants	-	301	24,183	-	1,327	-	-	1,677	27,488
Unearned Revenue	845,782	-	-	-	-	8,277	-	-	854,059
Other	17,200	-	-	149	-	225	-	66	17,640
<b>TOTAL LIABILITIES</b>	<b>\$ 1,145,651</b>	<b>\$ 1,869</b>	<b>\$ 24,183</b>	<b>\$ 1,302</b>	<b>\$ 1,327</b>	<b>\$ 22,161</b>	<b>\$ -</b>	<b>\$ 2,068</b>	<b>\$ 1,198,561</b>
<b>NET POSITION</b>									
Unexpended									
Appropriations	\$ -	\$ -	\$ 3,384,009	\$ -	\$ -	\$ -	\$ -	\$ 6,442	\$ 3,390,451
Cumulative Results of Operations	602,260	9,235,963	-	123,522	35,076	16,916	24,061	35,718	10,073,516
<b>TOTAL NET POSITION</b>	<b>\$ 602,260</b>	<b>\$ 9,235,963</b>	<b>\$ 3,384,009</b>	<b>\$ 123,522</b>	<b>\$ 35,076</b>	<b>\$ 16,916</b>	<b>\$ 24,061</b>	<b>\$ 42,160</b>	<b>\$ 13,463,967</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,747,911</b>	<b>\$ 9,237,832</b>	<b>\$ 3,408,192</b>	<b>\$ 124,824</b>	<b>\$ 36,403</b>	<b>\$ 39,077</b>	<b>\$ 24,061</b>	<b>\$ 44,228</b>	<b>\$ 14,662,528</b>

*United States Department of Commerce Consolidated Balance Sheet  
As of September 30, 2010*

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>ASSETS</b>									
Fund Balance with Treasury	\$ 1,334,757	\$ 9,396,152	\$ 4,172,152	\$ 42,163	\$ 35,405	\$ 29,749	\$ 20,439	\$ 53,453	\$ 15,084,270
Cash	2,570	-	-	-	-	-	-	-	2,570
Accounts Receivable, Net	758	-	-	265	-	2,503	-	182	3,708
Direct Loans and Loan Guarantees, Net	-	-	-	-	-	-	6,717	-	6,717
Inventory, Materials, and Supplies, Net	-	-	-	-	-	30	-	-	30
General Property, Plant, and Equipment, Net	174,397	-	49	-	-	2,274	-	-	176,720
Other	13,167	139,738	20,335	-	100	6,948	-	100	180,388
<b>TOTAL ASSETS</b>	<b>\$ 1,525,649</b>	<b>\$ 9,535,890</b>	<b>\$ 4,192,536</b>	<b>\$ 42,428</b>	<b>\$ 35,505</b>	<b>\$ 41,504</b>	<b>\$ 27,156</b>	<b>\$ 53,735</b>	<b>\$ 15,454,403</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 70,114	\$ 534	\$ 1,450	\$ 408	\$ -	\$ 12,244	\$ -	\$ 154	\$ 84,904
Federal Employee Benefits	8,299	-	-	-	-	1,208	-	-	9,507
Other	-	-	-	-	-	-	-	-	-
Accrued Payroll and Annual Leave	165,490	56	1,135	50	-	1,661	-	179	168,571
Accrued Grants	-	1,453	96,902	-	1,501	-	-	1,923	101,779
Unearned Revenue	774,388	-	-	-	-	10,556	-	-	784,944
Other	15,053	-	-	40	-	411	-	59	15,563
<b>TOTAL LIABILITIES</b>	<b>\$ 1,033,344</b>	<b>\$ 2,043</b>	<b>\$ 99,487</b>	<b>\$ 498</b>	<b>\$ 1,501</b>	<b>\$ 26,080</b>	<b>\$ -</b>	<b>\$ 2,315</b>	<b>\$ 1,165,268</b>
<b>NET POSITION</b>									
Unexpended Appropriations	\$ -	\$ -	\$ 4,093,000	\$ -	\$ -	\$ -	\$ -	\$ 6,319	\$ 4,099,319
Cumulative Results of Operations	492,305	9,533,847	49	41,930	34,004	15,424	27,156	45,101	10,189,816
<b>TOTAL NET POSITION</b>	<b>\$ 492,305</b>	<b>\$ 9,533,847</b>	<b>\$ 4,093,049</b>	<b>\$ 41,930</b>	<b>\$ 34,004</b>	<b>\$ 15,424</b>	<b>\$ 27,156</b>	<b>\$ 51,420</b>	<b>\$ 14,289,135</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,525,649</b>	<b>\$ 9,535,890</b>	<b>\$ 4,192,536</b>	<b>\$ 42,428</b>	<b>\$ 35,505</b>	<b>\$ 41,504</b>	<b>\$ 27,156</b>	<b>\$ 53,735</b>	<b>\$ 15,454,403</b>

*United States Department of Commerce Consolidated Statement of Net Cost  
For the Year Ended September 30, 2011*

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Theme 1: Economic Growth</b>									
Gross Costs	\$ 2,148,097	\$ 297,884	\$ 665,937	\$ -	\$ -	\$ -	\$ -	\$ 5,050	\$ 3,116,968
Less: Earned Revenue	(2,236,374)	-	-	-	-	-	-	-	(2,236,374)
<b>Net Program Costs</b>	<b>(88,277)</b>	<b>297,884</b>	<b>665,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,050</b>	<b>880,594</b>
<b>Theme 2: Science and Information</b>									
Gross Costs	-	-	-	-	-	51,976	-	-	51,976
Less: Earned Revenue	-	-	-	-	-	(52,349)	-	-	(52,349)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(373)</b>	<b>-</b>	<b>-</b>	<b>(373)</b>
<b>Theme 3: Environmental Stewardship</b>									
Gross Costs	-	-	-	16,207	8,823	-	338	21,117	46,485
Less: Earned Revenue	-	-	-	-	-	-	(244)	-	(244)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,207</b>	<b>8,823</b>	<b>-</b>	<b>94</b>	<b>21,117</b>	<b>46,241</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ (88,277)</b>	<b>\$ 297,884</b>	<b>\$ 665,937</b>	<b>\$ 16,207</b>	<b>\$ 8,823</b>	<b>\$ (373)</b>	<b>\$ 94</b>	<b>\$ 26,167</b>	<b>\$ 926,462</b>

*United States Department of Commerce Consolidated Statement of Net Cost  
For the Year Ended September 30, 2010*

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</b>									
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,652	\$ 5,652
Less: Earned Revenue	-	-	-	-	-	-	-	-	-
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,652</b>	<b>5,652</b>
<b>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</b>									
Gross Costs	2,006,938	279,527	262,653	-	-	48,007	-	(17,558)	2,579,567
Less: Earned Revenue	(2,101,682)	-	(223)	-	-	(49,093)	-	-	(2,150,998)
<b>Net Program Costs</b>	<b>(94,744)</b>	<b>279,527</b>	<b>262,430</b>	<b>-</b>	<b>-</b>	<b>(1,086)</b>	<b>-</b>	<b>(17,558)</b>	<b>428,569</b>
<b>Strategic Goal 3: Promote Environmental Stewardship</b>									
Gross Costs	-	-	-	6,991	8,280	-	(144)	22,177	37,304
Less: Earned Revenue	-	-	-	-	-	-	(320)	-	(320)
<b>Net Program Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,991</b>	<b>8,280</b>	<b>-</b>	<b>(464)</b>	<b>22,177</b>	<b>36,984</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ (94,744)</b>	<b>\$ 279,527</b>	<b>\$ 262,430</b>	<b>\$ 6,991</b>	<b>\$ 8,280</b>	<b>\$ (1,086)</b>	<b>\$ (464)</b>	<b>\$ 10,271</b>	<b>\$ 471,205</b>

*United States Department of Commerce Consolidated Statement of Changes in Net Position  
For the Year Ended September 30, 2011*

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Cumulative Results of Operations:</b>									
<b>Beginning Balance</b>	\$ 492,305	\$ 9,533,847	\$ 49	\$ 41,930	\$ 34,004	\$ 15,424	\$ 27,156	\$ 45,101	\$ 10,189,816
<b>Budgetary Financing Sources:</b>									
Appropriations Used	-	-	665,888	-	-	-	-	(122)	665,766
Non-exchange Revenue	-	-	-	73,783	9,895	-	-	12,126	95,804
Transfers In/(Out) Without Reimbursement, Net	-	-	-	24,016	-	-	(3,001)	4,780	25,795
<b>Other Financing Sources (Non-exchange):</b>									
Imputed Financing Sources from Cost Absorbed by Others	21,678	-	-	-	-	1,119	-	-	22,797
<b>Total Financing Sources</b>	<b>21,678</b>	<b>-</b>	<b>665,888</b>	<b>97,799</b>	<b>9,895</b>	<b>1,119</b>	<b>(3,001)</b>	<b>16,784</b>	<b>810,162</b>
<b>Net Cost of Operations</b>	<b>88,277</b>	<b>(297,884)</b>	<b>(665,937)</b>	<b>(16,207)</b>	<b>(8,823)</b>	<b>373</b>	<b>(94)</b>	<b>(26,167)</b>	<b>(926,462)</b>
<b>Net Change</b>	<b>109,955</b>	<b>(297,884)</b>	<b>(49)</b>	<b>81,592</b>	<b>1,072</b>	<b>1,492</b>	<b>(3,095)</b>	<b>(9,383)</b>	<b>(116,300)</b>
<b>Cumulative Results of Operations - Ending Balance</b>	<b>602,260</b>	<b>9,235,963</b>	<b>-</b>	<b>123,522</b>	<b>35,076</b>	<b>16,916</b>	<b>24,061</b>	<b>35,718</b>	<b>10,073,516</b>
<b>Unexpended Appropriations:</b>									
<b>Beginning Balance</b>	-	-	4,092,999	-	-	-	-	6,320	4,099,319
<b>Budgetary Financing Sources:</b>									
Other Adjustments	-	-	(43,102)	-	-	-	-	-	(43,102)
Appropriations Used	-	-	(665,888)	-	-	-	-	122	(665,766)
<b>Total Budgetary Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(708,990)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>(708,868)</b>
<b>Unexpended Appropriations - Ending Balance</b>	<b>-</b>	<b>-</b>	<b>3,384,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,442</b>	<b>3,390,451</b>
<b>NET POSITION</b>	<b>\$ 602,260</b>	<b>\$ 9,235,963</b>	<b>\$ 3,384,009</b>	<b>\$ 123,522</b>	<b>\$ 35,076</b>	<b>\$ 16,916</b>	<b>\$ 24,061</b>	<b>\$ 42,160</b>	<b>\$ 13,463,967</b>

*United States Department of Commerce Consolidated Statement of Changes in Net Position  
For the Year Ended September 30, 2010*

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Broadband Technology Opportunities Program - Recovery Act	Damage Assessment and Restoration Revolving Fund	Environmental Improvement and Restoration Fund	NTIS Revolving Fund	Coastal Zone Management Fund	Other Earmarked Funds	Total Earmarked Funds
<b>Cumulative Results of Operations:</b>									
<b>Beginning Balance</b>	\$ 375,794	\$ 9,616,912	\$ -	\$ 36,649	\$ 32,414	\$ 13,115	\$ 29,692	\$ 50,465	\$ 10,155,041
<b>Budgetary Financing Sources:</b>									
Appropriations Used	-	-	262,677	-	-	-	-	(13,079)	249,598
Non-exchange Revenue	-	-	-	4,762	9,870	-	-	3,883	18,515
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	196,613	-	-	-	-	-	-	196,613
Transfers In/(Out) Without Reimbursement, Net	-	-	-	7,510	-	-	(3,000)	14,103	18,613
<b>Other Financing Sources (Non-exchange):</b>									
Transfers In/(Out) Without Reimbursement, Net	-	(151)	(198)	-	-	-	-	-	(349)
Imputed Financing Sources from Cost Absorbed by Others	21,767	-	-	-	-	1,223	-	-	22,990
<b>Total Financing Sources</b>	<b>21,767</b>	<b>196,462</b>	<b>262,479</b>	<b>12,272</b>	<b>9,870</b>	<b>1,223</b>	<b>(3,000)</b>	<b>4,907</b>	<b>505,980</b>
<b>Net Cost of Operations</b>	<b>94,744</b>	<b>(279,527)</b>	<b>(262,430)</b>	<b>(6,991)</b>	<b>(8,280)</b>	<b>1,086</b>	<b>464</b>	<b>(10,271)</b>	<b>(471,205)</b>
<b>Net Change</b>	<b>116,511</b>	<b>(83,065)</b>	<b>49</b>	<b>5,281</b>	<b>1,590</b>	<b>2,309</b>	<b>(2,536)</b>	<b>(5,364)</b>	<b>34,775</b>
<b>Cumulative Results of Operations - Ending Balance</b>									
	<b>492,305</b>	<b>9,533,847</b>	<b>49</b>	<b>41,930</b>	<b>34,004</b>	<b>15,424</b>	<b>27,156</b>	<b>45,101</b>	<b>10,189,816</b>
<b>Unexpended Appropriations:</b>									
<b>Beginning Balance</b>	-	-	4,657,677	-	-	-	-	232,740	4,890,417
<b>Budgetary Financing Sources:</b>									
Rescissions of Appropriations	-	-	(302,000)	-	-	-	-	(239,500)	(541,500)
Appropriations Used	-	-	(262,677)	-	-	-	-	13,079	(249,598)
<b>Total Budgetary Financing Sources</b>	-	-	<b>(564,677)</b>	-	-	-	-	<b>(226,421)</b>	<b>(791,098)</b>
<b>Unexpended Appropriations - Ending Balance</b>	-	-	<b>4,093,000</b>	-	-	-	-	<b>6,319</b>	<b>4,099,319</b>
<b>NET POSITION</b>	<b>\$ 492,305</b>	<b>\$ 9,533,847</b>	<b>\$ 4,093,049</b>	<b>\$ 41,930</b>	<b>\$ 34,004</b>	<b>\$ 15,424</b>	<b>\$ 27,156</b>	<b>\$ 51,420</b>	<b>\$ 14,289,135</b>

Below is a description of major earmarked funds shown in the above tables.

The **USPTO Earmarked Funds** consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's three core business activities – granting patents;

registering trademarks; and intellectual property policy, protection, and enforcement – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. USPTO may use monies from this account only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2011 and 2010, \$233.5 million is held in this fund.

The **NTIA Digital Television Transition and Public Safety Fund** makes digital television available to every home in America, improves communications between local, state, and federal agencies, allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA received funding from borrowings from the Bureau of Public Debt, and repaid the Bureau of Public Debt from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and has been and is expected to be further used to reduce the National Deficit. The law establishing this program can be found in the Deficit Reduction Act of 2005, P.L. 109-171 Sections 3001-3014.

The **Broadband Technology Opportunities Program - Recovery Act** includes funds from the American Recovery and Reinvestment Act of 2009 (Recovery Act) that provides awards to eligible entities to develop and expand broadband services to rural and underserved areas and improve access to broadband by public safety agencies. Specifically, funds are used for innovative programs that encourage sustainable adoption of broadband services, to upgrade technology and capacity at public computing centers, including community colleges and public libraries, and for the development and maintenance of statewide broadband inventory maps.

The **Coastal Zone Management Fund**, operated by NOAA, is primarily used for interstate projects, demonstration projects for improving coastal zone management, and emergency grants to state coastal zone management agencies to address unforeseen or disaster-related circumstances. The law establishing the Coastal Zone Management Fund can be found in 16 USC Section 1456a.

The **Environmental Improvement and Restoration Fund** makes available interest that was earned in the Fund in the previous fiscal year. 80 percent of such amounts shall be made available to be equally divided among the Directors of the National Park Service, the United States Fish and Wildlife Service, the Bureau of Land Management, and the Chief of the Forest Service for high-priority deferred maintenance and modernization of facilities that directly enhance the experience of visitors, including natural, cultural, recreational, and historic resources protection projects in National Parks, National Wildlife Refuges, and the public lands, and for payment to the State of Louisiana and its lessees for oil and gas drainage in the West Delta field. 20 percent of such amounts shall be made available to the Secretary of Commerce for the purpose of carrying out marine research activities in the North Pacific. The law establishing the Environmental Improvement and Restoration Fund can be found at 43 USC Section 147d.

The **NTIS Revolving Fund** is used to collect, process, market, and disseminate government-sponsored and foreign scientific, technical, and business information, and to assist other agencies with their information programs. Activities funded by the NTIS Revolving Fund allow customers, both public and private, access to scientific and technical information produced by and for the federal government. All receipts from the sale of products and services are deposited in this fund, and all expenses, including capital expenditures, are paid from it.

The **Damage Assessment and Restoration Revolving Fund** receives monies for the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, indian, or foreign trustee for natural resource damages is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706.

**NOTE 22. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

The Reconciliation of Net Cost of Operations to Budget reconciles the Department’s *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting Net Obligations plus the proprietary basis of accounting Other Resources, to the proprietary basis of accounting Net Cost of Operations. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in Net Cost of Operations. The third section, *Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period*, adds items included in Net Cost of Operations that are not included in the first section.

The third section’s subsection, Components Requiring or Generating Resources in Future Periods, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

The reconciliations of Net Cost of Operations to Budget for FY 2011 and FY 2010 are as follows:

	FY 2011	FY 2010
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$ 12,403,833	\$ 22,405,811
Less: Spending Authority From Offsetting Collections and Recoveries	(4,645,454)	(4,280,000)
Obligations Net of Offsetting Collections and Recoveries	7,758,379	18,125,811
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	(28,541)
Net Obligations	7,724,809	18,097,270
<b>Other Resources</b>		
Donations and Forfeitures of Property	458	461
Transfers In/(Out) Without Reimbursement, Net	(4,062)	(4,804)
Imputed Financing From Cost Absorbed by Others	347,925	346,772
Downward Subsidy Reestimates Payable to Treasury	-	(8,087)
Other Financing Sources/(Uses), Net	(8,246)	18
Net Other Resources Used to Finance Activities	336,075	334,360
<b>Total Resources Used to Finance Activities</b>	<b>8,060,884</b>	<b>18,431,630</b>

(continued)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

	FY 2011	FY 2010
<b>Resources Used to Finance Items Not Part of Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	1,920,989	(4,489,923)
Resources that Fund Expenses Recognized in Prior Periods	(12,253)	(6,255)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(8,087)	(6,190)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	33,570	28,541
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	40,204	71,812
Budgetary Financing Sources/(Uses), Net	106,572	8,272
Resources that Finance the Acquisition of Assets	(1,743,564)	(1,433,050)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	82,970	202,311
Donations and Forfeitures of Property	(458)	(461)
Transfers In/(Out) Without Reimbursement, Net	4,062	4,804
Downward Subsidy Reestimates Payable to Treasury	-	8,087
Other Financing Sources/(Uses), Net	8,246	(18)
Other	(4,643)	-
<b>Total Resources Used to Finance Items Not Part of Net Cost of Operations</b>	<b>427,608</b>	<b>(5,612,070)</b>
<b>Total Resources Used to Finance Net Cost of Operations</b>	<b>8,488,492</b>	<b>12,819,560</b>
<b>Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods</b>		
Increase in Accrued Annual Leave Liability	5,841	11,373
Increase in Federal Employee Benefits	39,447	81,601
Increase (Decrease) in Contingent Liabilities	(8,753)	(1,807)
Reestimates of Credit Subsidy Expense	(4,921)	(2,857)
Other	7,391	11,223
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	39,005	99,533
<b>Components Not Requiring or Generating Resources</b>		
Depreciation and Amortization	687,009	524,296
NOAA Impairment of Construction-in-progress (Note 16)	-	107,518
NOAA Issuances of Materials and Supplies	30,247	29,325
Census Bureau Issuances of Materials and Supplies	-	37,383
Revaluation of Assets or Liabilities	(101)	40,871
Other	(10,852)	5,594
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	706,303	744,987
<b>Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period</b>	<b>745,308</b>	<b>844,520</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 9,233,800</b>	<b>\$ 13,664,080</b>

**NOTE 23. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT**

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and the Census Bureau are the only entities within the Department that have Stewardship PP&E. Additional information on Stewardship PP&E is presented in the Required Supplementary Information section.

**Stewardship Marine Sanctuaries, Marine National Monuments, and Conservation Area:**

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

**National Marine Sanctuaries:** In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g. boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2011, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, covering a total area of nearly 19,000 square miles. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

**Papahānaumokuākea Marine National Monument:** The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). Papahānaumokuākea Marine National Monument was designated by Presidential Proclamation in 2006 and overlays several previously designated protected areas and forges a co-management regime for the entire area. The overlaid protected areas comprising the monument are the NWHI Coral Reef Ecosystem Reserve (from 3 to 50 miles in federal waters from the corridor of islands of the NWHI); the National Wildlife Refuges (the islands, atolls and some federal waters; and the State of Hawaii Refuge and lands and waters. The Monument is managed by NOAA, with the Department of the Interior, and the state of Hawaii. Papahānaumokuākea is co-managed by the Department of Commerce-NOAA with the Department of the Interior, and the state of Hawaii.

**Rose Atoll Marine National Monument:** On January 6, 2009, President Bush designated the Rose Atoll Marine National Monument in American Samoa. The monument includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The Department of the Interior has primary management responsibility of the atoll while NOAA has primary management responsibility for the marine areas of the monument seaward of mean low water, with respect to fishery-related activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801 et seq. ) and any other applicable authorities. An inter-governmental committee comprised of NOAA, Department of the Interior, and the American Samoa Government has been established to develop and coordinate management strategies. NOAA is progressing with fisheries management strategies, and has begun the process to consider incorporation of the area into the Fagatele Bay National Marine Sanctuary.

**Marianas Trench Marine National Monument:** On January 6, 2009, President Bush designated the Marianas Trench Marine National Monument. The Monument consists of approximately 95,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. No waters are included in the Volcanic and Trench Units, and CNMI maintains all authority for managing the three islands within the Islands Unit (Farallon de Pajaros or Uracas, Maug, and Asuncion) above the mean low water line. The Department of the Interior, in consultation with NOAA, has management responsibility for the monument. With respect to fishery-regulated activities regulated pursuant to the Magnuson-Stevens Fishery Conservation and Management Act and any other applicable authorities, however, NOAA has primary management responsibility, and, when necessary, consults with the Department of the Interior. All but one of the Marianas Monument Advisory Council (MMAC) members have been appointed, and the MMAC is planning to have its first meeting in early 2012. NOAA is progressing with fisheries management strategies, and has begun scoping for management plan development, in cooperation with the Department of the Interior.

**Pacific Remote Islands Marine National Monument:** On January 6, 2009, President Bush designated the Pacific Remote Islands Marine National Monument. The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the Department of the Interior. They sustain many endemic species, including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere.

The Department of the Interior has responsibility for management of the Monument in consultation with NOAA, including out to 12 nautical miles from the mean low water lines of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef and Palmyra Atoll, pursuant to applicable legal authorities. NOAA is progressing with fisheries management strategies, and is scoping to develop a Monument Management Plan in cooperation with the Department of the Interior.

**Aleutian Islands Habitat Conservation Area:** On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370,000 square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists are closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat and prevent any further damage of the area.

Written policy statements or permit guidelines for the National Marine Sanctuaries and Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. Submarine cable policy was finalized in 2011. NOAA's Office of Marine National Sanctuaries may be updating artificial reefs policy to reflect recent information about the effects of artificial reefs on natural habitats. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

#### **Heritage Assets:**

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where a heritage asset also has a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System;
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets;
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current conditions of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans; and
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA.

NOAA maintains the following Heritage Assets:

**Galveston Laboratory:** Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, Texas, an army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. The Sea Water System has been updated in 2011 with new electrical and pump housing.

**National Marine Fisheries Service (NMFS) St. George Sealing Plant:** On St. George Island, in the Pribilof Islands group, Alaska, is the only remaining northern fur seal pelt processing building in the world. In 1986, the building was listed on the National Register of Historic Properties, within the Seal Islands National Historic Landmark. The Pribilof Islands commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900s, had covered the purchase price of Alaska. The building is the largest on the island, and is comprised of four distinct work areas from the seal pelt processing area. In 1950, the original wood-framed pelt processing plant was destroyed in a fire and rebuilt in 1951 with concrete walls on remnants of the original foundation. Harsh weather and a lack of maintenance funding after the expiration of the Northern Fur Seal Convention in 1985 resulted in significant deterioration of the building by the early 1990s.

In November 1999, after numerous site surveys and assessments, the building's crumbling foundation was stabilized and the building's exterior was painted. This effort allowed for NOAA's continued, but limited, use of the building by the NMFS Alaska Region and Alaska Fisheries Science Center to achieve NOAA's mission on St. George Island. In addition, the U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge used the building as a bunkhouse until 2006, when NOAA's Safety Officer and the USFWS Safety Officer both determined the bunkhouse portion of the building lacked sufficient means of egress in the event of fire and deemed it to be unsafe for habitation. It was determined by USFWS that the cost of making the necessary modifications to the space was not fiscally justifiable. NOAA's Preserve America program funded an interpretive display project in the Seal Plant to promote public outreach and education for the modest tourism program on St. George.

**NMFS Cottage M, St. George:** The last remnants of the U.S. commercial harvest of northern fur seals can be found on St. George Island, in the Pribilof Islands group, Alaska. In 1986, Cottage M (locally known as Cottage C), was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. This building was constructed in the 1930s and was the residence of the island doctor and hospital through 1955, when the current clinic/hospital was built. Later, the construction of a health clinic on St. George Cottage M provided housing for government scientists and managers. In recent years, USFWS Alaska Maritime National Wildlife Refuge staff have also used the building. NMFS Cottage M is considered a multi-use heritage asset because of the critical housing for NOAA's research and management staff, along with USFWS staff.

**NMFS St. Paul Old Clinic/Hospital:** On St. Paul Island, in the Pribilof Islands group, Alaska, fewer historic structures remain than on St. George Island. In 1986, the clinic/hospital was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The old clinic/hospital is the combination of three historic buildings (physician's house, 1929; dispensary, 1929; and hospital, 1934) connected in 1974 with an addition. The building was used as a clinic/hospital through 2006 under a Memorandum of Agreement between NMFS and the Department of Health, Education and Welfare, and later, the Indian Health Service/Bureau of Indian Affairs. Since August 2007, NMFS has maintained the facility. While the facility remains largely unused at this time, except for occasional storage needs, NMFS will continue to maintain the facility, and plans to retain it to accommodate its expanding mission needs on St. Paul Island. During the winter of 2010, there was a freeze resulting in broken plumbing pipes and substantial flooding and icing throughout the building. Damage assessment and abatement work was completed. An engineering analysis to structurally stabilize the building is expected to begin in the spring of 2012. This will be followed by a design exercise to develop plans for future construction and expanded use of the building.

**NMFS Aquarium:** In Woods Hole, Massachusetts, this aquarium was established in 1875 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center. The aquarium houses 16 permanent exhibition tanks and approximately 12 freestanding aquaria and touch tanks holding more than 140 species of fish and invertebrates and, on occasion, sea turtles. The facility also has an exterior seal habitat that currently exhibits non-releasable harbor seals obtained through the NOAA marine mammal stranding network. The tanks range in size from 75 to 2,800 gallons. NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

**Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL), Lake Michigan Field Station (LMFS):** In Muskegon, Michigan, the GLERL main building, constructed in 1904 by the U.S. Life Saving Service, is eligible for National Register designation and has been recognized by state and local historical societies for its maritime significance. With the creation of the U.S. Coast Guard in 1915, the facility was transferred and served as a base for search and rescue operations for 75 years. In 2004, a renovation project was completed that restored the exterior to its original architecture and color scheme - a style that is considered rare. Today, GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. GLERL/LMFS includes three buildings and a research vessel dockage. The function of the field station is to provide a base of operations for GLERL's primary research vessel, which is presently the Research Vessel *Laurentian*, and to provide a focal point for GLERL's research on Lake Michigan. Due to its historic significance, exterior architectural features, and predominant use in government operations, GLERL/LMFS is considered a multi-use heritage asset.

NOAA's collection-type heritage assets are comprised primarily of books, journals, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique.

Historically, 40 percent of the items catalogued are not found anywhere else. Many older books cannot be replaced. The works include 17th century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Boucher, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata.

NOAA's collection-type heritage assets include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment. The NOAA Logistics Office continued its review of the National Climatic Data Center Library in FY 2011 and concluded that many items previously reported as separate items belong in an existing heritage assets collection, or were deemed as not meeting the heritage assets criteria. This resulted in a significant decrease in the Library's collection type heritage assets in FY 2011.

Historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies.

NIST currently maintains collection-type heritage assets under its Museum and History Program, which collects, conserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science. The Information Services Office (ISO) maintains the historical archives, rare book collection, and oversees the oral history program. The historical archives and rare book collection contain titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, and books by NIST authors or about NIST work. Titles are recommended for inclusion by ISD staff and customers. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Photos and manuscripts include images of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments.

NIST's Museum and History Program has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. In FY 2011, the number of NIST Artifacts and Scientific Measures increased significantly because artifacts held in storage were added to the inventory of collection-type heritage assets. Archives, including the historical book

collection, are used according to established research library policies and procedures. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity
- Direct connection to a NIST prominent person
- Physical size
- Safety considerations

Archive material is not loaned. Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts includes an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

ISO preserves and promotes the history of NIST through a program that collects, organizes, and preserves records of enduring value and encourages and supports their use by researchers. The policies and procedures cover such topics as submitting reference inquiries, regulations for use of the archives collection, scope of archives collection, criteria for accepting archival material, providing physical and bibliographic access, preservation, and reviewing the collection.

Collection-type heritage assets maintained by Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts. Some examples of these historical artifacts include:

**1900 Hollerith Key Punch:** Census Bureau clerks used the key punch during the 1900s to punch round holes into cards for tabulation by electric tabulating machines housed at the Census Bureau. The key punch increased the speed with which clerks could transfer data entered on census schedules to the punch cards used to tabulate census results.

**Hollerith Tabulator (Dial):** The Hollerith Tabulator dial was manufactured by the Tabulating Machine Company for the Census Bureau. The Hollerith Tabulator dial mechanically illustrated the data being read from punched paper cards entered into the tabulator. The holes punched in cards were sensed by pins or pointers making contact through the holes to a drum. The completion of an electric circuit through a hole advanced the counter on this dial representing data tabulated for a specific population, economic, or agriculture inquiry on the census schedule.

**Gang Punch:** The Gang punch was manufactured by the Tabulating Machine Company for the Census Bureau. The gang punch was used for recording facts common to a number of punch cards, such as the month, day, year, etc. It is equipped with a number of moveable punches, which can easily be changed and set for any desired combination. Using the gang punch, clerks could punch a number of cards at once, thus speeding the transcription of data.

**Pantograph:** This item was manufactured by the Tabulating Machine Company for the Census Bureau. Census Bureau clerks used the pantograph, or keyboard punch, to transfer information on the census schedule to punch cards. To operate the pantograph, the clerk guided one end of the lever over a board showing the categories of information from the census (age, sex, place of birth, etc.) and depressed the lever at the appropriate position, punching a hole in the punch card. With the information found on the schedule translated into punch holes on cards, the data could then be read and the results tallied by tabulators designed to read the punch cards.

**Census Bureau Enumerators Badge:** The Census Bureau provided enumerators with badges during the 1900s and later censuses, and recipients were instructed to wear them when on duty. The 1900s instructions to enumerators noted that the badge offered additional evidence of the bearer's authority to ask the question required by law. Furthermore, enumerators were instructed to wear the badge attached to the vest under the coat, and to exhibit it only when it would aid the enumerator in obtaining the information. Upon completion of the census, the Census Bureau permitted enumerators to keep the badge as a souvenir of their service.

**Unisys Tape and Reel:** It is assumed that Unisys Corporation manufactured this tape and reel in the 1980s. This tape technology, released in 1964, introduced what is now generally known as 9-track tape. The magnetic tape is ½ inch wide, with eight data tracks and one parity track for a total of nine parallel tracks. Data is stored as 8-bit characters, spanning the full width of the tape (including the parity bit). Various recording methods are used to place the data on tape, depending on the tape speed and data density, including PE (phase encoding), GCR (group code recording), and NRZI (non-return-to-zero, inverted).

**Film Optical Sensing Device for Input to Computers (FOSDIC):** This 1980s file cabinet-sized version of FOSDIC was manufactured by the Census Bureau for the 1990 census. During the 1950s, the Census Bureau and the National Bureau of Standards developed a system called Film Optical Sensing Device for Input to Computers (FOSDIC), which took census and survey questionnaires that had been photographed onto microfilm, read blackened dots opposite the appropriate answers, and transferred that data to magnetic tape. These tapes constituted the input for the Census Bureau's computers. One important result of this process was the elimination of most discrepancies in data records sent for processing. First used to process 1960 census results, FOSDIC played an integral part in the Census Bureau's data processing system into the mid-1990s.

**Artwork and Gifts:** Census Bureau's artwork and gifts include items bequeathed to, given to, or commissioned by the agency, such as posters, paintings, sculptures, postage stamps, photographs, antiques, memorial plaques, cultural artifacts from other statistical agencies and countries, awards, time capsules, buttons and badges, and more.

Census Bureau has developed a Project Charter for heritage assets which has developed policies and procedures for the acquisition and removal of Census Bureau heritage assets. Census Bureau employees submit items for consideration as heritage assets to the Heritage Assets Committee. The Committee will decide if the item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate Census Bureau's historic contributions to the nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, Census Bureau will follow any applicable established policies and procedures for surplus property.

(In Actual Quantities)

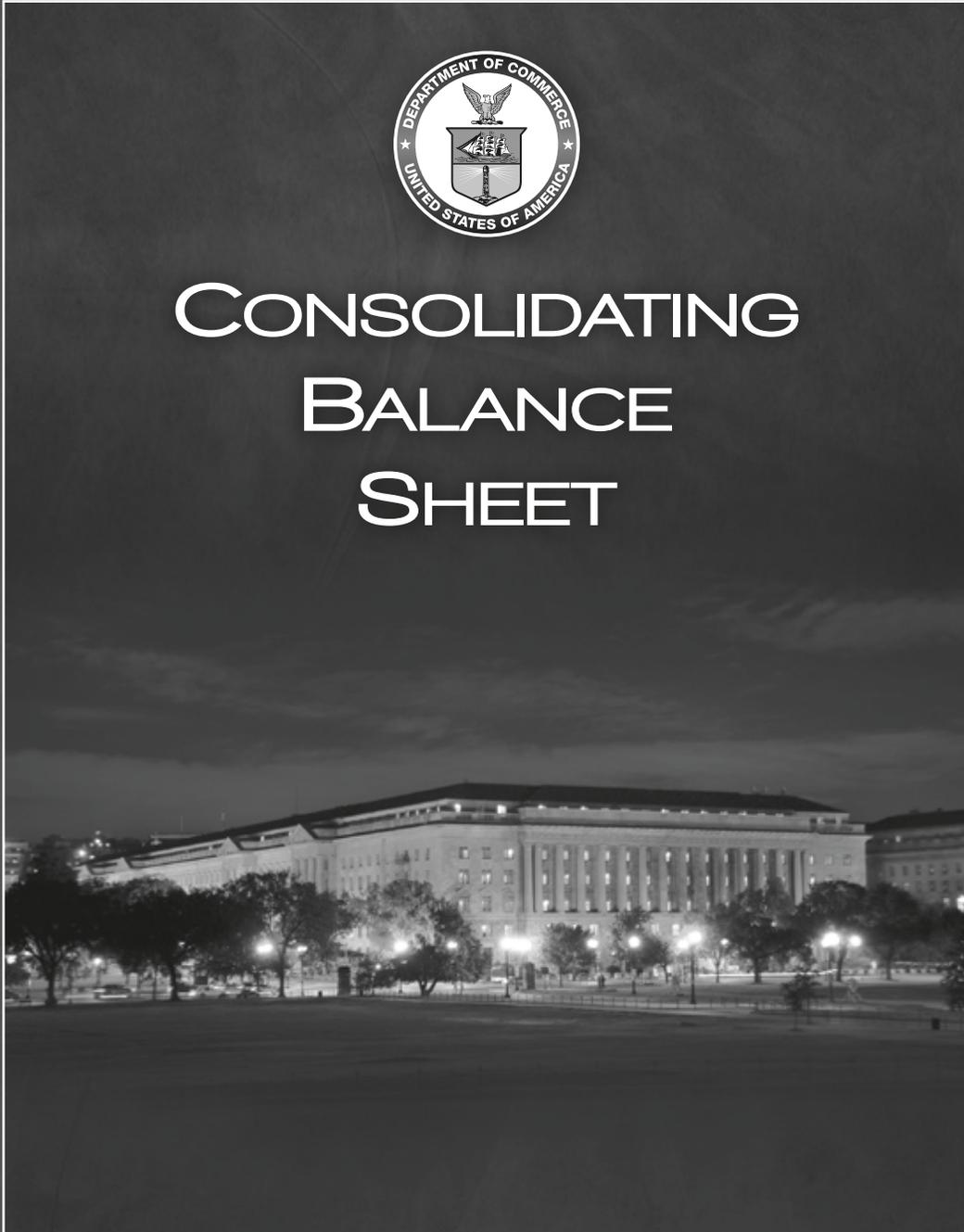
<i>Collection-type Heritage Assets</i>					
Category	Description of Assets	Quantity of Items Held September 30, 2010	FY 2011 Additions	FY 2011 Withdrawals	Quantity of Items Held September 30, 2011
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A	N/A	1
Rare Book Room Collection	Books and publications	1	N/A	N/A	1
Collection of photographs and motion pictures	Photographs and motion pictures	1	N/A	N/A	1
Other	Artifacts, documents, and other items	57	1	2	56
National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	-	-	106,254
National Climatic Data Center Library	Artifacts, books, documents, and other items	870	-	545	325
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,788	10	376	3,422
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	343	647	-	990
NIST Historical Books and Manuscripts	Books of historical scientific interest, books by prominent contemporary scientists, and books by NBS/NIST authors and manuscripts of NBS/NIST staff, facilities, and artifacts	61	-	-	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	132	-	-	132
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	22	8	-	30
<b>Total</b>		<b>111,530</b>	<b>666</b>	<b>923</b>	<b>111,273</b>
N/A - Not applicable; this category is reported as one collection.					

Additional information on the condition of the above Heritage Assets is presented in the Required Supplementary Information section.

F I N A N C I A L   S E C T I O N



# CONSOLIDATING BALANCE SHEET





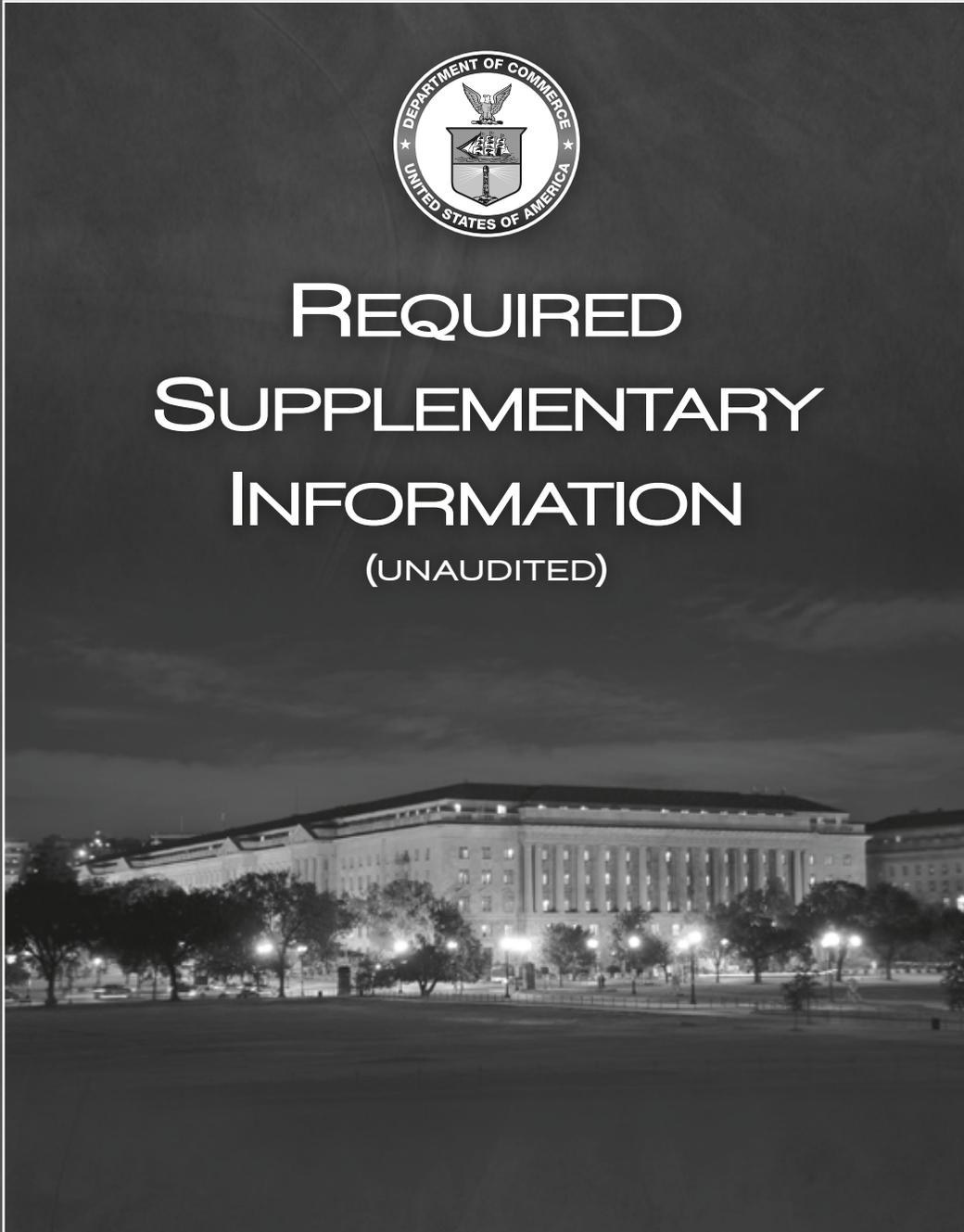




F I N A N C I A L   S E C T I O N



REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(UNAUDITED)





# REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

## A Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. Critical maintenance is defined as those projects where the required maintenance will have a critical impact on the public access, functionality and mission support, health and safety, and life cycle cost of a facility if the maintenance is not performed. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 95 percent of the Department's General PP&E, Net balance as of September 30, 2011.

### National Oceanic and Atmospheric Administration (NOAA):

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's \$200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property, heritage assets, ships, and other applicable assets to determine its current condition and to estimate costs to correct any deficiencies. Estimated costs reflect potential costs variance of +/- 10 percent.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand (Buildings and Structures; Heritage Assets) and \$25 thousand (Ships; Other), as of September 30, 2011:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	3	\$ 5,139 to \$ 6,281
Heritage Assets	4, 3	11,756 to 14,369
Ships	2	42,433 to 51,863
Other	3	360 to 440
<b>Total</b>		<b>\$ 59,688 to \$ 72,953</b>

The CAS method for all PP&E categories is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. NOAA has established a “facility condition code” to classify the conditions of Buildings and Structures. Each building or structure is assessed an individual “facility condition code.” The average of the individual “facility condition codes” determines the CAS Asset Condition. The deferred maintenance amounts reported represent non-critical maintenance to bring the Buildings and Structures to good condition. Buildings and Structures deferred maintenance is comprised of projects submitted to the Capital Improvements Program. There is an annual call each year to the NOAA elements requesting their submission of new projects and updates to existing unfunded projects to reflect changes in requirements or costs. For Heritage Assets, the

deferred maintenance amounts reported represent non-critical maintenance to bring each class of Heritage Assets to an acceptable condition through cleaning, restoration, and preservation. NOAA has established a “range of current asset condition code” to classify the conditions of Ships. The average of the individual “range of current asset condition codes” determines the CAS Asset Condition.

**National Institute of Standards and Technology (NIST):**

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST’s deferred maintenance as of September 30, 2011:

*(In Thousands)*

<i>PP&amp;E Category</i>	<i>Asset Condition</i>	<i>Estimated Cost to Return to Acceptable Condition</i>
Mechanical and Electrical Devices	5	\$ 323,300 to \$ 436,300
Buildings (Internal Structures)	4	22,800 to 30,900
Buildings (External Structures)	4	38,100 to 50,100
<b>Total</b>		<b>\$ 384,200 to \$ 517,300</b>

**B Stewardship Marine Sanctuaries, Marine National Monuments, and Conservation Area**

NOAA maintains the following sanctuaries, marine national monuments, and conservation area, which are similar in nature to stewardship land and which are more fully described in Note 23, *Stewardship Property, Plant, and Equipment*, of the Notes to the Financial Statements.

**National Marine Sanctuaries:** Marine sanctuaries provide protection for nationally significant natural areas, including species close to extinction, and protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 sanctuaries, which may include habitats as diverse as near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes. Resource status in the marine sanctuaries varies from good to poor, depending on resource type. Where conditions are compromised, they appear to reflect historical levels of use and development, and in some cases recent disturbances (e.g. diseases that have caused mass mortality of critically important species). The effects of recent disturbance may have been exacerbated by impaired environmental conditions in some areas. Human activities related to each of these threats are the focus of current management efforts, and favorable trends in resource quality appear to be the result of active management.

**Papahānaumokuākea Marine National Monument:** The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The Papahānaumokuākea Marine National Monument, located off the coast of the NWHI, encompasses nearly 140,000 square miles of U.S. waters, including approximately 5,200 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The condition of the Papahānaumokuākea Marine National Monument is good, but resources in the Monument are affected by an abundance of marine debris, and face emerging threats related to climate change (e.g. increasing temperature, acidification, and sea level).

**Rose Atoll Marine National Monument:** The atoll includes the Rose Atoll National Wildlife Refuge. It also includes about 20 acres of land and 1,600 acres of lagoon and is one of the most pristine atolls in the world. The areas around the atoll support a dynamic reef ecosystem that is home to many land and marine species, many of which are threatened or endangered. The condition of the Rose Atoll Marine National Monument is good, though it has apparently not recovered completely from the effects of a 1993 shipwreck and spill that altered community structure on a large portion of the reef.

**Marianas Trench Marine National Monument:** The Marianas Trench Marine National Monument consists of approximately 95,000 square miles of submerged lands and waters of the Mariana Archipelago. It includes three units: the Islands Unit, the waters and submerged lands of the three northernmost Mariana Islands; the Volcanic Unit, the submerged lands within 1 nautical mile of 21 designated volcanic sites; and the Trench Unit, the submerged lands extending from the northern limit of the Exclusive Economic Zone of the United States in the Commonwealth of the Northern Mariana Islands (CNMI) to the southern limit of the Exclusive Economic Zone of the United States in the Territory of Guam. The condition of the Marianas Trench Marine National Monument is good.

**Pacific Remote Islands Marine National Monument:** The Pacific Remote Islands area consists of Wake, Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, and Palmyra Atoll, which lie to the south and west of Hawaii. With the exception of Wake Island, these islands are administered as National Wildlife Refuges by the U.S. Fish and Wildlife Service of the Department of the Interior. They sustain many endemic species including corals, fish, shellfish, marine mammals, seabirds, water birds, land birds, insects, and vegetation not found elsewhere. The condition of the Pacific Remote Islands Marine National Monument is good.

**Aleutian Islands Habitat Conservation Area:** This conservation area in Alaska, which covers nearly 370,000 square miles, may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. The condition of the Aleutian Islands Habitat Conservation Area is generally good, although some specific resources are threatened. For example, the conservation area contains six small areas of fragile coral gardens.

## **🕒 Collection-type Heritage Assets**

NOAA's collection-type heritage assets are comprised primarily of books, journals, publications, photographs and motion pictures, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata.

NOAA's collection-type heritage assets include items in the Thunder Bay Sanctuary Research Collection, composed primarily of a) data cards listing most of the ships on the Great Lakes before 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships.

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include a) books, manuals, and slides; b) thermometers, gauges, and radiosondes; and c) laboratory equipment.

NOAA uses the Condition Assessment Survey (CAS) method to describe the condition of its assets. The CAS method is based on a five-point scale with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. Assets with the condition assessment level between 1 through 3 are defined as being suitable for public display. The books, journals, and other publications that make up the majority of the NOAA Central Library collection-type heritage assets are in 4 – poor condition, and 5 – very poor condition. The heritage assets of the Thunder Bay Sanctuary Research Collection are in 2 – good condition, and the heritage assets of the National Climatic Data Center Library are generally in 3 – fair condition.

NIST currently maintains the Museum and History Program, which collects, conserves, and exhibits artifacts such as scientific instruments, equipment, objects and records of significance to NIST and the National Bureau of Standards (NBS). This program provides institutional memory and demonstrates the contributions of NIST to the development of standards, measurement, technology, and science. Conditions of these artifacts are listed in the Registrar’s database and are generally fair.

NIST Information Services Office (ISO) maintains the historical archives, a historical book collection, and oversees the oral history program. The book collection contains titles that are of historical scientific interest, rare titles, and books by NIST authors or about NIST work. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Conditions of the books are generally fair. The archives maintain photos of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments. These images are in good condition.

Heritage assets at the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. These assets help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items, because of their age or obvious historical significance, are inherently historical artifacts. These historical artifacts include but are not limited to: Hollerith Key Punch, Hollerith Tabulator, Gang Punch, Pantograph, Census Bureau Enumerators Badge, Unisys Tape and Reel, Film Optical Sensing Device, Artwork and Gifts, and any items which represent the uniqueness of the mission of the Census Bureau. The heritage assets at the Census Bureau are classified as generally being in good condition.

**D Schedule of Budgetary Resources by Major Budget Account**

The following table illustrates the Department’s FY 2011 budgetary resources by major budget account. The “Other Programs” column refers to the Department’s reporting entities and their budget accounts that are not listed.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account  
For the Year Ended September 30, 2011 (In Thousands)

	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Census Bureau Periodic Censuses and Programs - Recovery Act	NTIA Broadband Technology Opportunities Program - Recovery Act	NTIA Digital-to-Analog Converter Box Program - Recovery Act	NOAA Procurement, Acquisition, and Construction - Recovery Act	Other Programs
<b>BUDGETARY RESOURCES:</b>												
Unobligated Balance, Brought Forward, October 1	\$ 12,156,525	\$ 222,674	\$ 50,207	\$ 8,841,884	\$ 20,368	\$ 1,862,579	\$ 61,515	\$ 3	\$ 3,018	\$ 6,102	\$ 982	\$ 874,870
Adjustments to Unobligated Balance, Brought Forward					(1)							
Recoveries of Prior-years Unpaid Obligations	422,082	15,166	33,026	1,412	8,666	90,400	31,337	706	43,315	-	12,553	148,428
<b>Budget Authority</b>												
Appropriations	7,693,976	-	-	-	-	893,000	246,000	-	-	-	-	1,563,921
Borrowing Authority	77,597	-	-	-	-	-	-	-	-	-	-	77,597
Spending Authority From Offsetting Collections Earned												
Collected	4,048,875	2,236,213	148	1,239	22,390	10,514	9,648	288	320	133	17	1,464,429
Change in Receivables	88,936	575	-	-	427	-	-	-	-	-	-	1,860
Change in Unfilled Customer Orders												
Advances Received	49,386	72,828	-	-	203	-	(8,432)	-	-	-	-	3,810
Without Advances	33,584	-	-	-	1,332	-	-	-	-	-	-	(16,253)
Previously Unavailable	2,591	-	-	-	-	-	-	-	-	-	-	2,591
<b>Total Budget Authority</b>	<b>11,994,945</b>	<b>2,309,616</b>	<b>1,335,501</b>	<b>1,239</b>	<b>465,902</b>	<b>903,514</b>	<b>247,216</b>	<b>288</b>	<b>320</b>	<b>133</b>	<b>17</b>	<b>3,097,955</b>
Nonexpenditure Transfers, Net	129,434	-	67,368	-	6,753	(44,561)	(1,531)	-	-	-	-	35,140
Temporarily Not Available Pursuant to Public Law	(208,856)	(208,856)	-	-	-	-	-	-	-	-	-	-
Permanently Not Available	(2,095,096)	(30,012)	(23,961)	-	(1,333)	(1,744,651)	(483)	(872)	(43,102)	-	-	(250,672)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 22,399,034</b>	<b>\$ 3,918,912</b>	<b>\$ 1,462,142</b>	<b>\$ 8,844,536</b>	<b>\$ 500,355</b>	<b>\$ 1,067,281</b>	<b>\$ 338,044</b>	<b>\$ 125</b>	<b>\$ 3,551</b>	<b>\$ 6,235</b>	<b>\$ 13,532</b>	<b>\$ 3,905,721</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>												
Obligations Incurred	\$ 8,511,563	\$ 3,279,575	\$ 1,437,785	\$ 57,955	\$ 455,488	\$ 966,546	\$ 306,788	\$ 14	\$ 44	\$ -	\$ 361	\$ 2,007,007
Direct	3,892,270	451,040	2,160,895	-	23,036	-	654	-	-	-	-	1,256,645
Reimbursable	4,619,293	-	-	-	-	-	-	-	-	-	-	-
<b>Total Obligations Incurred</b>	<b>12,403,833</b>	<b>3,730,615</b>	<b>2,160,895</b>	<b>57,955</b>	<b>478,524</b>	<b>966,546</b>	<b>307,442</b>	<b>14</b>	<b>44</b>	<b>-</b>	<b>361</b>	<b>3,263,652</b>
Unobligated Balance	581,374	177,705	9,259	40,572	12,274	36,843	30,602	-	-	-	-	145,437
Apportioned	392,735	-	-	-	-	-	-	-	-	-	-	392,735
Exempt From Apportionment	188,639	-	-	-	-	-	-	-	-	-	-	-
<b>Total Unobligated Balance</b>	<b>974,109</b>	<b>177,705</b>	<b>9,259</b>	<b>40,572</b>	<b>12,274</b>	<b>36,843</b>	<b>30,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,437</b>
Unobligated Balance Not Available	9,021,092	59,615	15,098	8,746,009	9,557	63,892	30,602	111	3,507	6,235	13,171	103,897
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 22,399,034</b>	<b>\$ 3,918,912</b>	<b>\$ 1,462,142</b>	<b>\$ 8,844,536</b>	<b>\$ 500,355</b>	<b>\$ 1,067,281</b>	<b>\$ 338,044</b>	<b>\$ 125</b>	<b>\$ 3,551</b>	<b>\$ 6,235</b>	<b>\$ 13,532</b>	<b>\$ 3,905,721</b>
<b>CHANGE IN UNPAID OBLIGATED BALANCE, NET:</b>												
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 13,401,094	\$ 2,276,738	\$ 1,263,580	\$ 554,268	\$ 89,854	\$ 645,644	\$ 1,284,564	\$ 35,114	\$ 4,169,134	\$ 217	\$ 331,665	\$ 2,453,271
Unpaid Obligations, Brought Forward	(624,118)	(369,441)	277	-	(14,672)	-	-	-	-	-	-	(140,282)
Less: Uncollected Customer Payments, Brought Forward												
<b>Total Unpaid Obligated Balance, Net, Brought Forward</b>	<b>12,876,976</b>	<b>1,907,297</b>	<b>297,322</b>	<b>554,268</b>	<b>75,182</b>	<b>645,644</b>	<b>1,284,564</b>	<b>35,114</b>	<b>4,169,134</b>	<b>217</b>	<b>331,665</b>	<b>2,313,989</b>
Obligations Incurred	12,403,833	3,730,615	2,160,895	57,955	478,524	966,546	307,442	14	44	-	361	3,263,652
Less: Gross Outlays	(14,085,158)	(3,745,834)	(1,496,896)	(335,179)	(473,061)	(1,198,507)	(353,798)	(29,263)	(739,945)	(11)	(145,205)	(3,450,010)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(422,082)	(37,093)	(15,166)	(1,412)	(8,666)	(90,400)	(31,337)	(706)	(43,315)	-	(12,553)	(148,428)
Change in Uncollected Customer Payments	(122,520)	(134,579)	(575)	-	(1,759)	-	-	-	-	-	-	14,393
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 10,651,049</b>	<b>\$ 1,720,406</b>	<b>\$ 325,027</b>	<b>\$ 275,632</b>	<b>\$ 70,220</b>	<b>\$ 323,283</b>	<b>\$ 1,206,871</b>	<b>\$ 5,159</b>	<b>\$ 3,385,918</b>	<b>\$ 206</b>	<b>\$ 174,288</b>	<b>\$ 1,992,596</b>
Unpaid Obligated Balance, Net, End of Period	\$ 11,297,687	\$ 2,244,426	\$ 1,171,443	\$ 275,632	\$ 86,651	\$ 323,283	\$ 1,206,871	\$ 5,159	\$ 3,385,918	\$ 206	\$ 174,288	\$ 2,118,485
Unpaid Obligations	(646,638)	(504,020)	(298)	-	(16,431)	-	-	-	-	-	-	(125,889)
Less: Uncollected Customer Payments												
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 10,651,049</b>	<b>\$ 1,720,406</b>	<b>\$ 325,027</b>	<b>\$ 275,632</b>	<b>\$ 70,220</b>	<b>\$ 323,283</b>	<b>\$ 1,206,871</b>	<b>\$ 5,159</b>	<b>\$ 3,385,918</b>	<b>\$ 206</b>	<b>\$ 174,288</b>	<b>\$ 1,992,596</b>
<b>NET OUTLAYS:</b>												
Gross Outlays	\$ 14,085,158	\$ 3,745,834	\$ 1,496,896	\$ 335,179	\$ 473,061	\$ 1,198,507	\$ 353,798	\$ 29,263	\$ 739,945	\$ 11	\$ 145,205	\$ 3,450,010
Less: Offsetting Collections	(4,098,261)	(284,513)	(148)	(1,239)	(22,593)	(10,514)	(1,216)	(288)	(320)	(133)	(17)	(1,468,239)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(33,570)	-	-	-	-	-	-	-	-	-	-	(33,570)
<b>NET OUTLAYS</b>	<b>\$ 9,953,327</b>	<b>\$ 3,461,321</b>	<b>\$ (191,592)</b>	<b>\$ 333,940</b>	<b>\$ 450,468</b>	<b>\$ 1,187,993</b>	<b>\$ 352,582</b>	<b>\$ 28,975</b>	<b>\$ 739,625</b>	<b>\$ (122)</b>	<b>\$ 145,188</b>	<b>\$ 1,948,201</b>



F I N A N C I A L   S E C T I O N



REQUIRED  
SUPPLEMENTARY  
STEWARDSHIP  
INFORMATION  
(UNAUDITED)





# REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

## Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the nation.

### *Investments in Non-federal Physical Property:*

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, NOAA and EDA have significant investments in non-federal physical property.

## NOAA:

**National Estuarine Research Reserves (NERR):** The NERR system consists of 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2011, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

**Coastal and Estuarine Land Conservation Program:** This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 208 such projects.

**Coastal Zone Management Fund:** The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments, for the purpose of preservation or restoration of coastal resources and habitats. NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding for these investments through NOAA grant expenditures, and these grant expenditures also include funding for

purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

NOAA's investments in non-federal physical property for FY 2007 through FY 2011 were as follows:

*(In Millions)*

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
National Estuarine Research Reserves	\$ 11.6	\$ 11.8	\$ 11.7	\$ 14.7	\$ 5.5	\$ 55.3
Coastal and Estuarine Land Conservation Program	34.7	28.1	21.6	32.4	6.9	123.7
<b>Total</b>	<b>\$ 46.3</b>	<b>\$ 39.9</b>	<b>\$ 33.3</b>	<b>\$ 47.1</b>	<b>\$ 12.4</b>	<b>\$ 179.0</b>

**EDA:**

**Public Works:** The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water, sewer, fiber optics, access roads, and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

**Economic and Defense Adjustments:** The Economic and Defense Adjustments program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and destructive impacts of foreign trade.

**Global Climate Change Mitigation Incentive Fund (GCCMIF):** The GCCMIF program was established to strengthen the linkage between economic development and environmental quality. The purpose and mission of the GCCMIF program is to finance projects that foster economic development by advancing the green economy in distressed communities. The GCCMIF program is the development and use of products and services that contribute to economic growth and alleviate economic distress by respecting and revitalizing the environment. The GCCMIF program supports projects that create jobs through, and increase private capital investment in, efforts to limit the nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

**Disaster Recovery:** The Disaster Recovery program awards grants for the repair of infrastructure and economic development-related facilities damaged by floods and other natural disasters. Funding for the Disaster Recovery program is generally through supplemental funding from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

EDA's investments in non-federal physical property for FY 2007 through FY 2011 were as follows:

(In Millions)

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Public Works	\$ 155.5	\$ 133.5	\$ 139.9	\$ 175.8	\$ 224.4	\$ 829.1
Economic and Defense Adjustments	53.5	60.0	68.6	61.4	47.6	291.1
Global Climate Change Mitigation Incentive Fund	-	-	0.2	5.5	6.8	12.5
Disaster Recovery	4.4	1.8	6.3	32.4	85.1	130.0
<b>Total</b>	<b>\$ 213.4</b>	<b>\$ 195.3</b>	<b>\$ 215.0</b>	<b>\$ 275.1</b>	<b>\$ 363.9</b>	<b>\$ 1,262.7</b>

The above investments require matching funds by state and local governments of 20 to 50 percent.

**Investments in Human Capital:**

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in human capital are by NOAA.

**NOAA:**

**National Sea Grant College Program:** Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. The program awarded 12 fellowships in FY 2011. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding. 10 fellowships were awarded in FY 2011.

**National Estuarine Research Reserve Program:** This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. The program awarded 50 fellowships in FY 2010. In FY 2011, 47 fellowships were awarded.

**Educational Partnership Program:** The NOAA Educational Partnership Program (EPP) with Minority Serving Institutions (MSI) provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences. The program's goal is to increase the number of trained and

graduated students from underrepresented communities in science and technology directly related to NOAA's mission. The EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions. Financial assistance is provided through four competitive program components: the Cooperative Science Centers, the Environmental Entrepreneurship Program, the Graduate Sciences Program, and the Undergraduate Scholars Program.

NOAA provides funding to eligible MSIs on a competitive basis to educate, train, and graduate students in NOAA sciences, particularly atmospheric, oceanic, environmental, living marine resources, remote sensing, and scientific environmental technology. NOAA EPP Cooperative Science Centers' goals are to:

- Train and graduate students, particularly from underrepresented communities, in NOAA mission sciences;
- Develop expertise in a NOAA scientific area;
  - Strengthen and build capacity in a NOAA scientific and management area
  - Build research experience in a NOAA scientific and management area
- Increase graduation rates of students from underrepresented communities in NOAA mission sciences;
- Impact NOAA workforce statistics by increasing representation from underrepresented communities in NOAA mission sciences; and
- Leverage NOAA funds to build the education and research capacity at MSIs.

The EPP/MSI Environmental Entrepreneurship Program (EEP) provides funding to eligible minority serving institutions on a competitive basis to engage students to pursue advanced academic study and entrepreneurship opportunities in the NOAA-related sciences. NOAA's EEP supports student training and experiential learning opportunities for the purpose of stimulating job creation and business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

The Graduate Sciences Program (GSP) is aimed primarily at increasing opportunities for students in NOAA-related fields to pursue research and educational training in atmospheric, environmental, remote sensing, and oceanic sciences at MSIs when possible. GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. 6 students were selected to participate in GSP in FY 2010. NOAA did not select any of the eligible applicants as student trainees in FY 2011.

The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. The program added 10 students in FY 2010. The program added 11 students in FY 2011.

**Ernest F. Hollings Undergraduate Scholarship Program:** This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and

atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. The program added 139 students in FY 2010. The program added 104 students in FY 2011.

The NOAA Office of Education selected 104 Hollings scholars and 11 EPP Undergraduates scholars for the Class of 2011. They live and attend universities in 40 states across the U.S. They are majoring in the following Science, Technology, Engineering, and Mathematics fields: Mathematics; Meteorology; Engineering; Biology; Chemistry; Climatology; Computer Science; Earth Sciences; Economics; Science Teachers; Physical Sciences; and Science Policy.

**Southeast Fisheries Science Center's Recruiting Training Research Program:** This is a joint program between NMFS and Virginia Tech to: (1) recruit top undergraduates into the field of fisheries population dynamics and careers with NMFS; (2) train graduate students; and (3) conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In FY 2010, 15 undergraduate students from across the country participated in a week-long undergraduate workshop, 8 students participated in a six-week summer program, and 3 M.S. students were supported by the program at Virginia Tech. In FY 2011, 20 undergraduate students from across the country participated in a week-long undergraduate workshop, 4 students participated in a six-week summer program, and 3 M.S. students were supported by the program at Virginia Tech.

**Northeast Fisheries Science Center (NEFSC) Partnership Education Program (PEP):** The NEFSC of NOAA's National Marine Fisheries Service leads a consortium of six science institutions in Woods Hole, MA., offering a ten-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. Participants receive financial support for tuition, travel, and room and board, as well as a stipend. In FY 2011, 15 students participated in the ten-week summer program.

**Northeast Fisheries Science Center Bradford E. Brown Student Internship Program:** The NEFSC has named its student intern program after Dr. Bradford Brown, a retired NOAA Fisheries Service scientist who was a leader in recruiting young people into fishery science. The program is open to active undergraduate and graduate students. Research topics include population biology and dynamics, resource assessment and environmental surveys, taxonomy, physical and biological oceanography, social sciences, data management, larval fish/plankton ecology, large marine ecosystems, aquaculture, biotechnology, remote sensing, protected species, and apex predators. Summer positions are offered throughout NEFSC laboratories, which are located in Woods Hole, MA; Narragansett, RI; Milford, CT; Highlands, NJ; Washington, DC; and Orono, ME. In FY 2011, 14 students participated in the student intern program.

**Woods Hole Science Aquarium (WWSA) High School Intern Program:** WWSA offers three summer programs for students who have completed grades 10, 11, or 12. The programs are run by WWSA staff, and are projects of the NEFSC of NOAA's National Marine Fisheries Service and the Marine Biological Laboratory. Interns selected for the five-week program work in the aquarium, help lead public collecting walks, and participate in the Careers in Marine Science seminars. The one and two-week Careers in Marine Science seminars consist of short presentations by marine scientists, activities, and field

trips that introduce students to marine-related careers. All students learn basic animal husbandry and aquarist skills, visit the local Woods Hole research institutions, meet with working scientists in a variety of fields, and visit area aquariums, zoos, and waterfronts. 17 students participated in the three summer programs in FY 2011.

**Pacific Islands Fisheries Science Center (PIFSC) Student Intern Program (PSIP):** PSIP offers qualified college students professional work experience and formal training opportunities tailored to meet their educational and professional goals and interests. PSIP is a paid, summer-long (8-12 weeks) program that combines on-the-job training, formal training, one-to-one mentoring, and developmental assignments at PIFSC. Internship opportunities are established in specific PIFSC projects. Program components include:

- Performance Plans to establish goals and timelines for the intern’s work assignments (established in meetings between intern and mentor)
- Periodic meetings between intern and mentor to check on progress (includes a mid-point review and final review)
- Inclusion of intern in PIFSC staff activities (division meetings, all-hands meetings, training, and other activities)
- Program wrap up: Interns and mentors hold a final meeting to review final products and discuss the internship experience
- Evaluations: Interns and mentors complete a program evaluation to provide feedback that will help PIFSC improve the structure of the internship program

In addition to the individual and group mentoring by PIFSC staff, PSIP interns are encouraged to synergize with each other and with other undergraduate and graduate interns at PIFSC. In FY 2011, PIFSC scientists hosted three undergraduate summer interns; one each in PIFSC’s Socioeconomics Program, Coral Reef Ecosystems Division, and Ecosystems and Oceanography Division.

The following table summarizes NOAA’s investments in human capital for FY 2007 through FY 2011:

*(In Millions)*

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
National Sea Grant College Program	\$ 0.5	\$ 0.5	\$ 0.7	\$ 0.9	\$ 0.8	\$ 3.4
National Estuarine Research Reserve Program	0.8	0.8	1.0	1.3	1.5	5.4
Educational Partnership Program	14.2	12.8	15.0	14.3	14.3	70.6
Ernest F. Hollings Undergraduate Scholarship Program	4.1	3.6	3.6	4.6	4.5	20.4
Southeast Fisheries Science Center’s Recruiting Training Research Program	N/A	N/A	0.4	0.5	0.5	1.4
Northeast Fisheries Science Center Partnership Education Program	N/A	N/A	-	-	0.2	0.2
Northeast Fisheries Science Center Bradford E. Brown Student Internship Program	N/A	N/A	N/A	N/A	0.2	0.2
<b>Total</b>	<b>\$ 19.6</b>	<b>\$ 17.7</b>	<b>\$ 20.7</b>	<b>\$ 21.6</b>	<b>\$ 22.0</b>	<b>\$ 101.6</b>
<i>N/A = Not Applicable</i>						

The following table further summarizes NOAA's human capital investments for FY 2007 to FY 2011 by performance goal:

*(In Millions)*

Performance Outcome	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	\$ 19.6	\$ 17.7	\$ 20.7	\$ 21.6	N/A
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	N/A	N/A	N/A	N/A	\$ 22.0
<i>N/A = Not Applicable</i>					

**Investments in Research and Development (R&D):**

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic or societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by NIST and NOAA.

**NIST:**

**NIST Laboratories Program:**

NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. NIST Laboratories foster scientific and technological leadership by helping the U.S. to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. In support of the President's Plan for Science and Innovation, NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry, government, and academia to compete in the 21st century. NIST laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

NIST Laboratories work at the frontiers of measurement science to ensure that the U.S. system of measurements is firmly grounded on a sound scientific and technical foundation. NIST promotes the use of measurements based on the international system of units. The measurement science research at NIST is useful to all science and engineering disciplines. NIST Laboratories directly support U.S. innovation and industrial competitiveness by developing new measurement instruments and facilities to address critical barriers to innovation; disseminating validated measurement methods and protocols; providing reference data, reference materials, and calibration services to ensure that industry-performed measurements are traceable to NIST standards; and developing testing protocols and supporting laboratory

accreditation programs. NIST works actively with other metrology institutes from around the world to ensure that the global marketplace is supported with sound measurements and standards.

NIST Laboratories also support the development of written standards and specifications that define technical and performance requirements for goods and services. These standards, also known as documentary standards, are often developed collaboratively with the private sector through an open, consensus-based process. NIST scientists and engineers lend their expertise to these efforts in order to promote standards that are based on sound science and to ensure that the standards are supported by effective measurements and testing for conformity to the standards.

Primary areas being researched with the program's base resources include:

- Maintaining and disseminating national measurement standards;
- Developing new measurement technologies and ways to tie needed measurements to fundamental national standards;
- Developing, maintaining, and improving existing measurement science, services, references, and standards; and
- Pursuing basic and applied research in measurement areas within NIST's mission.

The work performed by NIST Laboratories affects many aspects of daily life in the U.S. Examples include:

- Providing the measurement science and standards needed for technologies that address rising energy costs, scarcity of fossil fuels, and environmental impacts of energy consumption;
- Ensuring that the national infrastructure of measurement methods, standards, data, and data technologies is sufficient to help U.S. industry develop, evaluate, and implement sustainable business practices in areas such as chemicals, materials, processes, manufacturing methods, and products;
- Enabling U.S. industries to innovate and compete in global trade by providing the ability to measure and precisely control production processes using measurements traceable to internationally recognized standards;
- Establishing measurements and standards that are necessary for fundamental business services and communications; and
- Providing the measurement assurance behind sensitive detection systems for homeland security, such as for detecting chemical, biological, explosive, and radiological weapons.

The American Recovery and Reinvestment Act of 2009 included \$250 million (including transfers from the U.S. Department of Health and Human Services, and the U.S. Department of Energy) in funding for NIST laboratory research, measurements, and other services supporting economic growth and U.S. innovation through funding of such items as competitive grants, research fellowships, advanced measurement equipment and supplies, standards-related research that supports the security and interoperability of electronic medical records to reduce health care costs and improve the quality of care, and development of a comprehensive framework for a nationwide, fully interoperable smart grid for the U.S. electric power system. This funding will result in additional R&D investments for the NIST Laboratories Program.

**Advanced Technology Program (ATP)/Technology Innovation Program (TIP):**

ATP was a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. ATP was abolished by the America COMPETES Act, which was signed into law by President Bush on August 9, 2007. This same Act established TIP, which supports, promotes, and accelerates innovation in the United States by offering cost-shared funding for high-risk, high-reward research in areas of critical national need.

Critical national need areas in TIP are those for which government attention is demanded because the magnitude of the problem is large and the societal challenges that need to be overcome are not being addressed. TIP was explicitly established within NIST to assist U.S. small- and medium-size businesses, institutes of higher education, national laboratories, and non-profit research organizations to conduct high-risk, high-reward research that has the potential for yielding transformational results with wide-reaching implications, and that is within NIST's areas of technical competence. The America COMPETES Act statute allows for continued support for previously awarded ATP projects and new TIP awards.

The following table summarizes NIST's R&D investments for FY 2007 through FY 2011 by R&D Category:

*(In Millions)*

R&D Category	NIST Laboratories					Advanced Technology Program/ Technology Innovation Program					Total				
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Basic Research	\$ 110.7	\$ 132.8	\$ 144.9	\$ 162.0	\$ 185.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110.7	\$ 132.8	\$ 144.9	\$ 162.0	\$ 185.3
Applied Research	345.3	381.0	378.5	395.9	377.8	31.0	23.2	25.0	26.2	22.1	376.3	404.2	403.5	422.1	399.9
Development	15.3	14.4	15.4	15.3	19.4	30.9	23.2	25.1	26.2	22.1	46.2	37.6	40.5	41.5	41.5
<b>Total</b>	<b>\$ 471.3</b>	<b>\$ 528.2</b>	<b>\$ 538.8</b>	<b>\$ 573.2</b>	<b>\$ 582.5</b>	<b>\$ 61.9</b>	<b>\$ 46.4</b>	<b>\$ 50.1</b>	<b>\$ 52.4</b>	<b>\$ 44.2</b>	<b>\$ 533.2</b>	<b>\$ 574.6</b>	<b>\$ 588.9</b>	<b>\$ 625.6</b>	<b>\$ 626.7</b>

The following tables further summarize NIST's R&D investments for FY 2007 through FY 2011 by performance outcome.

*In Millions)*

FY 2011				
Performance Outcome	Basic Research	Applied Research	Development	Total
NIST Laboratories: Provide Measurement Tools and Standards to Strengthen Manufacturing, Enable Innovation, and Increase Efficiency	\$ 185.3	\$ 377.8	\$ 19.4	\$ 582.5
Technology Innovation Program: Stimulate High-growth Business Formation and Entrepreneurship through Investing in High-risk, High-reward Technologies and by Removing Impediments to Accelerate Technology Commercialization	-	22.1	22.1	44.2
<b>Total</b>	<b>\$ 185.3</b>	<b>\$ 399.9</b>	<b>\$ 41.5</b>	<b>\$ 626.7</b>

(In Millions)

FY 2010				
Performance Outcome	Basic Research	Applied Research	Development	Total
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 162.0	\$ 395.9	\$ 15.3	\$ 573.2
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote and Accelerate High-risk, High-reward Research in the United States	-	26.2	26.2	52.4
<b>Total</b>	<b>\$ 162.0</b>	<b>\$ 422.1</b>	<b>\$ 41.5</b>	<b>\$ 625.6</b>

(In Millions)

FY 2009				
Performance Outcome	Basic Research	Applied Research	Development	Total
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 144.9	\$ 378.5	\$ 15.4	\$ 538.8
Technology Innovation Program: Promote U.S. Competitiveness by Directing Federal Investment and R&D into Areas of Critical National Need that Support, Promote, and Accelerate High-risk, High-reward Research in the United States	-	25.0	25.1	50.1
<b>Total</b>	<b>\$ 144.9</b>	<b>\$ 403.5</b>	<b>\$ 40.5</b>	<b>\$ 588.9</b>

(In Millions)

FY 2008				
Performance Outcome	Basic Research	Applied Research	Development	Total
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 132.8	\$ 381.0	\$ 14.4	\$ 528.2
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	23.2	23.2	46.4
<b>Total</b>	<b>\$ 132.8</b>	<b>\$ 404.2</b>	<b>\$ 37.6</b>	<b>\$ 574.6</b>

(In Millions)

FY 2007				
Performance Outcome	Basic Research	Applied Research	Development	Total
NIST Laboratories: Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 110.7	\$ 345.3	\$ 15.3	\$ 471.3
Advanced Technology Program: Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
<b>Total</b>	<b>\$ 110.7</b>	<b>\$ 376.3</b>	<b>\$ 46.2</b>	<b>\$ 533.2</b>

**NOAA:**

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the United States' understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;
- Improving predictions of climate, on timescales ranging from months to centuries; and
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policy-making in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through federal-academic partnerships such as the National Sea Grant College Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Here is a brief description of the major R&D programs of NOAA:

**Environmental and Climate:** The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. NOAA's research laboratories, Climate Program Office, and research partners conduct a wide range of research into complex climate systems, including the exploration and investigation of ocean habitats and resources. NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

**Fisheries:** NOAA’s National Marine Fisheries Service (NMFS) is responsible for the conservation and management of living marine resources and their habitat within the Nation’s Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management to ensure their continuation as functioning components of productive ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed; catch, bycatch, incidental take, economic and social data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species, their habitat, and the benefits they provide to society. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary NOAA activities. The research and management of living marine resources is conducted in partnership with states, tribes, universities, other countries, international organizations, and a broad range of stakeholders who benefit from the use and existence of living marine resources and their habitat.

**Marine Operations and Maintenance and Aircraft Services:** These efforts support NOAA’s programs requiring operating days and flight hours to collect data at sea and in the air. NOAA’s Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA’s environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA’s fishery research and marine mammal assessment programs. NOAA’s ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA’s strategic plan elements and mission.

**Weather Service:** The National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

**Other Programs:** As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. The National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their changes. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

NOAA’s R&D investments by program for FY 2007 through FY 2011 were as follows:

*(In Millions)*

Program	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Environmental and Climate	\$ 289.3	\$ 331.2	\$ 337.0	\$ 344.1	\$ 346.4	\$ 1,648.0
Fisheries	49.3	53.6	55.7	59.9	69.3	287.8
Marine Operations and Maintenance and Aircraft Services	51.1	51.5	38.4	34.3	34.4	209.7
Weather Service	40.8	56.7	58.4	53.9	54.7	264.5
Others	120.2	111.1	103.8	102.0	98.1	535.2
<b>Total</b>	<b>\$ 550.7</b>	<b>\$ 604.1</b>	<b>\$ 593.3</b>	<b>\$ 594.2</b>	<b>\$ 602.9</b>	<b>\$ 2,945.2</b>

The following table summarizes NOAA's R&D investments for FY 2007 through FY 2011 by R&D category:

(In Millions)

R&D Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
Applied Research	\$ 475.7	\$ 517.6	\$ 491.3	\$ 452.4	\$ 439.9	\$ 2,376.9
Development	75.0	86.5	102.0	141.8	163.0	568.3
<b>Total</b>	<b>\$ 550.7</b>	<b>\$ 604.1</b>	<b>\$ 593.3</b>	<b>\$ 594.2</b>	<b>\$ 602.9</b>	<b>\$ 2,945.2</b>

The following tables further summarize NOAA's R&D investments for FY 2007 to FY 2011 by performance outcome:

(In Millions)

FY 2011			
Performance Outcome	Applied Research	Development	Total
Increase Scientific Knowledge and Provide Information to Stakeholders to Support Economic Growth and to Improve Innovation, Technology, and Public Safety	\$ 149.5	\$ 9.3	\$ 158.8
Enable Informed Decision-making through an Expanded Understanding of the U.S. Economy, Society, and Environment by Providing Timely, Relevant, Trusted, and Accurate Data, Standards, and Services	48.3	12.6	60.9
Improve Weather, Water, and Climate Reporting and Forecasting	17.8	36.9	54.7
Support Climate Adaptation and Mitigation	97.6	96.1	193.7
Develop Sustainable and Resilient Fisheries, Habitats, and Species	62.7	6.6	69.3
Support Coastal Communities that are Environmentally and Economically Sustainable	64.0	1.5	65.5
<b>Total</b>	<b>\$ 439.9</b>	<b>\$ 163.0</b>	<b>\$ 602.9</b>

(In Millions)

FY 2010			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	\$ 218.4	\$ 6.8	\$ 225.2
Advance Understanding of Climate Variability and Change	125.1	84.0	209.1
Provide Accurate and Timely Weather and Water Information	108.0	48.4	156.4
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.9	2.6	3.5
<b>Total</b>	<b>\$ 452.4</b>	<b>\$ 141.8</b>	<b>\$ 594.2</b>

(In Millions)

FY 2009			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	\$ 211.5	\$ 8.1	\$ 219.6
Advance Understanding of Climate Variability and Change	140.4	60.5	200.9
Provide Accurate and Timely Weather and Water Information	138.9	32.7	171.6
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	0.5	0.7	1.2
<b>Total</b>	<b>\$ 491.3</b>	<b>\$ 102.0</b>	<b>\$ 593.3</b>

(In Millions)

FY 2008			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	\$ 229.8	\$ 11.4	\$ 241.2
Advance Understanding of Climate Variability and Change	145.9	35.7	181.6
Provide Accurate and Timely Weather and Water Information	140.3	39.2	179.5
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	1.6	0.2	1.8
<b>Total</b>	<b>\$ 517.6</b>	<b>\$ 86.5</b>	<b>\$ 604.1</b>

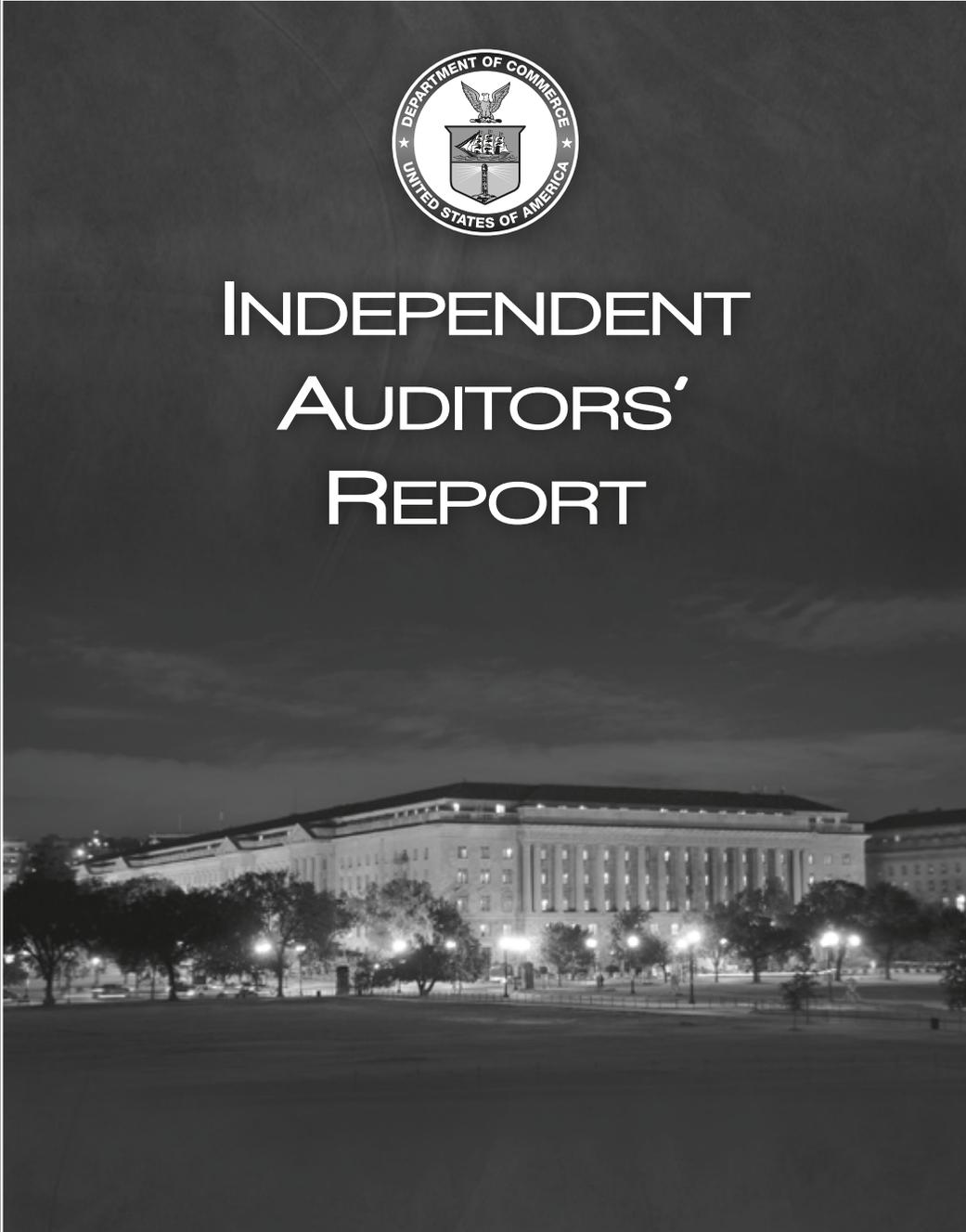
(In Millions)

FY 2007			
Performance Outcome	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources through an Ecosystem-based Management	\$ 225.9	\$ 12.3	\$ 238.2
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	145.9	12.3	158.2
Serve Society's Needs for Weather and Water Information	101.6	50.2	151.8
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	2.3	0.2	2.5
<b>Total</b>	<b>\$ 475.7</b>	<b>\$ 75.0</b>	<b>\$ 550.7</b>

F I N A N C I A L   S E C T I O N



# INDEPENDENT AUDITORS' REPORT







UNITED STATES DEPARTMENT OF COMMERCE  
The Inspector General  
Washington, D.C. 20230

November 14, 2011

**MEMORANDUM FOR:** The Honorable John E. Bryson  
The Secretary of Commerce

**FROM:** Todd J. Zinser

**SUBJECT:** FY 2011 Consolidated Financial Statements  
Final Report No. OIG-12-009-A

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the Department of Commerce's fiscal year 2011 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In its audit of the Department, KPMG found

- that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- one significant deficiency in internal control over financial reporting related to NOAA's accounting for satellite costs;
- no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements; and
- no instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with these standards; it was not intended to enable us to express—nor do we express—any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report, dated November 14, 2011, and the conclusions expressed in the report.



If you wish to discuss the contents of this report, please call me at (202) 482-4661, or Ann C. Eilers, Principal Assistant Inspector General for Audit and Evaluation, at (202) 482-2754.

We appreciate the cooperation and courtesies the Department extended to both KPMG and my staff during the audit.

Attachment

cc: Scott B. Quehl, Chief Financial Officer and Assistant Secretary for Administration



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## INDEPENDENT AUDITORS' REPORT

Inspector General, U.S. Department of Commerce and  
Secretary, U.S. Department of Commerce:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce (Department) as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as consolidated financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2011 audit, we also considered the Department's internal controls over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

### *Summary*

As stated in our opinion on the consolidated financial statements, we concluded that the Department's consolidated financial statements as of and for the years ended September 30, 2011 and 2010, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies, related to weaknesses in accounting for the National Oceanic and Atmospheric Administration (NOAA) satellite construction costs that we consider to be a significant deficiency, as defined in the Internal Control Over Financial Reporting section of this report. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls over financial reporting; our tests of the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2011 and 2010, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.



In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2011 and 2010, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis (including the Financial Management Analysis on pages 181-194), Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2011 consolidating balance sheet on page 265 is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial position of the Department's bureaus individually. The September 30, 2011 consolidating balance sheet has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the September 30, 2011 consolidated balance sheet taken as a whole. The information in the FY 2011 Performance Section, Appendices, and the information on pages VI through XI are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

#### **Internal Control Over Financial Reporting**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency, discussed in Exhibit I, which we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Accounting for NOAA Satellite Construction Costs Needs Improvement.** We identified internal control deficiencies relating to the accounting for satellite construction costs. NOAA needs to make improvements in the effective accounting for satellite construction costs and in monitoring of significant events and transactions related to its satellite programs, to ensure that only capitalizable costs are included in construction work in progress (CWIP) and that the balances of satellites, including related CWIP, are fairly stated.

Exhibit II presents the status of the prior year significant deficiency.



We noted certain additional matters that we reported to management of the Department in two separate documents addressing information technology and other internal control matters, respectively.

### Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

**Other Matters:** In fiscal year 2011, the Department of Commerce informed us of potential Anti-Deficiency Act compliance matters that are currently being reviewed for the following operating units: U.S. Census Bureau relating to potential obligation for interagency agreements, Economic Development Administration relating to potential obligations in excess of the quarterly apportionment from OMB, and the Office of Inspector General relating to timing of an awarded contract and OMB apportionment. Since the reviews are not complete, the outcome of these matters is not presently known.

\* \* \* \* \*

### Responsibilities

**Management's Responsibilities.** Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to the Department.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2011 and 2010 consolidated financial statements of the Department based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



In planning and performing our fiscal year 2011 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2011 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

---

This report is intended solely for the information and use of the Department's management, the Department's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 14, 2011

U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit I – Significant Deficiency

---

### Accounting for NOAA Satellite Construction Costs Needs Improvement

The Department has a substantial investment in general property, plant, and equipment (PP&E). The National Oceanic and Atmospheric Administration (NOAA) accounts for a majority of the Department's property balances, with construction work-in-progress (CWIP) related to satellites of \$4.6 billion and completed satellites with a net book value of \$826 million. Accounting for satellites is highly complex; each satellite series/program is accounted for separately; and the construction spans many years, and involves significant contracts and arrangements with contractors and other Government agencies. During our FY 2011 audit, we identified the following matters relating to the accounting for satellite costs, primarily related to CWIP:

- **Uncapitalized Satellite Costs.** In fiscal year 2011, the National Aeronautics and Space Administration (NASA) billed NOAA approximately \$57.6 million for costs incurred in previous fiscal years related to two satellites (the NOAA 19 satellite and the Geostationary Operational Environmental Satellite (GOES) 15 satellite). NOAA added these costs to the completed satellite balances in FY 2011. However, during our audit, we identified an additional \$49 million of estimated costs incurred for these satellites that should have been recorded when the satellites were declared operational in prior years. As a result, NOAA recorded an additional adjustment to capitalize these costs in fiscal year 2011.
- **Adjustments to CWIP Balances.** In fiscal year 2011, NOAA conducted a review of the CWIP costs in its GOES-R Satellite Series and identified \$46 million in costs pertaining to studies, designs, and other pre-acquisition costs that had been inappropriately capitalized in CWIP in prior periods. While NOAA implemented new controls that identified this correction, these costs should have been expensed when incurred, rather than in FY 2011. Similar review efforts should be undertaken routinely on this and other satellite series.
- **CWIP Reconciliation Not Accurately Prepared.** On NOAA's September 30, 2011 CWIP reconciliation for its GOES-R Satellite Series, the total uncapitalized costs for one project code was inaccurately reported as zero. This balance did not agree to the detailed CWIP balance, amounting to approximately \$10 million. Although the financial statement amounts were not misstated as a result of this error, the failure to accurately complete monthly CWIP reconciliations increases the risk that material misstatements in the CWIP balance may not be timely identified, and could result in misstatements of the completed property balances, when a satellite is declared operational. We reported similar findings in fiscal years 2008, 2009, and 2010.
- **Review and Approval of Certain Payments to NASA.** NASA serves as the acquisition agent for the construction of various NOAA satellites. During our internal control testing, NOAA could not provide us with sufficient documentation to evidence NOAA's Line Office's review and approval of 13 out of the 20 Intra-governmental Payment and Collection (IPAC) payments to NASA. NOAA informed us that it had recently developed a formal procedure for documenting the review and approval of IPAC payments to NASA; however, this process was

U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit I – Significant Deficiency

---

not implemented in fiscal year 2011. Inaccurate IPAC payments to NASA would result in misstatements to NOAA's satellite CWIP balance.

- **Analysis of Costs Related to the JPSS Satellite.** In 2010, the Executive Office of the President directed NOAA and the U.S. Air Force to no longer continue to jointly procure the polar-orbiting satellite system, known as National Polar-orbiting Operational Environmental Satellite System (NPOESS). As a result, NOAA transitioned the development of its polar-orbiting satellites to a NOAA-managed Joint Polar Satellite System (JPSS).

The transition from NPOESS to JPSS resulted in the need for NOAA to perform an assessment to determine whether or not there were any potential cost impairments arising from changes to the program. NOAA asserted that because of complexities in finalizing the transition, it could not yet determine whether impairment had occurred. However, based on transition activity that did occur in FY 2011, including various contract actions, a more detailed and comprehensive assessment of the recorded CWIP costs transferred to the JPSS program was needed to determine whether impairment charges should be recorded for any satellite components that would not be part of the ultimate JPSS design. At our request, a more detailed analysis was conducted, to determine if the JPSS CWIP balance was fairly stated. Although an impairment adjustment was ultimately not required, the lack of a detailed and timely assessment as to whether recorded satellites CWIP balances could be impaired, could result in a material misstatement of Department's PP&E balance.

The additional analysis that was performed did identify contract termination liabilities that were not previously recorded. As a part of restructuring the NPOESS program, certain instruments/components were terminated from the NPOESS contract. These actions will result in contract claim liabilities, which NOAA will share with the U.S. Air Force, which are probable and reasonably estimable. These contract termination liabilities were recorded as an audit adjustment at September 30, 2011.

#### Recommendations

We recommend that NOAA:

- Clarify the CWIP guidance and procedures regarding the accrual of estimated costs for satellites declared operational, and ensure that completed CWIP projects are transferred into PP&E timely.
- Ensure that CWIP activity managers receive appropriate training regarding NOAA's CWIP capitalization policies, to ensure that non-capitalizable costs, such as concept studies, designs, and other pre-acquisition costs, are not included in CWIP.
- Ensure that a thorough review of CWIP reconciliations is performed.
- Implement the planned procedures to ensure that the manager's review and approval of IPAC payments to NASA are documented properly.

U.S. Department of Commerce  
Independent Auditors' Report  
Exhibit I – Significant Deficiency

---

- Improve procedures for conducting a detailed review of recorded satellite CWIP balances, including analysis of components/costs, to determine if any costs incurred should be written off as impairment charges when components are not used in the final satellite configuration.
- Improve the process to identify and determine the financial statement impact of significant events or transactions related to the satellite program.

Management's Response

The Department concurs that improvements and enhancements can be made to accounting for satellite costs. We will develop corrective action plans and ensure timely implementation to address KPMG's recommendations.

U.S. Department of Commerce  
 Independent Auditors' Report  
 Exhibit II – Status of Prior Year Significant Deficiency

Reported Issue	Prior Year Recommendation	Fiscal Year 2011 Status
<i>Financial Management Systems    Need Improvement</i>		
Weaknesses in information technology access and configuration management controls.	The Department should monitor bureau actions to ensure effective implementation of our recommendations.	During FY 2011, the Department implemented corrective actions to improve information technology access and configuration management controls relating to the financial management systems. This area is no longer considered to be a significant deficiency.



# APPENDICES





## PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2011 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2011 Annual Performance Plan (APP)—exhibit 3A of each bureau’s budget. Measures have been modified to incorporate any changes made to the FY 2011 budget that appear in the FY 2012 budget. Individual bureau-specific APPs can be found on the Department Web site at [http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm). The resource tables with the performance tables are also combined to make the information easier to follow.

In FY 2011, the Department began implementing its new FY 2011-FY 2016 Strategic Plan. In so doing, the Department restructured the FY 2010 PAR to reflect the structure of the new strategic plan. The Department has applied that new structure to this FY 2011 PAR. The following tables provide an array of financial and FTE information from FY 2007 to FY 2011, covering a period of five fiscal years where the information is available. In some cases, performance information is available from FY 2002 onward. The information should help the reader clearly understand the resources expended for each Theme, Strategic Goal, and Performance Objective.

The system of reporting does not currently allow the Department to report on resources at the performance measure level but it is the Department’s hope to develop this capability in the future. For a given year, it is important to note that if a performance measure has been exceeded (more than 125 percent of target), the status box for that year will be shaded blue. If a performance measure has been met (100 to 125 percent of target), the box is shaded green. The status box for a measure that was slightly below target (95 to 99 percent of the target) is shaded yellow, while the box for a measure that was definitely not met is shaded red. In addition, for FY 2008 OMB introduced a new category, “Improved but not met.” In those cases, the box is shaded orange. No targets that were in the form of text (e.g., a series of milestones met) would ever be considered exceeded since they cannot be quantified.

The information in the tables will follow the following format:

- Strategic Theme and Resources
- Strategic Goal and Resources
- Performance Objective and Resources
- Performance Measure

Note: Unless otherwise indicated, measures that do not have FY 2011 targets are not included in any count in this document. FY 2011 resources for each performance objective may be estimates and may be updated in the budget for FY 2013. FY 2010 resources may have been updated since the FY 2010 PAR.

Target and performance data are tracked back to FY 2002 where available. If a measure was developed after FY 2002, actual performance data is shown back to the year that the measure first appeared.

FTE = Full-time equivalent employment. All dollar amounts shown are in millions, unless otherwise indicated.

## THEME 1: ECONOMIC GROWTH

ECONOMIC GROWTH TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$4,581.5	\$4,607.2	\$4,973.0	\$8,295.6	\$4,227.4
FTE	14,002	14,390	15,025	14,959	15,703

**STRATEGIC GOAL – INNOVATION AND ENTREPRENEURSHIP:** *Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses*

INNOVATION AND ENTREPRENEURSHIP TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$3,766.3	\$3,799.7	\$4,055.3	\$7,388.1	\$3,283.1
FTE	11,398	11,925	12,591	12,517	13,190.0

**OBJECTIVE 1:** Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)

OBJECTIVE 1 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$1,698.0	\$1,806.8	\$1,813.2	\$1,890.3	\$2,111.7
FTE	7,970	8,821	9,455	9,286	9,842

USPTO PERFORMANCE MEASURE				
MEASURE: Final rejection allowance compliance rate				
Year	Status	Actual	Target	
FY 2011	Met	95.6%	95.6% - 96.5%	
FY 2010	Met	96.3%	94.5%	
FY 2009	Met	94.4%	N/A	

USPTO PERFORMANCE MEASURE				
MEASURE: Non-final in-process compliance rate				
Year	Status	Actual	Target	
FY 2011	Met	95.2%	94.6% - 95.6%	
FY 2010	Met	94.9%	94.0%	
FY 2009	Met	93.6%	N/A	

USPTO PERFORMANCE MEASURE			
MEASURE: Patent first action pendency (months)			
Year	Status	Actual	Target
FY 2011	Slightly Below	28.0	26.3
FY 2010	Slightly Below	25.7	25.4
FY 2009	Met	25.8	27.5
FY 2008	Met	25.6	26.9
FY 2007	Not Met	25.3	23.7
FY 2006	Slightly Below	22.6	22.0
FY 2005	Met	21.1	21.3
FY 2004	Met	20.2	20.2
FY 2003	Met	18.3	18.4
FY 2002	Not Met	16.7	14.7

USPTO PERFORMANCE MEASURE			
MEASURE: Patent total pendency (months)			
Year	Status	Actual	Target
FY 2011	Met	33.7	34.8
FY 2010	Slightly Below	35.3	34.8
FY 2009	Met	34.6	37.9
FY 2008	Met	32.2	34.7
FY 2007	Met	31.9	33.0
FY 2006	Met	31.1	31.3
FY 2005	Met	29.1	31.0
FY 2004	Met	27.6	29.8
FY 2003	Met	26.7	27.7
FY 2002	Met	24.0	26.5

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically			
Year	Status	Actual	Target
FY 2011	Met	93.1%	90.0%
FY 2010	Slightly Below	89.5%	90.0%
FY 2009	Met	82.4%	80.0%
FY 2008	Met	71.7%	69.0%
FY 2007	Met	49.3%	40.0%
FY 2006	Exceeded	14.2%	10.0%
FY 2005	Improved but Not Met	2.2%	4.0%
FY 2004	Improved but Not Met	1.5%	2.0%
FY 2003	Not Met	1.3%	2.0%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action compliance rate			
Year	Status	Actual	Target
FY 2011	Met	96.5%	95.5%
FY 2010	Met	96.6%	95.5%
FY 2009	Met	96.4%	95.5%
FY 2008	Met	95.8%	95.5%
FY 2007	Met	95.9%	95.5%
FY 2006	Met	95.7%	93.5%
FY 2005	Met	95.3%	92.5%
FY 2004	Met	92.1%	91.7%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final compliance rate			
Year	Status	Actual	Target
FY 2011	Met	97.0%	97.0%
FY 2010	Slightly Below	96.8%	97.0%
FY 2009	Met	97.6%	97.0%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	Status	Actual	Target
FY 2011	Met	3.1	2.5-3.5
FY 2010	Met	3.0	2.5-3.5
FY 2009	Met	2.7	2.5-3.5
FY 2008	Met	3.0	2.5-3.5
FY 2007	Met	2.9	3.7
FY 2006	Met	4.8	5.3
FY 2005	Met	6.3	6.4
FY 2004	Not Met	6.6	5.4
FY 2003	Not Met	5.4	3.0
FY 2002	Not Met	4.3	3.0

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency (months), excluding suspended and inter partes proceedings			
Year	Status	Actual	Target
FY 2011	Met	10.5	12.5
FY 2010	Met	10.5	13.0
FY 2009	Met	11.2	13.0

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications processed electronically			
Year	Status	Actual	Target
FY 2011	Met	73.0%	68.0%
FY 2010	Met	68.1%	65.0%
FY 2009	Met	62.0%	62.0%

**OBJECTIVE 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)**

OBJECTIVE 2 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$68.4	\$45.7	\$43.2	\$48.7	\$49.2
FTE	321	141	139	145	150

USPTO PERFORMANCE MEASURE			
MEASURE: Percentage of prioritized countries that have implemented at least 75% of action steps in the country-specific action plans toward progress along following dimensions:			
<ol style="list-style-type: none"> <li>1. Institutional improvements of IP office administration for advancing IPR</li> <li>2. Institutional improvements of IP enforcement entities</li> <li>3. Improvements in IP laws and regulations</li> <li>4. Establishment of government-to-government cooperative mechanisms</li> </ol>			
Year	Status	Actual	Target
FY 2011	Met	75%	75%
FY 2010	Exceeded	75%	50%

**OBJECTIVES 3, 6, and 7**

The following 10 measures associated with EDA overlap among the following three different objectives. A crosswalk of these measures appears after this list followed by the histories of each. While Objective 6 has no other measures other than the ones noted in this list, Objectives 3 and 7 have separate measures that don't overlap with each other. These measures are shown separately under the appropriate goal after this section, along with the funding breakout for all three objectives.

- OBJECTIVE 3: Stimulate high-growth business formation and entrepreneurship through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)
- OBJECTIVE 6: Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)
- OBJECTIVE 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

Performance Measure	Objective 3	Objective 6	Objective 7
Private investment leveraged – 9 year totals (in millions)	✓	✓	✓
Private investment leveraged – 6 year totals (in millions)	✓	✓	✓
Private investment leveraged – 3 year totals (in millions)	✓	✓	✓
Jobs created/retained – 9 year totals	✓	✓	✓
Jobs created/retained – 6 year totals	✓	✓	✓
Jobs created/retained – 3 year totals	✓	✓	✓
Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDs) that lead to private investment and jobs	✓		✓
Percentage of sub-state jurisdiction members actively participating in the Economic Development District program	✓		✓
Percentage of University Center clients taking action as a result of University Center assistance	✓		✓
Percentage of those actions taken by University Center clients that achieve the expected results	✓		✓

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 9 year totals (in millions) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	\$3,960	\$1,940
FY 2010	Met	\$2,758	\$2,410
FY 2009	Met	\$2,210	\$2,040
FY 2008	Exceeded	\$4,173	\$2,080
FY 2007	Exceeded	\$1,937	\$1,350
FY 2006	Exceeded	\$2,331	\$1,162

<sup>1</sup> EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2011 actual is a result of investments made in FY 2002. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 6 year totals (in millions) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	\$1,617	\$674
FY 2010	Exceeded	\$2,281	\$824
FY 2009	Met	\$855	\$810
FY 2008	Exceeded	\$1,393	\$970
FY 2007	Exceeded	\$2,118	\$1,200
FY 2006	Met	\$1,059	\$1,020
FY 2005	Exceeded	\$1,781	\$1,040
FY 2004	Exceeded	\$1,740	\$650
FY 2003	Exceeded	\$2,475	\$581

<sup>1</sup> This is the 6 year result measure. FY 2011 actuals are the result of investments made in FY 2005.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged – 3 year totals (in millions) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	\$1,475	\$245
FY 2010	Exceeded	\$1,544	\$259
FY 2009	Exceeded	\$484	\$265
FY 2008	Exceeded	\$1,013	\$270
FY 2007	Exceeded	\$810	\$330
FY 2006	Exceeded	\$1,669	\$320
FY 2005	Exceeded	\$1,791	\$390
FY 2004	Exceeded	\$947	\$480
FY 2003	Exceeded	\$1,251	\$400
FY 2002	Exceeded	\$640	\$420

<sup>1</sup> This is the 3 year result measure. FY 2011 actuals are the result of investments made in FY 2008.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 9 year totals <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Slightly Below	56,058	57,800
FY 2010	Not Met	66,527	72,000
FY 2009	Not Met	45,866	56,500
FY 2008	Met	57,701	56,900
FY 2007	Exceeded	73,559	54,000
FY 2006	Met	50,546	50,400

<sup>1</sup> EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2011 actual is a result of investments made in FY 2002. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 6 year totals <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	26,416	18,193
FY 2010	Met	26,695	22,497
FY 2009	Met	24,533	22,900
FY 2008	Met	30,719	28,900
FY 2007	Exceeded	49,806	36,000
FY 2006	Exceeded	42,958	28,200
FY 2005	Exceeded	47,374	28,400
FY 2004	Exceeded	68,109	27,000
FY 2003	Exceeded	47,607	25,200

<sup>1</sup> This is the 6 year result measure. FY 2011 actuals are the result of investments made in FY 2005.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained – 3 year totals <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	14,842	6,256
FY 2010	Exceeded	9,159	6,628
FY 2009	Exceeded	9,137	7,019
FY 2008	Exceeded	14,819	7,227
FY 2007	Exceeded	16,274	8,999
FY 2006	Exceeded	11,833	9,170
FY 2005	Exceeded	19,672	11,500
FY 2004	Exceeded	21,901	14,400
FY 2003	Exceeded	39,841	11,300
FY 2002	Exceeded	29,912	11,300

<sup>1</sup> This is the 3 year result measure. FY 2011 actuals are the result of investments made in FY 2008.

The following four measures apply to Objectives 3 and 7, but not Objective 6.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of Economic Development Districts (EDD) and Indian tribes implementing projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs			
Year	Status	Actual	Target
FY 2011	Not Met	86%	95%
FY 2010	Not Met	89%	95%
FY 2009	Slightly Below	93%	95%
FY 2008	Slightly Below	92%	95%
FY 2007	Met	95%	95%
FY 2006	Met	96%	95%
FY 2005	Met	97%	95%
FY 2004	Met	97%	95%
FY 2003	Met	99%	95%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of sub-state jurisdiction members actively participating in the Economic Development District program			
Year	Status	Actual	Target
FY 2011	Slightly Below	85%	89%
FY 2010	Slightly Below	87%	89-93%
FY 2009	Met	92%	89-93%
FY 2008	Met	90%	89-93%
FY 2007	Met	92%	89-93%
FY 2006	Met	90%	89-93%
FY 2005	Met	91%	89-93%
FY 2004	Met	90%	89-93%
FY 2003	Met	97%	89-93%
FY 2002	Met	95%	93%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of University Center clients taking action as a result of University Center assistance			
Year	Status	Actual	Target
FY 2011	Not Met	68%	75%
FY 2010	Met	76%	75%
FY 2009	Not Met	70%	75%
FY 2008	Met	80%	75%
FY 2007	Met	84%	75%
FY 2006	Met	76%	75%
FY 2005	Met	79%	75%
FY 2004	Met	78%	75%
FY 2003	Met	78%	75%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieve the expected results			
Year	Status	Actual	Target
FY 2011	Met	83%	80%
FY 2010	Met	90%	80%
FY 2009	Met	92%	80%
FY 2008	Met	84%	80%
FY 2007	Met	89%	80%
FY 2006	Met	82%	80%
FY 2005	Met	87%	80%
FY 2004	Met	88%	80%
FY 2003	Met	86%	80%

**OBJECTIVE 3: Stimulate high-growth business formation and entrepreneurship through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)**

<b>OBJECTIVE 3 TOTAL RESOURCES</b> <i>(Dollars in Millions)</i>					
	<b>FY 2007 Actual<sup>1</sup></b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>
Funding	\$215.5	\$198.2	\$248.6	\$202.5	\$231.9
FTE	404	151	152	173	180

<sup>1</sup> For FY 2007, NIST data is associated with the NIST Advanced Technology Program (ATP) which was discontinued in FY 2007. However, since the funding amounts factor into the total for this objective, strategic goal, and theme, this PAR shows these amounts for informational purposes. FY 2008 – FY 2011 reflects amounts for the NIST Technology Innovation Program (TIP).

The EDA measures associated with this objective also apply to Objectives 6 and 7. The histories of these measures appear immediately after Objective 2. The following measures are unique to Objective 3 and are associated with the NIST Technology Innovation Program (TIP).

<b>NIST PERFORMANCE MEASURE</b>			
<b>MEASURE: Cumulative number of TIP projects funded</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2011</b>	Met	38	38
<b>FY 2010</b>	Met	29	25
<b>FY 2009</b>	Met	9	9

NIST began tracking the following TIP measures in FY 2009, however, the results will not be available until beginning in FY 2012.

<b>NIST PERFORMANCE MEASURE</b>			
<b>MEASURE: Cumulative number of publications</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2011</b>	N/A	N/A	105 in FY 2014
<b>FY 2010</b>	N/A	N/A	60 in FY 2013
<b>FY 2009</b>	N/A	N/A	24 in FY 2012

<b>NIST PERFORMANCE MEASURE</b>			
<b>MEASURE: Cumulative number of patent applications</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2011</b>	N/A	N/A	35 in FY 2014
<b>FY 2010</b>	N/A	N/A	30 in FY 2013
<b>FY 2009</b>	N/A	N/A	12 in FY 2012

<b>NIST PERFORMANCE MEASURE</b>			
<b>MEASURE: Cumulative number of projects generating continued R&amp;D</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
<b>FY 2011</b>	N/A	N/A	18 in FY 2014
<b>FY 2010</b>	N/A	N/A	10 in FY 2013
<b>FY 2009</b>	N/A	N/A	4 in FY 2012

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of projects with technologies under adoption			
Year	Status	Actual	Target
FY 2011	N/A	N/A	9 in FY 2014
FY 2010	N/A	N/A	5 in FY 2013
FY 2009	N/A	N/A	2 in FY 2012

**OBJECTIVE 4: Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)**

OBJECTIVE 4 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$1,122.0	\$989.7	\$1,137.9	\$4,396.3	\$118.7
FTE	137	141	144	179	168

NTIA PERFORMANCE MEASURE			
MEASURE: Update the spectrum inventory first established in FY 2010			
Year	Status	Actual	Target
FY 2011	Met	Completed	Spectrum inventory update

NTIA PERFORMANCE MEASURE			
MEASURE: Identify up to 500 MHz of spectrum to support commercial broadband services or products			
Year	Status	Actual	Target
FY 2011	Met	Completed	Complete identification

NTIA PERFORMANCE MEASURE			
MEASURE: Miles of broadband networks deployed (infrastructure projects)			
Year	Status	Actual	Target
FY 2011	Exceeded	18,545 <sup>1</sup>	10,000

<sup>1</sup> As of June 30, 2011.

NTIA PERFORMANCE MEASURE			
MEASURE: Community anchor institutions connected (infrastructure projects)			
Year	Status	Actual	Target
FY 2011	N/A	1,322 <sup>1,2</sup>	3,000

<sup>1</sup> As of June 30, 2011.

<sup>2</sup> NTIA is uncertain whether this target will be met since data will not be available until January 2012.

NTIA PERFORMANCE MEASURE			
MEASURE: New and upgraded computer workstations (public computer centers projects)			
Year	Status	Actual	Target
FY 2011	Exceeded	16,060 <sup>1</sup>	10,000

<sup>1</sup> As of June 30, 2011.

NTIA PERFORMANCE MEASURE			
MEASURE: New household and business subscribers to broadband (sustainable broadband adoption projects)			
Year	Status	Actual	Target
FY 2011	Exceeded	111,829 <sup>1</sup>	25,000

<sup>1</sup> As of June 30, 2011.

**OBJECTIVE 5: Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)**

OBJECTIVE 5 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$662.4	\$759.3	\$812.4	\$850.3	\$771.6
FTE	2,566	2,671	2,721	2,734	2,850

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	Status	Actual	Target
FY 2011	Met	Completed	Complete annual peer review
FY 2010	Met	Completed	Complete annual peer review
FY 2009	Met	Completed	Complete annual peer review
FY 2008	Met	Completed	Complete annual peer review
FY 2007	Met	Completed	Complete annual peer review
FY 2006	Met	Completed	Complete annual peer review
FY 2005	Met	Completed	Complete annual peer review
FY 2004	Met	Completed	Complete annual peer review
FY 2003	Met	Completed	Complete annual peer review
FY 2002	Met	Completed	Complete annual peer review

NIST PERFORMANCE MEASURE			
MEASURE: Citation impact of NIST-authored publications			
Year	Status	Actual	Target
FY 2011	Met	> 1.1 <sup>1</sup>	> 1.1
FY 2010	Met	> 1.1	> 1.1
FY 2009	Met	> 1.1	> 1.1
FY 2008	Met	> 1.1	> 1.1
FY 2007	Met	> 1.1	> 1.1

<sup>1</sup> Actual for this measure lags nine months. The actual shown here is based on FY 2010 data.

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	Status	Actual	Target
FY 2011	Not Met	1,210	1,350
FY 2010	Slightly Below	1,243	1,300
FY 2009	Met	1,463	1,275
FY 2008	Met	1,271	1,100
FY 2007	Met	1,272	1,100
FY 2006	Met	1,163	1,100
FY 2005	Met	1,148	1,100
FY 2004	Not Met	1,070	1,300

NIST PERFORMANCE MEASURE			
MEASURE: Standard Reference Materials (SRM) sold <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Met	32,864	31,000
FY 2010	Met	31,667	31,000
FY 2009	Slightly Below	29,769	31,000
FY 2008	Met	33,373	31,000
FY 2007	Met	32,614	30,000
FY 2006	Met	31,195	30,000
FY 2005	Met	32,163	29,500
FY 2004	Met	30,490	29,500
FY 2003	Not Met	1,214	1,360
FY 2002	Met	1,353	1,350

<sup>1</sup> From FY 2002 – FY 2003 this was SRMs available.

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	Status	Actual	Target
FY 2011	Not Met	19,100,000	24,500,000
FY 2010	Met	24,956,000 <sup>1</sup>	24,500,000 <sup>1</sup>
FY 2009	Met	226,000,000	200,000,000
FY 2008	Exceeded	195,500,000	130,000,000
FY 2007	Exceeded	130,000,000	80,000,000
FY 2006	Met	94,371,001	80,000,000
FY 2005	Met	93,305,136	80,000,000
FY 2004	Exceeded	73,601,352	56,000,000

<sup>1</sup> Beginning in FY 2010, NIST has revised the methodology for this measure by excluding the hundreds of millions of annual downloads associated with Web-based, time-related services which dominated the total number of downloads in previous years. This adjusted measure will more clearly demonstrate the use of NIST's other online datasets covering scientific and technical databases throughout the NIST laboratories.

NIST PERFORMANCE MEASURE			
MEASURE: Number of calibration tests performed <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	18,195	9,700
FY 2010	Met	17,697	15,000
FY 2009	Met	18,609	15,000
FY 2008	Exceeded	25,944	12,000
FY 2007	Exceeded	27,489	12,000
FY 2006	Met	3,026	2,700
FY 2005	Met	3,145	2,700
FY 2004	Met	3,376	2,800
FY 2003	Met	3,194	2,900
FY 2002	Met	2,924	2,900

<sup>1</sup> From FY 2002 – FY 2006, this measure reflected the number of items tested, an amount considerably lower than the number of tests performed.

**STRATEGIC GOAL – MARKET DEVELOPMENT AND COMMERCIALIZATION:** *Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups*

MARKET DEVELOPMENT AND COMMERCIALIZATION TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$356.9	\$334.1	\$424.0	\$382.5	\$397.2
FTE	486	457	449	502	477

**OBJECTIVE 6: Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)**

OBJECTIVE 6 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	N/A	10.4	16.0	28.9	\$20.5
FTE	N/A	6	6	15	16

The measures associated with this objective also apply to Objectives 3 and 7. The histories of these measures appear immediately after Objective 2.

**OBJECTIVE 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)**

<b>OBJECTIVE 7 TOTAL RESOURCES</b> <i>(Dollars in Millions)</i>					
	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>
Funding	189.9	186.5	242.4	172.3	\$201.1
FTE	176	154	160	181	187

Several of the EDA measures associated with this objective also apply to Objectives 3 and 6. The histories of these shared measures appear immediately after Objective 2. The following measures are unique to Objective 7 and are associated with EDA and MBDA.

<b>EDA PERFORMANCE MEASURE</b>				
<b>MEASURE: Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs</b>				
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>	
<b>FY 2011</b>	<b>Not Met</b>	73%	90%	
<b>FY 2010</b>	<b>Not Met</b>	82%	90%	
<b>FY 2009</b>	<b>Slightly Below</b>	88%	90%	
<b>FY 2008</b>	<b>Met</b>	92%	90%	
<b>FY 2007</b>	<b>Met</b>	99%	90%	
<b>FY 2006</b>	<b>Met</b>	90%	90%	
<b>FY 2005</b>	<b>Met</b>	99%	90%	
<b>FY 2004</b>	<b>Met</b>	90%	90%	
<b>FY 2003</b>	<b>Met</b>	92%	90%	

<b>EDA PERFORMANCE MEASURE</b>				
<b>MEASURE: Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results</b>				
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>	
<b>FY 2011</b>	<b>Met</b>	100%	95%	
<b>FY 2010</b>	<b>Met</b>	100%	95%	
<b>FY 2009</b>	<b>Slightly Below</b>	93%	95%	
<b>FY 2008</b>	<b>Met</b>	95%	95%	
<b>FY 2007</b>	<b>Met</b>	99%	95%	
<b>FY 2006</b>	<b>Met</b>	96%	95%	
<b>FY 2005</b>	<b>Met</b>	97%	95%	
<b>FY 2004</b>	<b>Met</b>	98%	95%	
<b>FY 2003</b>	<b>Met</b>	98%	95%	

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained (billions)			
Year	Status	Actual	Target
FY 2011	Exceeded	\$1.40	\$1.10
FY 2010	Exceeded	\$1.69	\$1.00
FY 2009	Exceeded	\$2.12	\$0.90
FY 2008	Met	\$0.91	\$0.90
FY 2007	Exceeded	\$1.20	\$0.85
FY 2006	Exceeded	\$1.17	\$0.85
FY 2005	Exceeded	\$1.10	\$0.80
FY 2004	Met	\$0.95	\$0.80
FY 2003	Not Met	\$0.70	\$1.00
FY 2002	Exceeded	\$1.30	\$1.00

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained (billions)			
Year	Status	Actual	Target
FY 2011	Exceeded	\$2.10	\$0.90
FY 2010	Exceeded	\$2.26	\$0.60
FY 2009	Exceeded	\$0.91	\$0.50
FY 2008	Exceeded	\$1.09	\$0.50
FY 2007	Met	\$0.55	\$0.45
FY 2006	Not Met	\$0.41	\$0.45
FY 2005	Met	\$0.50	\$0.45
FY 2004	Exceeded	\$0.60	\$0.40
FY 2003	Met	\$0.40	\$0.40
FY 2002	Met	\$0.40	\$0.40

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	Status	Actual	Target
FY 2011	Slightly Below	4,200	4,300
FY 2010	Exceeded	6,397	4,000
FY 2009	Exceeded	4,134	3,000
FY 2008	Exceeded	4,603	3,000
FY 2007	Exceeded	3,506	2,050
FY 2006	Exceeded	4,254	1,800
FY 2005	Exceeded	2,270	1,800

MBDA PERFORMANCE MEASURE			
MEASURE: Cumulative economic impact <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	N/A	N/A	N/A
FY 2010	Exceeded	\$23B	\$16B

<sup>1</sup> This is a long-term goal. As such, targets appear every five years with the next one appearing in FY 2015.

**OBJECTIVE 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)**

OBJECTIVE 8 TOTAL RESOURCES <sup>1</sup> (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$167.0	\$137.2	\$165.6	\$181.3	\$175.6
FTE	310	297	283	306	274

<sup>1</sup> NIST's performance actuals for this objective lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which NIST reports actuals one year later. This date lag, coupled with the time line for producing the PAR, precludes the reporting of actual FY 2011 data. With the exception of the number of clients, the NIST data reported in the current year PAR are an estimate based on three-quarters of actual client reported impacts and one-quarter estimated client impacts.

ITA PERFORMANCE MEASURE			
MEASURE: Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis			
Year	Status	Actual	Target
FY 2011	Exceeded	\$1.8B	\$350M
FY 2010	Exceeded	\$647M	\$350M
FY 2009	Exceeded	\$552M	\$350M
FY 2008	Exceeded	\$455M	\$350M
FY 2007	Exceeded	\$413M	\$168M
FY 2006	Not Met	\$287M	\$350M

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2011	Met	34,299 from FY 2010 funding	29,000 from FY 2010 funding
FY 2010	Exceeded	32,926 from FY 2009 funding	25,500 from FY 2009 funding
FY 2009	Exceeded	31,961 from FY 2008 funding	14,500 from FY 2008 funding
FY 2008	Exceeded	28,004 from FY 2007 funding	21,237 from FY 2007 funding
FY 2007	Exceeded	24,722 from FY 2006 funding	16,440 from FY 2006 funding
FY 2006	Slightly Below	16,448 from FY 2005 funding	16,640 from FY 2005 funding
FY 2005	Exceeded	16,090 from FY 2004 funding	6 517 from FY 2004 funding
FY 2004	Met	18,422 from FY 2003 funding	16,684 from FY 2003 funding
FY 2003	Not Met	18,748 from FY 2002 funding	21,543 from FY 2002 funding

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2011	Met	\$2,770M from FY 2010 funding <sup>1</sup>	\$2,500M from FY 2010 funding
FY 2010	Exceeded	\$3,500M from FY 2009 funding	\$2,000M from FY 2009 funding
FY 2009	Exceeded	\$3,610M from FY 2008 funding	\$630M from FY 2008 funding
FY 2008	Exceeded	\$5,600M from FY 2007 funding	\$630M from FY 2007 funding
FY 2007	Exceeded	\$3,100M from FY 2006 funding	\$591M from FY 2006 funding
FY 2006	Exceeded	\$2,842M from FY 2005 funding	\$591M from FY 2005 funding
FY 2005	Exceeded	\$1,889M from FY 2004 funding	\$228M from FY 2004 funding
FY 2004	Exceeded	\$1,483M from FY 2003 funding	\$522M from FY 2003 funding
FY 2003	Exceeded	\$953M from FY 2002 funding	\$728M from FY 2002 funding
FY 2002	Not Met	\$636M from FY 2001 funding	\$708M from FY 2001 funding

<sup>1</sup> Estimate as of June 30, 2011. Once final numbers are in, the status may change to "Exceeded."

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2011	Exceeded	\$1,820M from FY 2010 funding <sup>1</sup>	\$1,000M from FY 2010 funding
FY 2010	Exceeded	\$1,900M from FY 2009 funding	\$1,000M from FY 2009 funding
FY 2009	Exceeded	\$1,710M from FY 2008 funding	\$485M from FY 2008 funding
FY 2008	Exceeded	\$2,190M from FY 2007 funding	\$955M from FY 2007 funding
FY 2007	Exceeded	\$1,650M from FY 2006 funding	\$740M from FY 2006 funding
FY 2006	Exceeded	\$2,248M from FY 2005 funding	\$740M from FY 2005 funding
FY 2005	Exceeded	\$941M from FY 2004 funding	\$285M from FY 2004 funding
FY 2004	Exceeded	\$912M from FY 2003 funding	\$559M from FY 2003 funding
FY 2003	Met	\$940M from FY 2002 funding	\$910M from FY 2002 funding
FY 2002	Not Met	\$680M from FY 2001 funding	\$913M from FY 2001 funding

<sup>1</sup> Estimate as of June 30, 2011.

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2011	Met	\$1,420M from FY 2010 funding <sup>1</sup>	\$1,200M from FY 2010 funding
FY 2010	Exceeded	\$1,300M from FY 2009 funding	\$1,000M from FY 2009 funding
FY 2009	Exceeded	\$1,410M from FY 2008 funding	\$330M from FY 2008 funding
FY 2008	Exceeded	\$1,440M from FY 2007 funding	\$521M from FY 2007 funding
FY 2007	Exceeded	\$1,100M from FY 2006 funding	\$405M from FY 2006 funding
FY 2006	Exceeded	\$1,304M from FY 2005 funding	\$405M from FY 2005 funding
FY 2005	Exceeded	\$721M from FY 2004 funding	\$156M from FY 2004 funding
FY 2004	Exceeded	\$586M from FY 2003 funding	\$353M from FY 2003 funding
FY 2003	Exceeded	\$681M from FY 2002 funding	\$497M from FY 2002 funding
FY 2002	Not Met	\$442M from FY 2001 funding	\$576M from FY 2001 funding

<sup>1</sup> Estimate as of June 30, 2011. Once final numbers are in, the status may change to "Exceeded."

**STRATEGIC GOAL – TRADE PROMOTION AND COMPLIANCE: *Improve our global competitiveness and foster domestic job growth while protecting American security***

TRADE PROMOTION AND COMPLIANCE TOTAL RESOURCES					
<i>(Dollars in Millions)</i>					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$458.3	\$473.4	\$493.7	\$525.0	\$547.1
FTE	2,118	2,008	1,985	1,940	2,036

**OBJECTIVE 9: Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)**

OBJECTIVE 9 TOTAL RESOURCES					
<i>(Dollars in Millions)</i>					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$263.0	\$273.4	\$283.1	\$296.3	\$336.5
FTE	1,202	1,151	1,120	1,051	1,176

ITA PERFORMANCE MEASURE			
MEASURE: Increase in the annual growth rate of total small and medium-sized (SME) exporters			
Year	Status	Actual	Target
FY 2011	Exceeded	3.9%	2.85%
FY 2010	Exceeded	6.42%	2.80%
FY 2009	Exceeded	4.69%	2.75%

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of advocacy bids won			
Year	Status	Actual	Target
FY 2011	Not Met	9.9%	18%
FY 2010	Not Met	9%	17%
FY 2009	N/A	11%	N/A

ITA PERFORMANCE MEASURE			
MEASURE: Commercial diplomacy success (cases) (annual)			
Year	Status	Actual	Target
FY 2011	Exceeded	243	172
FY 2010	Not Met	112	166
FY 2009	Met	196	162
FY 2008	Met	181	160

ITA PERFORMANCE MEASURE			
MEASURE: Export success firms /active clients firms (annual)			
Year	Status	Actual	Target
FY 2011	Exceeded	28.1%	21.5%
FY 2010	Exceeded	29.1%	11.0%
FY 2009	Exceeded	23.3%	10.5%

ITA PERFORMANCE MEASURE			
MEASURE: US&FCS SME NTE / total change in SME exporters (annual)			
Year	Status	Actual	Target
FY 2011	Not Met	1.3%	13.1%
FY 2010	Not Met	2.3%	12.7%
FY 2009	Met	15.2%	12.4%

ITA PERFORMANCE MEASURE			
MEASURE: Number of SME NTM firms / SME firms exporting to two to nine markets (annual)			
Year	Status	Actual	Target
FY 2011	Not Met	3.6%	5.0%
FY 2010	Not Met	3.1%	3.9%
FY 2009	Not Met	3.5%	3.8%

**OBJECTIVE 10: Implement an effective export control reform program to advance national security and economic competitiveness (BIS)**

OBJECTIVE 10 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$75.4	\$74.9	\$83.7	\$100.3	\$102.9
FTE	364	353	329	322	351

BIS PERFORMANCE MEASURE				
MEASURE: Percent of licenses requiring interagency referral referred within 9 days				
Year	Status	Actual	Target	
FY 2011	Not Met	88%	98%	
FY 2010	Slightly Below	90%	95%	
FY 2009	Met	99%	95%	
FY 2008	Met	98%	95%	
FY 2007	Met	98%	95%	
FY 2006	Met	98%	95%	

BIS PERFORMANCE MEASURE				
MEASURE: Median processing time for new regime regulations (months)				
Year	Status	Actual	Target	
FY 2011	Met	2.0	2.0	
FY 2010	Met	3.0	3.0	
FY 2009	Exceeded	2.0	3.0	
FY 2008	Exceeded	2.0	3.0	
FY 2007	Exceeded	2.0	3.0	
FY 2006	Met	2.5	3.0	
FY 2005	Exceeded	1.0	3.0	
FY 2004	Exceeded	2.0	3.0	
FY 2003	Not Met	7.0	3.0	

BIS PERFORMANCE MEASURE				
MEASURE: Percent of attendees rating seminars highly				
Year	Status	Actual	Target	
FY 2011	Met	94%	93%	
FY 2010	Met	94%	85%	
FY 2009	Met	93%	85%	
FY 2008	Met	93%	85%	
FY 2007	Met	90%	85%	
FY 2006	Met	90%	85%	

BIS PERFORMANCE MEASURE			
MEASURE: Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations			
Year	Status	Actual	Target
FY 2011	Met	100%	100%
FY 2010	Met	100%	100%
FY 2009	Met	100%	100%
FY 2008	Met	100%	100%
FY 2007	Met	100%	100%
FY 2006	Met	100%	100%

BIS PERFORMANCE MEASURE			
MEASURE: Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge			
Year	Status	Actual	Target
FY 2011	Exceeded	1,073	850
FY 2010	Slightly Below	806	850
FY 2009	Met	876	850
FY 2008	Exceeded	881	675
FY 2007	Exceeded	930	450
FY 2006	Exceeded	872	350
FY 2005	Exceeded	583	275
FY 2004	Met	310	250
FY 2003	Exceeded	250	85
FY 2002	Met	82	75

BIS PERFORMANCE MEASURE			
MEASURE: Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)			
Year	Status	Actual	Target
FY 2011	Met	99%	99%
FY 2010	Met	98%	97%
FY 2009	Met	96%	95%
FY 2008	Met	87%	87%

BIS PERFORMANCE MEASURE			
MEASURE: Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification			
Year	Status	Actual	Target
FY 2011	Met	382 PSVs/92%	315 PSVs/85%
FY 2010	Met	256 PSVs/93%	260 PSVs/85%
FY 2009	Met	314 PSVs/88%	260 PSVs/85%
FY 2008	Met	136 PSVs 93%	215 PSVs/80%

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed			
Year	Status	Actual	Target
FY 2011	Met	891	850
FY 2010	Not Met	708	850
FY 2009	Not Met	737	850
FY 2008	Not Met	490	850
FY 2007	Met	854	850
FY 2006	Exceeded	942	700

BIS PERFORMANCE MEASURE			
MEASURE: Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls			
Year	Status	Actual	Target
FY 2011	Met	100%	100%
FY 2010	Met	100%	100%
FY 2009	Met	100%	100%
FY 2008	Met	100%	100%
FY 2007	Met	100%	100%
FY 2006	N/A	N/A <sup>1</sup>	100%

<sup>1</sup> No assessments fell within the metric timeframe in FY 2006. BIS completed two industry assessments late in the fourth quarter of FY 2006, thus not meeting the three month window (before the end of the fiscal year) to make a final determination on revising export controls. This was the first year this measure was in place. Industry assessment data will be available in subsequent fiscal years.

**OBJECTIVE 11: Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)**

OBJECTIVE 11 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$1.7	\$1.6	\$1.7	\$1.9	\$2.3
FTE	8	8	8	8	8

NTIA PERFORMANCE MEASURE			
MEASURE: Percent of NTIA positions substantially adopted or successful at international meetings			
Year	Status	Actual	Target
FY 2011	Exceeded	95% adoption or success	75% adoption or success

**OBJECTIVE 12: Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies (ITA)**

<b>OBJECTIVE 12 TOTAL RESOURCES</b> <i>(Dollars in Millions)</i>					
	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>
Funding	\$118.2	\$123.5	\$125.2	\$126.5	\$99.1
FTE	544	496	528	559	501

<b>ITA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percent of industry-specific trade barriers addressed that were removed or prevented</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Met	35%	30%
FY 2010	Met	35%	30%
FY 2009	Exceeded	30%	20%
FY 2008	Exceeded	29%	15%

<b>ITA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percent of industry-specific trade barrier milestones completed</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Met	75%	70%
FY 2010	Exceeded	75%	55%
FY 2009	Exceeded	72%	55%
FY 2008	Exceeded	73%	55%
FY 2007	Not Met	54%	85%
FY 2006	Slightly Below	81%	85%

<b>ITA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percent of agreement milestones completed</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Met	100%	100%
FY 2010	Met	100%	100%
FY 2009	Not Met	23%	100%
FY 2008	Not Met	70%	100%
FY 2007	Exceeded	100%	70%
FY 2006	Exceeded	100%	70%

<b>ITA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percentage reduction in trade-distorting foreign subsidy programs</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Met	3.1%	> 2.0%
FY 2010	Met	1.7%	> 1.5%
FY 2009	Exceeded	1.8%	> 1.0%
FY 2008	Exceeded	1.6%	> 0.5%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines			
Year	Status	Actual	Target
FY 2011	Met	99%	90%
FY 2010	Met	94%	90%
FY 2009	Slightly Below	86%	90%
FY 2008	Met	92%	90%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of ministerial errors in IA's dumping and subsidy calculations			
Year	Status	Actual	Target
FY 2011	Met	5.1%	< 9%
FY 2010	Exceeded	7.9%	< 10%
FY 2009	Exceeded	8%	< 11%
FY 2008	Met	10%	< 12%

ITA PERFORMANCE MEASURE			
MEASURE: Number of compliance and market access cases resolved successfully			
Year	Status	Actual	Target
FY 2011	Met	51%	50%
FY 2010	Met	58%	50%
FY 2009	Exceeded	61%	35%
FY 2008	Met	39%	35%
FY 2007	Exceeded	54%	25%
FY 2006	Exceeded	46%	25%

ITA PERFORMANCE MEASURE			
MEASURE: Value of compliance and market access cases resolved successfully			
Year	Status	Actual	Target
FY 2011	Not Met	\$0.23B	\$2.5B
FY 2010	Exceeded	\$21.4B	\$2.5B
FY 2009	Exceeded	\$25.4B	\$2.0B
FY 2008	Exceeded	\$12.3B	\$1.5B

## THEME 2: SCIENCE AND INFORMATION

**STRATEGIC GOAL:** *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems*

SCIENCE AND INFORMATION TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$3,775.0	\$4,081.4	\$6,420.4	\$9,693.0	\$4,655.6
FTE	9,192	9,810	33,962	101,419	18,768

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

**OBJECTIVE 13:** *Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA, NOAA)*

OBJECTIVE 13 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$419.2	\$289.0	\$317.6	\$364.3	\$307.6
FTE	238	235	642	636	626

NTIS PERFORMANCE MEASURE			
MEASURE: Number of updated items available (annual)			
Year	Status	Actual	Target
FY 2011	Met	836,579	825,000
FY 2010	Exceeded	969,473	765,000
FY 2009	Met	893,138	745,000
FY 2008	Met	813,775	725,000
FY 2007	Met	744,322	665,000
FY 2006	Met	673,087	660,000
FY 2005	Met	658,138	530,000
FY 2004	Met	553,235	525,000
FY 2003	Met	530,910	520,000
FY 2002	Met	514,129	510,000

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	Status	Actual	Target
FY 2011	Met	48,958,993	47,800,000
FY 2010	Exceeded	50,333,206	33,000,000
FY 2009	Exceeded	49,430,840	32,850,000
FY 2008	Met	32,267,167	32,100,000
FY 2007	Met	32,027,113	27,100,000
FY 2006	Met	30,616,338	27,000,000
FY 2005	Met	26,772,015	25,800,000
FY 2004	Exceeded	25,476,424	18,000,000
FY 2003	Exceeded	29,134,050	17,000,000
FY 2002	Met	16,074,862	16,000,000

NTIS PERFORMANCE MEASURE			
MEASURE: Customer satisfaction			
Year	Status	Actual	Target
FY 2011	Met	99.5%	95-98%
FY 2010	Met	98%	95-98%
FY 2009	Met	98%	95-98%
FY 2008	Met	96%	95-98%
FY 2007	Met	98%	95-98%
FY 2006	Met	98%	95-98%
FY 2005	Met	98%	98%
FY 2004	Slightly Below	96%	98%
FY 2003	Slightly Below	97%	98%
FY 2002	Met	98%	97%

NTIA PERFORMANCE MEASURE			
MEASURE: Annual progress report on the Test-Bed program			
Year	Status	Actual	Target
FY 2011	Met	Published report	Publish annual report

**OBJECTIVE 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)**

OBJECTIVE 14 TOTAL RESOURCES <sup>1</sup> (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$2,380.9	\$2,800.8	\$5,053.9	\$8,225.5	\$3,278
FTE	8,954	9,575	28,282	95,689	13,048

<sup>1</sup> NOAA had funding for this objective beginning in FY 2007 and FTE beginning in FY 2009.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Correct street features in TIGER (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	N/A	N/A	N/A
FY 2010	Exceeded	Increased TIGER update submissions electronically by 51%	Increase TIGER update submissions electronically by 10%
FY 2009	Met	Complete	Complete updates to eligible counties in the United States, Puerto Rico, and Island Areas
FY 2008	Met	320	320
FY 2007	Met	737	690
FY 2006	Met	700	700
FY 2005	Met	623	610
FY 2004	Met	602	600
FY 2003	Met	250	250

<sup>1</sup> This measure is associated with the 2010 Decennial Census so there are no targets for FY 2011 onward. However, this measure will be updated in the future to reflect activities associated with the 2020 Decennial Census.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates			
Year	Status	Actual	Target
FY 2011	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2010	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2009	Met	At least 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2008	Not Met	Some of the planned dress rehearsal activities were cancelled	At least 90% of key prep activities completed on time
FY 2007	Met	> 90% of key prep activities completed on time	At least 90% of key prep activities completed on time
FY 2006	Met	100% of activities completed on time	At least 90% of key prep activities completed on time
FY 2005	Met	Activities completed on time	Various activities with different dates

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI)			
Year	Status	Actual	Target
FY 2011	Not Met	60.0	74.0 (federal score)
FY 2010	Not Met	Score was lower in 2 of 4 quarters	Meet or exceed overall federal score
FY 2009	Not Met	68.0	75.2
FY 2008	Not Met	66.0	73.9
FY 2007	Met	74.0	71.0
FY 2006	Met	72.0	71.3
FY 2005	Met	73.0	73.0
FY 2004	Slightly Below	71.0	72.0

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public			
Year	Status	Actual	Target
FY 2011	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2010	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2009	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2008	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability.
FY 2007	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2006	Met	Met percentages	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2005	Met	Met percentages	Various %s - see FY 2006 APP
FY 2004	Met	Met percentages	Various %s - see FY 2005 APP
FY 2003	Met	Met percentages	Various %s - see FY 2004 APP

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public			
Year	Status	Actual	Target
FY 2011	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>
FY 2010	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>
FY 2009	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>
FY 2008	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of key prep activities completed on time</li> </ul>
FY 2007	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of other key censuses and surveys data released on time</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time</li> <li>At least 90% of other key censuses and surveys data released on time</li> </ul>
FY 2006	Met	<ul style="list-style-type: none"> <li>100% of Economic Indicators</li> <li>100% of other products</li> </ul>	<ul style="list-style-type: none"> <li>100% of Economic Indicators released on time;</li> <li>At least 90% of other key censuses and surveys data released on time</li> </ul>
FY 2005	Met	22 products	22 products
FY 2004	Exceeded	10 products	7 products
FY 2003	Not Met	2 products	3 products
FY 2002	Met	Maintained FY 2009 time	Maintain FY 2009 time

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Timeliness: Reliability of delivery of economic data statistics (number of scheduled releases issued on time)			
Year	Status	Actual	Target
FY 2011	Met	62	62
FY 2010	Exceeded	61	55
FY 2009	Slightly Below	56	57
FY 2008	Met	57 <sup>1</sup>	58
FY 2007	Met	54	54
FY 2006	Met	54	54
FY 2005	Met	54	54
FY 2004	Met	54	54
FY 2003	Met	48	48
FY 2002	Met	50	50

<sup>1</sup> In FY 2008, the Annual Industry Accounts statistical release was rescheduled from December 13, 2007 to January 29, 2008, in order to include important information from the Census 2006 Annual Survey of Manufacturers (ASM). By delaying this release, BEA was able to provide a better product for BEA's data users, so this measure was considered "Met."

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Relevance: Customer satisfaction (mean rating on a 5-point scale)			
Year	Status	Actual	Target
FY 2011	Met	4.1	> 4.0
FY 2010	Met	4.4	> 4.0
FY 2009	Met	4.2	> 4.0
FY 2008	Met	4.2	> 4.0
FY 2007	Met	4.3	> 4.0
FY 2006	Met	4.2	> 4.0
FY 2005	Met	4.4	> 4.0
FY 2004	Met	4.3	> 4.0
FY 2003	Met	4.4	> 4.0
FY 2002	Met	4.3	> 4.0

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Accuracy: Percent of GDP estimates correct			
Year	Status	Actual	Target
FY 2011	Met	89%	> 85%
FY 2010	Met	88%	> 85%
FY 2009	Met	88%	> 85%
FY 2008	Met	94%	> 85%
FY 2007	Met	93%	> 85%
FY 2006	Met	96%	> 85%
FY 2005	Met	96%	> 85%
FY 2004	Met	88%	> 85%
FY 2003	Met	88%	> 85%

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Complete all major strategic plan milestones related to improving the economic accounts <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2010	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2009	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2008	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2007	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2006	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2005	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2004	Met	Completed all major milestones	Completion of strategic plan milestones
FY 2003	Met	Completed all major milestones	Completion of strategic plan milestones

<sup>1</sup> The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on [www.bea.gov](http://www.bea.gov).

#### OBJECTIVE 15: Improve weather, water, and climate reporting and forecasting (NOAA)

OBJECTIVE 15 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$974.9	\$992.4	\$1,050.5	\$1,093.2	\$1,086.9
FTE	5,072	5,114	5,038	5,094	5,094 <sup>1</sup>

<sup>1</sup> Estimate.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Lead time (minutes) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	15	12
FY 2010	Met	12	12
FY 2009	Met	12	12
FY 2008	Exceeded	14	11
FY 2007	Met	14	13
FY 2006	Met	13	13
FY 2005	Met	13	13
FY 2004	Met	13	12
FY 2003	Met	13	12
FY 2002	Met	12	11

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – Accuracy (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Met	76%	70%
FY 2010	Met	74%	70%
FY 2009	Slightly Below	65%	69%
FY 2008	Met	72%	67%
FY 2007	Met	80%	75%
FY 2006	Slightly Below	75%	76%
FY 2005	Met	76%	73%
FY 2004	Met	75%	72%
FY 2003	Met	80%	70%
FY 2002	Met	76%	69%

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) – False alarm rate (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Met	72%	72%
FY 2010	Slightly Below	74%	72%
FY 2009	Not Met	77%	72%
FY 2008	Met	75%	74%
FY 2007	Met	75%	68%
FY 2006	Not Met	79%	69%
FY 2005	Not Met	77%	69%
FY 2004	Improved but Not Met	74%	70%
FY 2003	Not Met	76%	70%
FY 2002	Slightly Below	73%	71%

<sup>1</sup> Prior to FY 2008, these warnings were county-based rather than storm-based.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Lead time (minutes)			
Year	Status	Actual	Target
FY 2011	Exceeded	71	38 <sup>1</sup>
FY 2010	Exceeded	71	38
FY 2009	Exceeded	66	49
FY 2008	Exceeded	77	49
FY 2007	Exceeded	60	48
FY 2006	Met	49	48
FY 2005	Met	54	48
FY 2004	Improved but Not Met	48	50
FY 2003	Not Met	41	46
FY 2002	Met	53	45

<sup>1</sup> Beginning in FY 2008, NOAA shifted to a storm-based method of forecast as opposed to a county-based method. The reason for this change was to reduce the area warned to provide more specific information to emergency responders and the public. By reducing the areal coverage of NOAA's flash flood warnings, the emergency management community can more effectively target mitigation and response efforts. This new storm-based verification methodology is more stringent and results in lower metric scores for lead time and accuracy for flash floods. Flash flood performance data using this new verification methodology was computed beginning in FY 2008 with actuals and targets being reported from FY 2010 onward.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods (storm-based) – Accuracy (%)			
Year	Status	Actual	Target
FY 2011	Met	80%	72% <sup>1</sup>
FY 2010	Met	79%	72%
FY 2009	Met	91%	90%
FY 2008	Met	92%	90%
FY 2007	Met	90%	89%
FY 2006	Met	89%	89%
FY 2005	Met	89%	89%
FY 2004	Met	89%	89%
FY 2003	Met	89%	87%
FY 2002	Met	89%	86%

<sup>1</sup> Beginning in FY 2008, NOAA shifted to a storm-based method of forecast as opposed to a county-based method. The reason for this change was to reduce the area warned to provide more specific information to emergency responders and the public. By reducing the areal coverage of NOAA's flash flood warnings, the emergency management community can more effectively target mitigation and response efforts. This new storm-based verification methodology is more stringent and results in lower metric scores for lead time and accuracy for flash floods. Flash flood performance data using this new verification methodology was computed beginning in FY 2008 with actuals and targets being reported from FY 2010 onward.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast track error (48 hours) (nautical miles) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Exceeded	89	106
FY 2010	Exceeded	89	107
FY 2009	Exceeded	70	108
FY 2008	Exceeded	89	110
FY 2007	Exceeded	86	110
FY 2006	Met	97	111
FY 2005	Met	101	128
FY 2004	Exceeded	94	129
FY 2003	Met	107	130
FY 2002	Met	122	142

<sup>1</sup> Beginning in FY 2007, NOAA reported the previous year's results because data is not available until February and good estimates cannot be determined.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast intensity error (48 hours) (difference in knots)			
Year	Status	Actual	Target
FY 2011	Not Met	15	13
FY 2010	Not Met	15	13
FY 2009	Not Met	18	13
FY 2008	Met	14	14

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts			
Year	Status	Actual	Target
FY 2011	Met	34%	30%
FY 2010	Met	35%	30%
FY 2009	Met	29%	29%
FY 2008	Met	33%	29%
FY 2007	Met	31%	29%
FY 2006	Met	30%	28%
FY 2005	Met	29%	27%
FY 2004	Met	29%	25%
FY 2003	Met	29%	25%
FY 2002	Exceeded	26%	17%

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Lead time (hours)			
Year	Status	Actual	Target
FY 2011	Exceeded	20	15
FY 2010	Exceeded	21	15
FY 2009	Met	18	16
FY 2008	Met	17	15
FY 2007	Exceeded	18	15
FY 2006	Met	17	15
FY 2005	Met	17	15
FY 2004	Met	16	14
FY 2003	Met	14	14
FY 2002	Met	13	13

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Accuracy (%)			
Year	Status	Actual	Target
FY 2011	Slightly Below	88%	90%
FY 2010	Met	90%	90%
FY 2009	Slightly Below	90%	91%
FY 2008	Slightly Below	89%	90%
FY 2007	Met	92%	90%
FY 2006	Slightly Below	89%	90%
FY 2005	Met	91%	90%
FY 2004	Met	90%	89%
FY 2003	Met	90%	88%
FY 2002	Met	89%	86%

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind speed accuracy (%)			
Year	Status	Actual	Target
FY 2011	Met	75%	69%
FY 2010	Met	74%	69%
FY 2009	Met	74%	69%
FY 2008	Met	72%	68%
FY 2007	Met	73%	68%
FY 2006	Not Met	55%	58%
FY 2005	Met	57%	56%
FY 2004	Met	57%	55%
FY 2003	Met	57%	54%

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wave height accuracy (%)			
Year	Status	Actual	Target
FY 2011	Met	77%	74%
FY 2010	Met	76%	74%
FY 2009	Met	79%	74%
FY 2008	Met	77%	73%
FY 2007	Met	78%	73%
FY 2006	Met	70%	68%
FY 2005	Met	78%	67%
FY 2004	Met	70%	69%
FY 2003	Met	67%	66%

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less) (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Slightly Below	63%	65%
FY 2010	Met	65%	65%
FY 2009	Slightly Below	63%	64%
FY 2008	Slightly Below	62%	63%
FY 2007	Slightly Below	61%	62%
FY 2006	Not Met	43%	47%
FY 2005	Met	46%	46%
FY 2004	Slightly Below	45%	46%
FY 2003	Met	47%	45%

<sup>1</sup> From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less) (%) <sup>1</sup>			
Year	Status	Actual	Target
FY 2011	Met	38%	41%
FY 2010	Met	36%	42%
FY 2009	Met	38%	43%
FY 2008	Met	39%	44%
FY 2007	Met	40%	45%
FY 2006	Met	64%	64%
FY 2005	Not Met	63%	51%
FY 2004	Not Met	64%	52%
FY 2003	Not Met	64%	52%

<sup>1</sup> From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

## THEME 3: ENVIRONMENTAL STEWARDSHIP

**STRATEGIC GOAL:** *Promote economically-sound environmental stewardship and science*

ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$1,761.0	\$1,880.4	\$2,479.4	\$2,249.3	\$1,948.8
FTE	4,924	4,920	5,169	5,260	5,260 <sup>1</sup>
<sup>1</sup> Estimate.					

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

### OBJECTIVE 16: Support climate adaption and mitigation (NOAA)

OBJECTIVE 16 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$160.2	\$297.7	\$395.6	\$436.6	\$319.6
FTE	650	580	744	796	796 <sup>1</sup>
<sup>1</sup> Estimate.					

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
FY 2011	Met	22	21
FY 2010	Not Met	18	24
FY 2009	Exceeded	27.5	20
FY 2008	Exceeded	26	19
FY 2007	Exceeded	29	19
FY 2006	Exceeded	25	18
FY 2005	Met	19	18
FY 2004	Not Met	17	21
FY 2003	Not Met	17	20
FY 2002	Not Met	18	20

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in the magnitude of the North American (NA) carbon uptake			
Year	Status	Actual	Target
FY 2011	Met	0.45 GtC/year	0.45 GtC/year
FY 2010	Not Met	0.45 GtC/year	0.40 GtC/year
FY 2009	Met	0.40 GtC/year	0.30 GtC/year
FY 2008	Not Met	0.45 GtC/year	0.40 GtC/year
FY 2007	Not Met	0.44 GtC/year	0.40 GtC/year
FY 2006	Not Met	0.46 GtC/year	0.40 GtC/year
FY 2005	Not Met	0.53 GtC/year	0.48 GtC/year
FY 2004	Met	0.51 GtC/year	0.70 GtC/year
FY 2003	Not Met	0.57 GtC/year	0.50 GtC/year

NOAA PERFORMANCE MEASURE			
MEASURE: Error in global measurement of sea surface temperature			
Year	Status	Actual	Target
FY 2011	Slightly Below	0.51°C	0.50°C
FY 2010	Met	0.50°C	0.53°C
FY 2009	Met	0.50°C	0.50°C
FY 2008	Met	0.50°C	0.50°C
FY 2007	Not Met	0.53°C	0.50°C
FY 2006	Not Met	0.53°C	0.50°C

NOAA PERFORMANCE MEASURE			
MEASURE: Number of regionally focused climate impacts and adaptation studies communicated to decisionmakers			
Year	Status	Actual	Target
FY 2011	Met	41 assessments/evaluations	41 assessments/evaluations
FY 2010	Met	41 assessments/evaluations	41 assessments/evaluations
FY 2009	Met	37 assessments/evaluations	37 assessments/evaluations
FY 2008	Met	35 assessments/evaluations	35 assessments/evaluations
FY 2007	Met	32 assessments/evaluations	32 assessments/evaluations
FY 2006	Met	33 assessments/evaluations	32 assessments/evaluations

**OBJECTIVE 17: Develop sustainable and resilient fisheries, habitats, and species (NOAA)**

OBJECTIVE 17 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$986.0	\$973.6	\$1,245.4	\$1,125.8	\$1,067.7
FTE	2,983	2,994	3,058	3,105	3,105 <sup>1</sup>
<sup>1</sup> Estimate.					

NOAA PERFORMANCE MEASURE			
MEASURE: Fish stock sustainability index (FSSI)			
Year	Status	Actual	Target
FY 2011	Met	587	586
FY 2010	Met	582.5	580
FY 2009	Met	565.5	548.5
FY 2008	Met	535	530.5
FY 2007	Met	524	505

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of fish stocks with adequate population assessments and forecasts			
Year	Status	Actual	Target
FY 2011	Not Met	55.7% (128/230)	60.4% (139/230)
FY 2010	Met	57.4% (132/230)	57.4% (132/230)
FY 2009	Met	59.1% (136/230)	57.4% (132/230)
FY 2008	Met	56.1% (129/230)	55.7% (128/230)
FY 2007	Met	55.7% (128/230)	53.9% (124/230)
FY 2006	Not Met	52.2% (120/230)	57.8% (133/230)

NOAA PERFORMANCE MEASURE			
MEASURE: Number of protected species with adequate population assessments and forecasts			
Year	Status	Actual	Target
FY 2011	Not Met	17.6% (69/392)	18.6% (73/392)
FY 2010	Met	20.1% (75/373)	20.1% (75/373)
FY 2009	Met	29.8% (74/248)	27.8% (69/248)
FY 2008	Not Met	25.2% (61/242)	27.3% (66/242)
FY 2007	Met	26.6% (64/241)	26.6% (63/237)
FY 2006	Met	26.1% (61/234)	25.2% (59/464)

NOAA PERFORMANCE MEASURE			
MEASURE: Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels			
Year	Status	Actual	Target
FY 2011	Met	29	28 <sup>1</sup>
FY 2010	Met	29	25
FY 2009	Met	25	22
FY 2008	Met	24	22
FY 2007	Met	26	26
FY 2006	Met	26	24

<sup>1</sup> This target was revised from 25 to 28 as a result of the FY 2010 actual coming in higher than expected.

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual)			
Year	Status	Actual	Target
FY 2011	Exceeded	15,420	8,888
FY 2010	Not Met	6,907	8,875
FY 2009	Met	9,232	9,000
FY 2008	Exceeded	11,254	9,000
FY 2007	Met	5,974	5,000
FY 2006	Exceeded	7,598	4,500
FY 2005	Exceeded	8,333	4,500
FY 2004	Exceeded	5,563	3,700
FY 2003	Exceeded	5,200	2,829

**OBJECTIVE 18: Support coastal communities that are environmentally and economically sustainable (NOAA)**

OBJECTIVE 18 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$614.8	\$609.1	\$838.4	\$686.9	\$566.5
FTE	1,291	1,346	1,367	1,359	1,359 <sup>1</sup>

<sup>1</sup> Estimate.

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	Status	Actual	Target
FY 2011	Met	50	50
FY 2010	Slightly Below	48	50
FY 2009	Met	50	50
FY 2008	Met	45	45
FY 2007	Met	27	27
FY 2006	Met	62	53

NOAA PERFORMANCE MEASURE			
MEASURE: Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management			
Year	Status	Actual	Target
FY 2011	Met	55	45
FY 2010	Met	42	42
FY 2009	Met	41	41
FY 2008	Met	38	38
FY 2007	Met	35	35
FY 2006	Met	31	31

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management			
Year	Status	Actual	Target
FY 2011	Met	88%	87%
FY 2010	Met	88%	86%
FY 2009	Met	86%	86%
FY 2008	Met	86%	86%
FY 2007	Met	85%	85%

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection			
Year	Status	Actual	Target
FY 2011	Not Met	17,274	19,219
FY 2010	Met	2,000	2,000
FY 2009	Met	2,247	2,000
FY 2008	Exceeded	6,219	2,000
FY 2007	Exceeded	3,020	2,000
FY 2006	Exceeded	> 86,000,000 <sup>1</sup>	200,137

<sup>1</sup> The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument.

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year)			
Year	Status	Actual	Target
FY 2011	Exceeded	43%	36%

NOAA PERFORMANCE MEASURE			
MEASURE: Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)			
Year	Status	Actual	Target
FY 2011	Not Met	2,278	2,400
FY 2010	Not Met	4,395	5,160
FY 2009	Met	3,219	3,000
FY 2008	Not Met	2,127	2,500
FY 2007	Exceeded	3,198	1,350
FY 2006	Met	2,851	2,500
FY 2005	Met	3,079	2,700
FY 2004	Improved but Not Met	2,070	2,290
FY 2003	Not Met	1,762	2,100

<b>NOAA PERFORMANCE MEASURE</b>			
<b>MEASURE: Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Met	84.3%	83.0%
FY 2010	Met	79.0%	74.0%
FY 2009	Met	72.0%	69.0%
FY 2008	Met	60.2%	60.0%
FY 2007	Met	51.6%	49.0%
FY 2006	Met	43.3%	39.0%
FY 2005	Met	32.2%	28.0%

## THEME 4: CUSTOMER SERVICE

**STRATEGIC GOAL:** *Create a culture of outstanding communication and services to our internal and external customers*

CUSTOMER SERVICE TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$8.6	\$6.1	\$7.7	\$7.0	\$9.3
FTE	N/A	N/A	N/A	N/A	N/A

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

While funding has been allotted to Objectives 19, 20, and 21, measures had not yet been developed in time for the FY 2011 budget cycle. Therefore, they do not appear in this PAR. Measures for these objectives will appear in the FY 2012 PAR.

**OBJECTIVE 19: Provide streamlined services and a single point of contact assistance to customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)**

OBJECTIVE 19 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	N/A	N/A	N/A	N/A	\$0.9
FTE	N/A	N/A	N/A	N/A	N/A

**OBJECTIVE 20: Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value for customers (DM)**

OBJECTIVE 20 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	N/A	N/A	N/A	N/A	N/A
FTE	N/A	N/A	N/A	N/A	N/A

**OBJECTIVE 21: Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)**

OBJECTIVE 21 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$8.6	\$6.1	\$7.7	\$7.0	\$8.4
FTE	N/A	N/A	N/A	N/A	N/A

## THEME 5: ORGANIZATIONAL EXCELLENCE

**STRATEGIC GOAL:** *Create a high-performing organization with integrated, efficient, and effective service delivery*

ORGANIZATIONAL EXCELLENCE TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$58.5	\$56.6	\$67.2	\$81.7	\$76.5
FTE	302	297	278	349	334

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

**OBJECTIVE 22:** *Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)*

OBJECTIVE 22 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$49.1	\$48.4	\$53.9	\$66.2	\$59.2
FTE	302	297	278	349	334

DM PERFORMANCE MEASURE			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management			
Year	Status	Actual	Target
FY 2011	Met	<ul style="list-style-type: none"> <li>Eliminated significant deficiency</li> <li>Completed A-123 assessment</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency</li> <li>Complete FY 2011 A-123 assessment of internal controls</li> </ul>
FY 2010	Not Met	<ul style="list-style-type: none"> <li>One significant deficiency was not eliminated</li> <li>Completed FY 2010 A-123 assessment of internal controls for financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency</li> <li>Complete FY 2010 A-123 assessment of internal controls</li> </ul>
FY 2009	Not Met	<ul style="list-style-type: none"> <li>One significant deficiency was not eliminated</li> <li>Completed FY 2009 A-123 assessment of internal controls for financial reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency</li> <li>Complete FY 2009 A-123 assessment of internal controls</li> </ul>
FY 2008	Not Met	<ul style="list-style-type: none"> <li>The Department closed 70% of prior year financial systems audit findings</li> <li>Completed FY 2008 A-123 assessment of internal controls for financial reporting</li> <li>Significant deficiency was not eliminated</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete FY 2008 A-123 assessment of internal controls</li> </ul>
FY 2007	Not Met	<ul style="list-style-type: none"> <li>Completed migration of Commerce Business System.</li> <li>Completed assessment of internal controls</li> <li>Significant deficiency was not eliminated</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any significant deficiency within 1 year of determination</li> <li>Complete internal control and document review</li> <li>Complete FY 2007 A-123 assessment of internal controls</li> <li>Migrate Commerce Business System to an all Web-base architecture</li> </ul>

(continued)

DM PERFORMANCE MEASURE (continued)			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (continued)			
Year	Status	Actual	Target
FY 2006	Not Met	<ul style="list-style-type: none"> <li>Reportable condition not eliminated</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any reportable condition within 1 year of determination</li> <li>95% of management with access to the CRS have financial data/reports by the 15th of month</li> </ul>
FY 2005	Not Met	<ul style="list-style-type: none"> <li>Corrective action plan (CAP) met</li> <li>Reportable condition not eliminated</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate any reportable condition within 1 year of the determination that there is a reportable condition</li> <li>90% of management that have access to the Consolidated Reporting System (CRS) have financial data/reports available within 1 day of the 15th of the month after submitting the raw data to the CRS</li> </ul>
FY 2004	Met	100%	100%
FY 2003	Met	100%	100%
FY 2002	Met	100%	100%

DM PERFORMANCE MEASURE			
MEASURE: Effectively use commercial services management			
Year	Status	Actual	Target
FY 2011	Met	<ul style="list-style-type: none"> <li>&gt; 2%</li> <li>&gt; 10%</li> </ul>	<ul style="list-style-type: none"> <li>Increase use of competition by 2% measured by procurement dollars awarded</li> <li>Decrease procurement dollars awarded on cost-reimbursement, time and materials, and labor hours contracts by 10%</li> </ul>
FY 2010	N/A	<ul style="list-style-type: none"> <li>Maintained and monitored existing activities, however, no new cost comparisons were permitted under this year's appropriation language, therefore the result is considered not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Increase use of competition by 2%, measured by procurement dollars awarded</li> <li>Decrease procurement dollars awarded on a cost-reimbursement, time and materials, and labor hours contracts by 10%</li> </ul>
FY 2009	Met	<ul style="list-style-type: none"> <li>Due to change in Administration, all new competitive sourcing comparisons have been placed on hold. The same is true for the Green Plan.</li> <li>2009 FAIR Act Inventory filed timely with OMB</li> </ul>	<ul style="list-style-type: none"> <li>Use business process re-engineering, feasibility studies, and/or similar initiatives to identify operational efficiency and effectiveness opportunities</li> </ul>
FY 2008	Met	<ul style="list-style-type: none"> <li>Completed several feasibility studies in FY 2008 and planned several more for FY 2009</li> </ul>	<ul style="list-style-type: none"> <li>Use business process re-engineering, feasibility studies, and/or similar initiatives to identify operational efficiency and effectiveness opportunities</li> </ul>
FY 2007	Met	<ul style="list-style-type: none"> <li>Bureaus identified FY 2008 feasibility studies which were submitted as part of the Green Plan</li> </ul>	<ul style="list-style-type: none"> <li>Update and/or continue to implement FY 2006 plan to conduct feasibility studies of Department commercial functions to determine potential new competitions/studies in the outyears</li> </ul>
FY 2006	Met	<ul style="list-style-type: none"> <li>Green Plan submitted to OMB on 9/28/2006</li> </ul>	<ul style="list-style-type: none"> <li>Finalize new green competition plan based on 08/2005 CFO council outcome</li> </ul>
FY 2005	Met	<ul style="list-style-type: none"> <li>Feasibility studies nominated for 168 FTE</li> </ul>	<ul style="list-style-type: none"> <li>Complete feasibility studies for 168 FTE to determine 2005-2006 studies</li> </ul>
FY 2004	Met	<ul style="list-style-type: none"> <li>New FAIR inventory guidance developed</li> </ul>	<ul style="list-style-type: none"> <li>Multi-year plan under development</li> </ul>
FY 2003	Not Met	<ul style="list-style-type: none"> <li>Completed competition on 6.6%</li> </ul>	<ul style="list-style-type: none"> <li>Complete competitions on 10%</li> </ul>
FY 2002	Not Met	<ul style="list-style-type: none"> <li>Completed competition on 1%</li> </ul>	<ul style="list-style-type: none"> <li>Complete competition on 5%</li> </ul>

OIG PERFORMANCE MEASURE			
MEASURE: Percent of OIG recommendations accepted by Departmental and bureau management			
Year	Status	Actual	Target
FY 2011	Slightly Below	94%	95%
FY 2010	Met	95%/100%	95%
FY 2009	Met	97%	95%
FY 2008	Met	100%	95%
FY 2007	Met	96%	95%
FY 2006	Met	96%	95%
FY 2005	Met	99%	90%
FY 2004	Met	98%	90%
FY 2003	Met	97%	90%

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by the OIG			
Year	Status	Actual	Target
FY 2011	Not Met	\$33.6M	\$39.0M
FY 2010	Exceeded	\$47.8M	\$38.0M
FY 2009	Exceeded	\$126.9M	\$32.0M
FY 2008	Exceeded	\$113.0M	\$28.0M
FY 2007	Exceeded	\$51.7M	\$29.6M
FY 2006	Met	\$34.2M	\$30.0M
FY 2005	Exceeded	\$32.0M	\$23.0M
FY 2004	Exceeded	\$26.0M	\$20.0M
FY 2003	Exceeded	\$43.3M	\$20.0M

OIG PERFORMANCE MEASURE			
MEASURE: Percent of criminal and civil matters that are accepted for prosecution			
Year	Status	Actual	Target
FY 2011	Slightly Below	73%	75%
FY 2010	Not Met	61%	75%
FY 2009	Met	78%	63%
FY 2008	Met	73%	63%
FY 2007	Met	73%	63%
FY 2006	Exceeded	91%	63%
FY 2005	Exceeded	81%	62%
FY 2004	Exceeded	67%	50%
FY 2003	Met	50%	50%

**OBJECTIVE 23: Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)**

<b>OBJECTIVE 23 TOTAL RESOURCES</b> <i>(Dollars in Millions)</i>					
	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>
Funding	\$3.2	\$3.0	\$4.0	\$3.6	\$3.9
FTE	N/A	N/A	N/A	N/A	N/A

<b>DM PERFORMANCE MEASURE</b>			
<b>MEASURE: Obligate funds through performance-based contracting (% of eligible service contracting \$)</b>			
<b>Year</b>	<b>Status</b>	<b>Actual</b>	<b>Target</b>
FY 2011	Not Met	39%	50%
FY 2010	Not Met	37%	50%
FY 2009	Improved but Not Met	45%	50%
FY 2008	Not Met	28%	50%
FY 2007	Not Met	28%	40%
FY 2006	Not Met	30%	50%
FY 2005	Not Met	< 50%	50%
FY 2004	Met	42%	40%
FY 2003	Not Met	24%	30%
FY 2002	Met	31%	25%

**OBJECTIVE 24: Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)**

<b>OBJECTIVE 24 TOTAL RESOURCES</b> <i>(Dollars in Millions)</i>					
	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Actual</b>
Funding	\$6.2	\$5.2	\$9.3	\$11.9	\$13.4
FTE	N/A	N/A	N/A	N/A	N/A

DM PERFORMANCE MEASURE			
MEASURE: Improve the management of information technology			
Year	Status	Actual	Target
FY 2011	Met	<ul style="list-style-type: none"> <li>All IT investments within 10% of cost and schedule</li> <li>Reviews completed</li> <li>89% completion rate</li> <li>NCS D 3-10 did not receive funding</li> </ul>	<ul style="list-style-type: none"> <li>IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>Increase security training completion rate to 80% for privileged users (role-based)</li> <li>Deploy 80% of the required NCS D 3-10 communications capabilities. Expand cyber intelligence communications channel to all operating unit Computer Incident Response Teams</li> </ul>
FY 2010	Met	<ul style="list-style-type: none"> <li>IT had investments had cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Completed security and vulnerability assessments for all operating units. Submitted findings and recommendations to operating units and OCIO for review.</li> <li>Implemented cybersecurity development program and graduated 20 candidates from the Department's first class. Enrolled candidates in the program's second class. More than eight candidates have obtained or are planning to obtain security-related certifications.</li> <li>Deployed national security and emergency network in the development environment. Received official approval to connect from Defense Intelligence Agency.</li> </ul>	<ul style="list-style-type: none"> <li>IT investments have cost/schedule overruns and performance shortfalls averaging less than 10%</li> <li>Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM</li> <li>Deploy an enterprise-wide role-based cybersecurity training program</li> <li>Deploy national security and emergency initial operating capability</li> </ul>
FY 2009	Met	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls averaged under 10%</li> <li>CSAM C&amp;A enhancements were deployed</li> <li>IT security compliance in all operating units and five FISMA systems in CSAM were reviewed</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>
FY 2008	Met	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited with acceptable, quality documentation in place</li> </ul>
FY 2007	Met	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>
FY 2006	Met	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>	<ul style="list-style-type: none"> <li>Cost/schedule overruns/performance shortfalls less than 10%</li> <li>All national-critical and mission-critical systems certified and accredited</li> </ul>
FY 2005	Met	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> </ul>	<ul style="list-style-type: none"> <li>Cost overruns and performance shortfalls less than 10%</li> </ul>

## THEME 6: WORKFORCE EXCELLENCE

**STRATEGIC GOAL:** *Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission*

WORKFORCE EXCELLENCE TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$5.1	\$4.9	\$6.0	\$5.4	\$5.4
FTE	N/A	N/A	N/A	N/A	N/A

This theme has only one goal. Therefore the Funding and FTE resources for the theme and the strategic goal are the same.

While funding has been allotted to Objectives 26 and 27, measures had not yet been developed in time for the FY 2011 budget cycle. Therefore, they do not appear in this PAR. Measures for these objectives will appear in the FY 2012 PAR.

**OBJECTIVE 25: Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)**

OBJECTIVE 25 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	\$5.1	\$4.9	\$6.0	\$5.4	\$5.4
FTE	N/A	N/A	N/A	N/A	N/A

DM PERFORMANCE MEASURE			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations			
Year	Status	Actual	Target
FY 2011	Exceeded	<ul style="list-style-type: none"> <li>Four mission-critical occupations</li> <li>83 calendar days</li> <li>103 participants in leadership development</li> <li>382 participants in Careers in Motion</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 80-day hiring goals mandated by OPM</li> <li>Train 100-200 participants on leadership development programs via ALDP, ELDP, and APCP</li> <li>Train 180-200 participants via Careers in Motion</li> </ul>
FY 2010	Met	<ul style="list-style-type: none"> <li>Produced competency models for four mission-critical occupations</li> <li>Established a hiring process baseline at 133 days</li> <li>Trained 98 ALDP, ELDP, and APCP participants via leadership programs and 181 employees via the Careers in Motion Program</li> <li>Integrated Commerce Learning Center in program administration to enhance measurement of results</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 80-day hiring goals mandated by OPM</li> <li>Train up to 50-70 participants on leadership development programs via ALDP, ELDP, and APCP, and 180-200 participants via Careers in Motion</li> <li>Integrate Commerce Learning Center in program administration to enhance tracking and progress monitoring</li> </ul>

(continued)

DM PERFORMANCE MEASURES (continued)			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations (continued)			
Year	Status	Actual	Target
FY 2009	Exceeded	<ul style="list-style-type: none"> <li>Competency models in place for four series including budget analyst, meteorologist, oceanographer, and hydrologist</li> <li>Average time to fill of 31 days for non-SES candidates</li> <li>100 trainees graduated from leadership development programs</li> <li>Department employees nationwide applied to ALDP</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in workforce recruitment, training, and development activities</li> <li>Meet or exceed the 45-day hiring goals mandated by OPM</li> <li>Train up to 50-60 participants on leadership development programs via ALDP, ELDP, and ACP</li> <li>Open ALDP to Department employees nationwide</li> </ul>
FY 2008	Exceeded	<ul style="list-style-type: none"> <li>Delivered a total of four competency models for the economist, acquisition, mathematical statistician, and chemist series</li> <li>Exceeded the OPM 45-day-time-to-hire standard with an average fill time of 31 days for non-SES vacancies</li> </ul>	<ul style="list-style-type: none"> <li>Have new competency models in place for three mission-critical occupations for use in applicant selections and training and development decisions</li> <li>Meet or exceed the 45-day hiring goals mandated by OPM</li> </ul>
FY 2007	Met	<ul style="list-style-type: none"> <li>Trained post-secondary internship program applicants to increase applicant pools</li> <li>Trained managers to make better hiring decisions</li> <li>Trained employees in project management to close skill gaps</li> </ul>	<ul style="list-style-type: none"> <li>Improve recruitment strategies via targeted activities</li> <li>Assist managers in making better selections</li> <li>Close skill gaps</li> </ul>
FY 2006	Met	<ul style="list-style-type: none"> <li>Marketed job vacancies to organizations via automated hiring system</li> <li>Participated in career fairs and special programs</li> <li>Conducted training of managers and employees</li> </ul>	<ul style="list-style-type: none"> <li>Improve recruitment strategies via targeted activities</li> <li>Assist managers in making better selections</li> <li>Close skill gaps</li> </ul>
FY 2005	Met	<ul style="list-style-type: none"> <li>Improved from 28% to 29%</li> <li>Maintained 30 day fill-time</li> </ul>	<ul style="list-style-type: none"> <li>Improve representation in underrepresented groups</li> <li>Maintain 30 day fill-time</li> </ul>

**OBJECTIVE 26: Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)**

OBJECTIVE 26 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	N/A	N/A	N/A	N/A	N/A
FTE	N/A	N/A	N/A	N/A	N/A

**OBJECTIVE 27: Provide an environment that empowers employees and creates a productive and safe workplace (DM)**

OBJECTIVE 27 TOTAL RESOURCES (Dollars in Millions)					
	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual
Funding	N/A	N/A	N/A	N/A	N/A
FTE	N/A	N/A	N/A	N/A	N/A

**CROSSWALK BETWEEN THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN  
AND FY 2007 – FY 2012 (OLD) STRATEGIC PLAN**

With the completion of the new strategic plan in FY 2011, the Department implemented the structure of the new strategic plan as the structure of the FY 2011 PAR. The first table below is a crosswalk from the new strategic plan to the old strategic plan. The second table shows where the FY 2010 measures appear in the new structure (and the FY 2011 PAR) including which measures have been discontinued in FY 2011 and don't appear in this PAR. The third table shows the bureaus and where they appear in the old strategic plan and the new strategic plan.

CROSSWALK BETWEEN THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN AND FY 2007 – FY 2012 (OLD) STRATEGIC PLAN	
FY 2011 – FY 2016 STRATEGIC PLAN (NEW)	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)
New Objective	Old Goal, Objective(s)/Outcome(s) which most closely match
Objective 1: Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.2: Protect intellectual property and improve the patent and trademark system (portion) <ul style="list-style-type: none"> <li>● Optimize patent quality and timeliness (USPTO)</li> <li>● Optimize trademark quality and timeliness (USPTO)</li> </ul>
Objective 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.2: Protect intellectual property and improve the patent and trademark system (portion) <ul style="list-style-type: none"> <li>● Provide domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide (USPTO)</li> </ul>
Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA, NIST)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.1: Advance measurement science and standards that drive technological change <ul style="list-style-type: none"> <li>● Promote U.S. competitiveness by directing federal investment and R&amp;D into areas of critical national need that support, promote, and accelerate high-risk, high-reward research and innovation in the United States (NIST)</li> </ul>
Objective 4: Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.3: Advance global e-commerce as well as telecommunications and information services <ul style="list-style-type: none"> <li>● Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)</li> <li>● Ensure the effective implementation of the Broadband Technology Opportunities Program (NTIA)</li> </ul>
Objective 5: Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency (NIST)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.1: Advance measurement science and standards that drive technological change <ul style="list-style-type: none"> <li>● Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurement and standards infrastructure (NIST)</li> </ul>

(continued)

CROSSWALK BETWEEN THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN AND FY 2007 – FY 2012 (OLD) STRATEGIC PLAN <i>(continued)</i>	
FY 2011 – FY 2016 STRATEGIC PLAN (NEW)	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)
New Objective	Old Goal, Objective(s)/Outcome(s) which most closely match
Objective 6: Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)	New – no corresponding objective
Objective 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <p>Objective 1.1: Foster domestic economic development as well as export opportunities</p> <ul style="list-style-type: none"> <li>● Promote private investment and job creation in economically distressed communities (EDA)</li> <li>● Improve community capacity to achieve and sustain economic growth (EDA)</li> <li>● Increase access to the marketplace and financing for minority-owned businesses (MBDA)</li> </ul>
Objective 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <p>Objective 1.1: Foster domestic economic development as well as export opportunities</p> <ul style="list-style-type: none"> <li>● Strengthen U.S. competitiveness in domestic and international markets (ITA)</li> </ul> <p>Objective 1.4: Position manufacturers to compete in a global economy</p> <ul style="list-style-type: none"> <li>● Increase the productivity, profitability, and competitiveness of manufacturers (NIST)</li> </ul>
Objective 9: Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <p>Objective 1.1: Foster domestic economic development as well as export opportunities</p> <ul style="list-style-type: none"> <li>● Broaden and deepen U.S. exporter base (ITA)</li> </ul> <p>Objective 1.2: Advance responsible economic growth and trade while protecting American security</p> <ul style="list-style-type: none"> <li>● Identify and resolve unfair trade practices (ITA)</li> </ul>
Objective 10: Implement an effective export control reform program to advance national security and overall economic competitiveness (BIS)	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <p>Objective 1.2: Advance responsible economic growth and trade while protecting American security</p> <ul style="list-style-type: none"> <li>● Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)</li> <li>● Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)</li> <li>● Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)</li> </ul>

*(continued)*

CROSSWALK BETWEEN THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN AND FY 2007 – FY 2012 (OLD) STRATEGIC PLAN <i>(continued)</i>	
FY 2011 – FY 2016 STRATEGIC PLAN (NEW)	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)
New Objective	Old Goal, Objective(s)/Outcome(s) which most closely match
Objective 11: Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)	New – no corresponding objective
Objective 12: Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/ countervailing duty remedies (ITA)	Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers Objective 1.1: Foster domestic economic development as well as export opportunities ● Strengthen U.S. competitiveness in domestic and international markets (ITA)
Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)	Goal 2: Promote U.S. innovation and industrial competitiveness Objective 2.1: Advance measurement science and standards that drive technological change ● Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)
Objective 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)	Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public ● Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS) ● Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS) ● Provide timely, relevant, and accurate economic statistics (ESA/BEA)
Objective 15: Improve weather, water, and climate reporting and forecasting (NOAA)	Goal 3: Promote environmental stewardship Objective 3.3: Provide accurate and timely weather and water information (NOAA) Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation (portion) (NOAA)
Objective 16: Support climate adaptation and mitigation (NOAA)	Goal 3: Promote environmental stewardship Objective 3.2: Advance understanding of climate variability and change (NOAA)
Objective 17: Develop sustainable and resilient fisheries, habitats, and species (NOAA)	Goal 3: Promote environmental stewardship Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources (portion) (NOAA)
Objective 18: Support coastal communities that are environmentally and economically sustainable (NOAA)	Goal 3: Promote environmental stewardship Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources (portion) (NOAA) Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation (portion) (NOAA)

*(continued)*

CROSSWALK BETWEEN THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN AND FY 2007 – FY 2012 (OLD) STRATEGIC PLAN <i>(continued)</i>	
FY 2011 – FY 2016 STRATEGIC PLAN (NEW)	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)
New Objective	Old Goal, Objective(s)/Outcome(s) which most closely match
Objective 19: Provide streamlined services and a single point of contact assistance for customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)	New – no corresponding objective
Objective 20: Promote information access and transparency through the use of technology, fuller understanding customer requirements, and new data products and services that add value to customers (DM)	New – no corresponding objective
Objective 21: Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)	New – no corresponding objective
Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)	Management Integration Goal: Achieve organizational and management excellence <ul style="list-style-type: none"> <li>● Ensure effective resource stewardship in support of the Department's programs (DM)</li> <li>● Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)</li> </ul>
Objective 23: Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)	New – no corresponding objective
Objective 24: Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)	Management Integration Goal: Achieve organizational and management excellence <ul style="list-style-type: none"> <li>● Acquire and manage technology resources to support program goals (DM)</li> </ul>
Objective 25: Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)	Management Integration Goal: Achieve organizational and management excellence <ul style="list-style-type: none"> <li>● Ensure retention of highly qualified staff in mission-critical positions (DM)</li> </ul>
Objective 26: Create an optimally-led Department by focusing on leadership development, accountability, and succession planning (DM)	New – no corresponding objective
Objective 27: Provide an environment that empowers employees and creates a productive and safe workplace (DM)	New – no corresponding objective

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
<b>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</b>		
Objective 1.1: Foster domestic economic development as well as export opportunities	Private investment leveraged – 9 year totals (EDA)	Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization
	Private investment leveraged – 6 year totals (EDA)	
	Private investment leveraged – 3 year totals (EDA)	
	Jobs created/retained – 9 year totals (EDA)	
	Jobs created/retained – 6 year totals (EDA)	
	Jobs created/retained – 3 year totals (EDA)	
	Percentage of Economic Development Districts (EDD) and Indian tribes implementing economic development projects from the Comprehensive Economic Development Strategy (CEDS) that lead to private investment and jobs (EDA)	Objective 6: Promote the advancement of sustainable technologies, industries, and infrastructure
	Percentage of sub-state jurisdiction members actively participating in the Economic Development District (EDD) program (EDA)	Objective 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas
	Percentage of University Center clients taking action as a result University Center assistance (EDA)	Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization
	Percentage of those actions taken by University Center clients that achieve the expected results (EDA)	

(continued)

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 1.1: Foster domestic economic development as well as export opportunities (continued)	Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs (EDA)	Objective 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas
	Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results (EDA)	
	Dollar value of contract awards obtained (MBDA)	
	Dollar value of financial awards obtained (MBDA)	
	Number of new job opportunities created (MBDA)	
	Cumulative economic impact (MBDA)	
	Percent increase in client gross receipts (MBDA)	Discontinued
	Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis (ITA)	Objective 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries
	Percent of industry-specific trade barriers addressed that were removed or prevented (ITA)	Objective 12: Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies
	Percent of industry-specific trade barrier milestones completed (ITA)	
	Export success firms/active client firms (annual) (ITA)	Objective 9: Increase U.S. export value through an emphasis on trade promotion, market access, compliance, and interagency cooperation (including support for small and medium enterprises)
	Increase in the annual growth rate of total small and medium-sized (SME) exporters (ITA) <sup>1</sup>	
	US&FCS SME NTE/total change in SME exporters (annual) (ITA)	
	Commercial diplomacy success (cases) (annual) (ITA)	
	Percentage of advocacy bids won (ITA)	
Number of SME NTM firms/SME firms exporting to two to nine markets (annual) (ITA)		

<sup>1</sup> This measure was formerly known as “Increase in the percent of small and medium-sized firms that export (ITA).” It will be discontinued in FY 2012.

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 1.1: Foster domestic economic development as well as export opportunities (continued)	Percent of agreement milestones completed (ITA)	Objective 12: Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies
	Objective 1.2: Advance responsible economic growth and trade while protecting American security	
Value of compliance and market access cases resolved successfully (ITA)		
Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines (ITA)		
Percent of ministerial errors in IA's dumping and subsidy calculations (ITA)		
Percent reduction in trade distorting foreign subsidy programs (ITA)		
Percent of licenses requiring interagency referral referred within 9 days (BIS)	Objective 10: Implement an effective export control reform program to advance national security and overall economic competitiveness	
Median processing time for new regime regulations (months) (BIS)		
Percent of attendees rating seminars highly (BIS)		
Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations (BIS)		
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge (BIS)		
Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR) (BIS)		
Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification (BIS)		
Number of end-use checks completed (BIS)		
Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls (BIS)		

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public	Correct street features in the TIGER (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President’s Management Agenda (ESA/CENSUS)	Objective 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services
	Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (ESA/CENSUS)	
	Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI) (ESA/CENSUS)	
	Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	
	Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	
	Timeliness: Reliability of delivery of economic statistics (number of scheduled releases issued on time) (ESA/BEA)	
	Relevance: Customer satisfaction (mean rating on a 5-point scale) (ESA/BEA)	
	Accuracy: Percent of GDP estimates correct (ESA/BEA)	
	Complete all major strategic plan milestones related to improving the economic accounts (ESA/BEA)	
Objective 1.4: Position manufacturers to compete in a global economy	Number of clients served by Hollings MEP centers receiving federal funding (NIST)	Objective 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries
	Increased sales attributed to Hollings MEP centers receiving federal funding (NIST)	
	Capital investment attributed to Hollings MEP centers receiving federal funding (NIST)	
	Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
<b>Goal 2: Promote U.S. innovation and industrial competitiveness</b>		
Objective 2.1: Advance measurement science and standards that drive technological change	Qualitative assessment and review of technical quality and merit using peer review (NIST)	Objective 5: Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency
	Citation impact of NIST-authored publications (NIST)	
	Peer-reviewed technical publications produced (NIST)	
	Standard Reference Materials (SRM) sold (NIST)	
	NIST-maintained datasets downloaded (NIST)	
	Number of calibration tests performed (NIST)	
	Number of updated items available (annual) (NTIS)	Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety
	Number of information products disseminated (annual) (NTIS)	
	Customer satisfaction (NTIS)	
NIST began tracking these lagging measures related to the Technology Innovation Program (TIP) in FY 2009, however, the results will not be available until FY 2012.	Cumulative number of TIP projects funded (NIST)	Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization
	Cumulative number of publications (NIST)	
	Cumulative number of patent applications (NIST)	
	Cumulative number of projects generating continued R&D (NIST)	
	Cumulative number of projects with technologies under adoption (NIST)	

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 2.2: Protect intellectual property and improve the patent and trademark system	Non-final in-process compliance rate (USPTO)	Objective 1: Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks
	Final rejection allowance compliance rate (USPTO)	
	Patent first action pendency (months) (USPTO)	
	Patent total pendency (months) (USPTO)	
	Patent applications filed electronically (USPTO)	
	Trademark first action compliance rate (USPTO)	
	Trademark final compliance rate (USPTO)	
	Trademark first action pendency (months) (USPTO)	
	Trademark average total pendency (months), excluding suspended and inter partes proceedings (USPTO)	
	Trademark applications processed electronically (USPTO)	
	Percent of prioritized countries that have implemented at least 75% of action steps in the country-specific action plans toward progress in: institutional improvements of IP enforcement entities, IP office administration, and the establishment of government-to-government cooperative mechanisms to improve IP laws and regulations (USPTO)	Objective 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 2.3: Advance global e-commerce as well as telecommunications and information services	Update the spectrum inventory first established in FY 2010 (NTIA)	Objective 4: Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce
	Identify up to 500 MHz of spectrum to support commercial broadband services or products (NTIA)	
	Miles of broadband networks deployed (infrastructure projects) (NTIA) [Note: This is a Priority Goal]	
	Community anchor institutions connected (infrastructure projects) (NTIA) [Note: This is a Priority Goal]	
	New and upgraded public computer workstations (public computer centers projects) (NTIA) [Note: This is a Priority Goal]	
	New household and business subscribers to broadband (sustainable broadband adoption projects) (NTIA) [Note: This is a Priority Goal]	
	Percent of NTIA positions substantially adopted or successful at international meetings (NTIA)	Objective 11: Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector
Annual progress report on the Test-Bed program (NTIA)	Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety	

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
<b>Goal 3: Promote environmental stewardship</b>		
Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources	Fish stock sustainability index (FSSI) (NOAA)	Objective 17: Develop sustainable and resilient fisheries, habitats, and species
	Percentage of fish stocks with adequate population assessments and forecasts (NOAA)	
	Number of protected species with adequate population assessments and (NOAA)	
	Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels (NOAA)	
	Number of habitat acres restored (annual) (NOAA)	
	Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs (NOAA)	Objective 18: Support coastal communities that are environmentally and economically sustainable
	Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management (NOAA)	
	Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management (NOAA)	
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)		
New measure beginning in FY 2011	Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year) (NOAA)	
Objective 3.2: Advance understanding of climate variability and change	U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made) (NOAA)	Objective 16: Support climate adaptation and mitigation
	Uncertainty in the magnitude of the North American (NA) carbon uptake (NOAA)	
	Error in global measurement of sea surface temperature (NOAA)	
	Number of regionally focused climate impacts and adaptation studies communicated to decisionmakers (NOAA)	
	Uncertainty in model simulations of the influence of aerosols on climate (NOAA)	Discontinued

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
Objective 3.3: Provide accurate and timely weather and water information	Severe weather warnings for tornados (storm-based) – Lead time (minutes) (NOAA)	Objective 15: Improve weather, water, and climate reporting and forecasting
	Severe weather warnings for tornadoes (storm-based) – Accuracy (%) (NOAA)	
	Severe weather warnings for tornadoes (storm-based) – False alarm rate (%) (NOAA)	
	Severe weather warnings for flash floods (storm-based) – Lead time (minutes) (NOAA)	
	Severe weather warnings for flash floods (storm-based) – Accuracy (%) (NOAA)	
	Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	
	Hurricane forecast intensity error (48 hours) (difference in knots) (NOAA)	
	Accuracy (%) (threat score) of day 1 precipitation forecasts (NOAA)	
	Winter storm warnings – Lead time (hours) (NOAA)	
	Winter storm warnings – Accuracy (%) (NOAA)	
Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation	Marine wind speed accuracy (%) (NOAA)	Objective 18: Support coastal communities that are environmentally and economically sustainable
	Marine wave height accuracy (%) (NOAA)	
	Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less) (%) (NOAA)	
	Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less) (%) (NOAA)	
	Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)	
	Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity (NOAA)	

*(continued)*

CROSSWALK OF MEASURES BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	PERFORMANCE MEASURES (BUREAU)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
<b>Management Integration Goal</b> (no objectives existed within this goal)	Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources
	Effectively use commercial services management (DM)	
	Percentage of OIG recommendations accepted by Departmental and bureau management (OIG)	
	Dollar value of financial benefits identified by the OIG (OIG)	
	Percentage of criminal and civil matters that are accepted for prosecution (OIG)	Objective 23: Re-engineer key business practices to increase efficiencies, manage risk, and strengthen effectiveness
	Obligate funds through performance-based contracting (% of eligible service contracting \$) (DM)	
	Improve the management of information technology (DM)	
	Acquire and maintain diverse and highly qualified staff in mission-critical occupations (DM)	Objective 24: Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats
		Objective 25: Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers

CROSSWALK OF BUREAUS BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN		
BUREAU	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
DM	Management Integration Goal	<p>Customer Service Theme</p> <ul style="list-style-type: none"> <li>● Objective 19: Provide streamlined services and a single point of contact assistance for customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement</li> <li>● Objective 20: Promote information access and transparency through the use of technology, fuller understanding of customer requirements, and new data products and services that add value to customers</li> <li>● Objective 21: Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees</li> </ul>
		<p>Organizational Excellence Theme</p> <ul style="list-style-type: none"> <li>● Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources</li> <li>● Objective 23: Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness</li> <li>● Objective 24: Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats</li> </ul>
		<p>Workforce Excellence Theme</p> <ul style="list-style-type: none"> <li>● Objective 25: Recruit, grow, develop, and retain a high-performing, diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers</li> <li>● Objective 26: Create an optimally-led Department by focusing on leadership development, accountability, and succession planning</li> <li>● Objective 27: Provide an environment that empowers employees and creates a productive and safe workplace</li> </ul>
OIG	Management Integration Goal	<p>Organizational Excellence Theme</p> <ul style="list-style-type: none"> <li>● Objective 22: Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources</li> </ul>

(continued)

CROSSWALK OF BUREAUS BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
BUREAU	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
EDA	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.1: Foster domestic economic development as well as export opportunities</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization</li> <li>● Objective 6: Promote the advancement of sustainable technologies, industries, and infrastructure</li> <li>● Objective 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas</li> </ul>
ESA/CENSUS	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public</li> </ul>	<p>Science and Information Theme</p> <ul style="list-style-type: none"> <li>● Objective 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services</li> </ul>
ESA/BEA	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public</li> </ul>	<p>Science and Information Theme</p> <ul style="list-style-type: none"> <li>● Objective 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services</li> </ul>
ITA	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.1: Foster domestic economic development as well as export opportunities</li> <li>● Objective 1.2: Advance responsible economic growth and trade while protecting American security</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries</li> <li>● Objective 9: Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises)</li> <li>● Objective 12: Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies</li> </ul>
BIS	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.2: Advance responsible economic growth and trade while protecting American security</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 10: Implement an effective export control reform program to advance national security and economic competitiveness</li> </ul>
MBDA	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.1: Foster domestic economic development as well as export opportunities</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 7: Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas</li> </ul>

*(continued)*

CROSSWALK OF BUREAUS BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
BUREAU	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
NOAA	<p>Goal 3: Promote environmental stewardship</p> <ul style="list-style-type: none"> <li>● Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources</li> <li>● Objective 3.2: Advance understanding of climate variability and change</li> <li>● Objective 3.3: Provide accurate and timely weather and water information</li> <li>● Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation</li> </ul>	<p>Science and Information Theme</p> <ul style="list-style-type: none"> <li>● Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety</li> <li>● Objective 14: Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services</li> <li>● Objective 15: Improve weather, water, and climate reporting and forecasting</li> </ul> <p>Environmental Stewardship Theme</p> <ul style="list-style-type: none"> <li>● Objective 16: Support climate adaptation and mitigation</li> <li>● Objective 17: Develop sustainable and resilient fisheries, habitats, and species</li> <li>● Objective 18: Support coastal communities that are environmentally and economically sustainable</li> </ul>
USPTO	<p>Goal 2: Promote U.S. innovation and industrial competitiveness</p> <ul style="list-style-type: none"> <li>● Objective 2.2: Protect intellectual property and improve the patent and trademark system</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 1: Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks</li> <li>● Objective 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights</li> </ul>
NIST	<p>Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers</p> <ul style="list-style-type: none"> <li>● Objective 1.4: Position manufacturers to compete in a global economy</li> </ul> <p>Goal 2: Promote U.S. innovation and industrial competitiveness</p> <ul style="list-style-type: none"> <li>● Objective 2.1: Advance measurement science and standards that drive technological change</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 3: Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization</li> <li>● Objective 5: Provide measurement tools and standards to strengthen manufacturing, enable innovation, and increase efficiency</li> <li>● Objective 8: Improve the competitiveness of small and medium-sized firms in manufacturing and service industries</li> </ul>
NTIS	<p>Goal 2: Promote U.S. innovation and industrial competitiveness</p> <ul style="list-style-type: none"> <li>● Objective 2.1: Advance measurement science and standards that drive technological change</li> </ul>	<p>Science and Information Theme</p> <ul style="list-style-type: none"> <li>● Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety</li> </ul>

*(continued)*

CROSSWALK OF BUREAUS BETWEEN THE FY 2007 – FY 2012 (OLD) STRATEGIC PLAN AND THE FY 2011 – FY 2016 (NEW) STRATEGIC PLAN <i>(continued)</i>		
BUREAU	FY 2007 – FY 2012 STRATEGIC PLAN (OLD)	FY 2011 – FY 2016 STRATEGIC PLAN (NEW)
NTIA	<p>Goal 2: Promote U.S. innovation and industrial competitiveness</p> <ul style="list-style-type: none"> <li>● Objective 2.3: Advance global e-commerce as well as telecommunications and information services</li> </ul>	<p>Economic Growth Theme</p> <ul style="list-style-type: none"> <li>● Objective 4: Drive innovation through supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce</li> </ul> <p>Science and Information Theme</p> <ul style="list-style-type: none"> <li>● Objective 11: Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector</li> <li>● Objective 13: Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety</li> </ul>

STAKEHOLDERS AND CROSSCUTTING PROGRAMS

The Department has numerous crosscutting programs involving multiple bureaus: other federal, state, and local agencies; foreign government; and private enterprise. Federal programs dealing with economic and technological development, the natural environment, international trade, and demographic and economic statistics play a major role in advancing the welfare of all Americans. The Department continues to work with other government agencies in furthering efforts in these areas for the American public. Examples of crosscutting programs external to the Department’s bureaus include the following federal, state, local, and international agencies:

DEPARTMENT OF COMMERCE BUREAU ACTIVITIES	OTHER FEDERAL AGENCIES AND ORGANIZATIONS <sup>1</sup>	
Chemical Weapons Convention compliance	Department of Agriculture	National Science Foundation
Defense industrial base activities	Department of Defense	Small Business Administration
Economic development	Department of Education	U.S. Postal Service
Economic distress and recovery efforts	Department of Energy	Agency for Health Care Research and Quality
Environmental programs	Department of Health and Human Services	Customs/Border and Transportation Security/Homeland Security
Export controls	Department of Homeland Security	Federal Aviation Administration
Homeland security	Department of Housing and Urban Development	Federal Bureau of Investigation
Improvements to the environment	Department of Justice	Food and Drug Administration
Market access/improvements	Department of Labor	Bureau of Justice Statistics
Measurements and standards	Department of State	National Institutes of Health
Minority-owned business development	Department of Transportation	Bureau of Transportation Statistics
Patents, trademarks, and intellectual property	Department of the Treasury	U.S. Coast Guard
Research	Agency for International Development	Delta Regional Authority
Telecommunications	Appalachian Regional Commission	Indian Tribes
Technology transfer	Central Intelligence Agency	States
Tracking the U.S. economy through GDP and other statistics	Environmental Protection Agency	Other Countries and Organizations
Trade policies	Federal Communications Commission	European Patent Office
	National Aeronautics and Space Administration	

<sup>1</sup> Note: This is not an all-inclusive listing.

## 2011 MANAGEMENT CHALLENGES AND ACTIONS TAKEN

## Management Challenges

### Challenge 1: IT Security--Strengthening Department-Wide Information Security

#### OIG Statement

The Department uses over 300 information technology (IT) systems to fulfill cross-cutting responsibilities in trade, technology, entrepreneurship, economic development, environmental stewardship, and statistical research and analysis. These systems perform functions as varied as processing census and economic data, managing patent and trademark applications, handling atmospheric and meteorological data, and controlling weather satellites. The Department must ensure that these systems maintain the confidentiality, integrity, and availability of information by providing protection from a growing range of malicious attacks. Cyber attacks against the government continue to increase in frequency and level of sophistication, and federal agencies must improve their ability to cope with them. Although the Department of Commerce has put forth extra effort to reinforce its cyber defenses, our ongoing assessment of Commerce's progress toward implementing effective IT security shows there is more to be accomplished.

In the past year, the Department has taken steps toward improving the capabilities of its IT security workforce and developed a long-term strategic plan that should enhance its ability to identify vulnerabilities and detect malicious activities. However, in both agency and contractor systems we continue to find security weaknesses that undermine the Department's ability to defend its systems and information. Our FY 2010 Federal Information Security Management Act (FISMA) audit identified significant issues requiring management attention. Most concerning, system components had high-risk vulnerabilities that were previously unknown due to inadequate policy, procedures, and practices for patch management and vulnerability scanning. These deficiencies increase the risk of serious compromise of information confidentiality, integrity, and availability.

#### *While Commerce Has Plans to Strengthen IT Security, Successful Implementation Is Crucial*

In response to an OIG audit of the Department's IT security workforce, completed in September 2009, the Department established a policy, effective for all operating units, requiring mandatory training for those employees with significant IT security responsibilities. The policy identifies specific IT security roles along with yearly minimum training hours and approved modes of training. Encouragingly, the policy also requires professional certifications for those with critical IT security roles. The Department has also implemented a cyber security employee development program designed to assist individuals who have not earned an approved industry professional security certification. In addition, the Department's Office of the Chief Information Officer (CIO) and the Office of Human Resources issued joint memorandums to address performance management and accountability issues identified in our workforce audit. These memorandums provided specific performance requirements to be incorporated in performance plans for individuals holding critical IT security roles within the Department.

Recently, the Department's CIO, along with the CIO Council, developed an IT security strategic plan that includes initiatives for enterprise continuous monitoring and an enterprise security operations center. The enterprise continuous monitoring initiative is intended to standardize common security products and implement a Commerce-wide monitoring architecture that will provide consistent, efficient, and effective common controls and situational awareness for each operating unit and at the Department level. The enterprise security operations center initiative is intended to provide security monitoring to detect cyber attacks, system compromises, policy violations, and other system problems. The initiatives are currently targeted for implementation in FY 2012.

The IT security workforce initiatives and strategic plan for continuous monitoring and security operations center should enhance the Department's ability to secure its systems, but these efforts will require management's continued attention in the years to come. More needs to be done, however, to ensure consistent, effective security controls are in place Department-wide. Under FISMA and Department policy, IT security is a responsibility shared by senior program officials and the CIO. Also, operating units have roles and responsibilities that parallel those at the Department level, with the operating unit head ultimately responsible for the security of the unit's systems. In addition, authorizing officials, who have the authority to oversee an information system's budget and operations, assume the responsibility for operating IT systems at an acceptable level of risk. Thus, management attention at the operating unit level as well as the Department level is crucial to the success of these initiatives.

### ***Significant Weaknesses in IT Security Remain***

In our FY 2010 FISMA audit report, we concluded that the Department's information security program and practices have not adequately secured Department systems. The report presents four major findings that require senior management attention.

The vulnerability scans we conducted revealed previously unidentified high-risk vulnerabilities, which increase the risk of a serious breach of IT systems. Weaknesses in contingency preparedness, security plans, and control assessments may also increase the risk that Commerce's systems are not sufficiently protected from cyber attack or other prolonged disruptions. Finally, we found that the Department's process for reporting and tracking security weaknesses is deficient, affecting its ability to monitor operating units' corrective actions and potentially corrupting performance measures. We recommended that the Department revise its information technology security policy by providing specific implementation guidance that will ensure more effective and consistent practices across the Department. Further, increased management attention is required to ensure that the deficiencies identified are addressed Department-wide.

Since FY 2001, Commerce's annual *Performance and Accountability Report* has reported information security as a material weakness, at our recommendation, because of deficiencies in the Department's certification and accreditation (C&A) process. We recently recommended the Department assess its information security program as a significant deficiency instead, based on three factors:

1. a government-wide policy change has increased the emphasis on continuous monitoring and lessened the emphasis on the C&A process;
2. the actions associated with the Department's C&A process improvement strategy have strengthened the security posture of the Department; and
3. our audit findings indicate that IT security control weaknesses are resulting from an insufficient continuous monitoring process.

Although the IT security strategic plan identifies continuous monitoring as a top priority for improvement, operating units should initiate improvements immediately since this plan is not scheduled for implementation until 2012 and is dependent upon adequate funding.

### **DM's Responses / Actions Taken**

In response to this management challenge, DM has completed the following actions / activities:

- Completed selection of Managed Trusted Internet Protocol Service (MTIPS) vendor to support the HCHB network in accordance with the Trusted Internet Connection (TIC) initiative from OMB.
- Participated in the one-day test run of the next generation of Internet Protocol, IPv6.
- Signed memorandum for Commerce-wide policy for the further implementation of the Homeland Security Presidential Directive 12 (HSPD-12) to require the implementation of Personal Identity

Verification (PIV) authentication for logical access control for new and existing Commerce information systems.

- Developed and distributed the Commerce Identity, Credential and Access Management (ICAM) baseline, target and roadmap in accordance with Federal ICAM guidance from the Federal CIO Council.
- Launched Commerce Continuous Monitoring Working Group and developed a Commerce-wide strategy to meet the automated CyberScope reporting requirements from OMB.
- Continued biweekly IT Audit Working Group meetings. The group tracked, managed and validated progress on closure of the IT audit findings from the FY 2010 Financial Statements IT Audit Report. By July 31, 2011, operating units reported that 54 of 55 findings as closed.
- Signed Commerce Interim Technical Requirements (CITR) policies for Wireless Encryption and Contingency Plan Testing and Exercise Activities. Provided additional guidance Bluetooth, Configuration Management, and Risk Management Framework (RMF) transition.
- Conducted 12 IT Security Compliance CIO-one-to-one evaluations and performed an additional eight security assessments of programs, applications and systems to satisfy FY 2011 Internal Control Review activities.
- Conducted monthly reviews of DOC information systems utilizing information within the IT security tool, Cyber Security Assessment and Management (CSAM). The reviews track progress in Authority to Operate status, and in Plans of Action and Milestones (POA&M) management. The scorecards and analysis were presented to the Department's CIO Council. The implementation of these metrics has helped improve operating unit management of system authority to operates and POA&Ms.
- Launched Department's first Personal Identifiable Information (PII) Privacy Training module to be used as a companion to IT Security General Awareness Training.
- Hosted first annual Commerce IT Security Conference with role-based training sessions such as mobile device security; social networking; continuous monitoring; implementing cloud computing and managing a remote workforce; provided mandatory training for all Office of Secretary authorizing official / system owners.
- Completed Cyber Security Development Program (CSDP) cycle with 19 graduates in FY 2011; and 52 IT Security personnel Department-wide obtaining IT security industry professional certifications.

As the largest bureau, IT security significantly impacts NOAA. In FY 2012, NOAA took the following actions in response to this challenge:

- NOAA increased the number of IT devices monitored by the NOAA IT Security Operations Center (SOC) to 7,566 [as of 7/25/11].
- NOAA on-boarded its first 4 customers at the NOAA IT SOC.
- NOAA developed and distributed a memo to the NOAA Executive Panel, CIO Council, and CFO Council requiring that all acquisitions of new computing devices include smart card readers.
- NOAA designated an IPv6 Transition Manager to serve as (a) the person responsible for leading NOAA's IPv6 transition activities and (b) NOAA's liaison with DOC, its bureaus, and the wider Federal IPv6 effort.
- NOAA developed a plan to ensure agency procurements of networked IT comply with FAR requirements for use of the USGv6 Profile and Test Program for the completeness and quality of their IPv6 capabilities.
- NOAA developed a plan to secure its 3,000 remote access virtual private network users by implementing two-factor authentication using Common Access Card (CAC).

NOAA achieved the following results in FY 2012:

- NOAA achieved 97% of systems in operation with full Authorization to Operate (ATO) [as of 6/30/11].
- NOAA reduced the number of outstanding Plans of Action and Milestones (POA&Ms) greater than 120 days past due to 212 [as of 6/30/11].
- NOAA partially deployed a Web content filter, covering 2,800 unique IP addresses across its Silver Spring Metro Center campus.

## **Challenge 2: NOAA Environmental Satellite Programs--Effectively Managing the Development and Acquisition of NOAA's Environmental Satellite Programs**

### **OIG Statement**

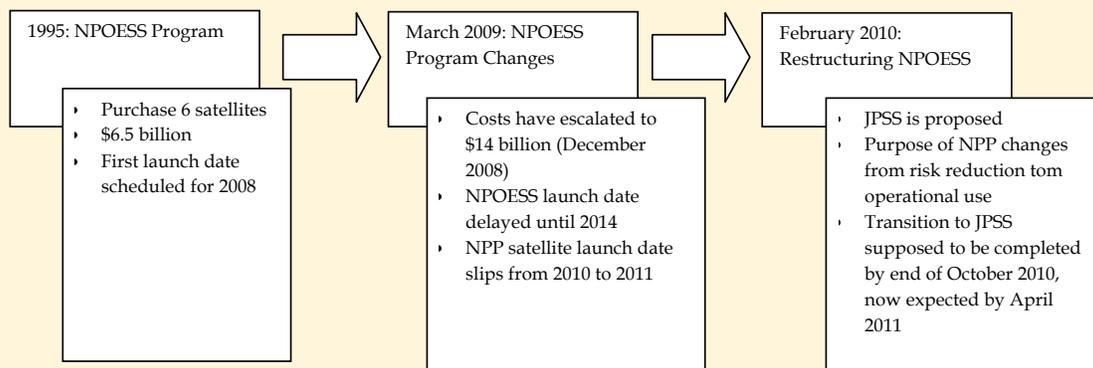
NOAA is modernizing its environmental monitoring capabilities, in part by spending nearly \$20 billion on two critical satellite systems: the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R Series (GOES-R). These systems are designed to provide data that will monitor Earth's environments, support the nation's economy, and protect lives and property from environmental disasters.

JPSS' predecessor program, the National Polar-Orbiting Operational Environmental Satellite System (NPOESS), and GOES-R have histories of cost overruns, schedule delays, and reduced performance capabilities. They require close oversight to minimize further disruption to the programs and prevent any gaps in satellite coverage. Such gaps could compromise the United States' ability to forecast weather and monitor climate, which would have serious consequences for the safety and security of the nation.

### ***JPSS Background***

The NPOESS program, which was initiated in 1995, suffered significant setbacks that affected its budgets, costs, and launch dates; the launch date of the NPOESS Preparatory Project (NPP) satellite, a National Aeronautics and Space Administration (NASA)-led risk reduction effort to test NPOESS' new instruments in flight, was also delayed (figure 1). As a result of a February 1, 2010, decision to significantly restructure the NPOESS program, JPSS was established as NOAA's component of the national polar environmental satellite capability, and NPP will now be used operationally to maintain continuity of climate and weather forecast data between NOAA's current polar-orbiting operational environmental satellite and the first JPSS satellite.

*Figure 1. NPOESS/JPSS Timeline*



***Further Delays Preventing Successful Transition from NPOESS to JPSS Must Be Minimized to Reduce Risk of Gaps in Polar Environmental Data***

The transition to the restructured program was expected to be completed by the end of FY 2010. However, due to delays in transition activities—including the transfer of satellite instruments and ground system to the JPSS program—the Department of Defense, NASA, and NOAA (the three agencies that were partners for the NPOESS program) had agreed to the goal of completing the transfer of all property required by JPSS by the end of the first quarter of FY 2011. While the ground system and some of the instruments have been transferred, there is an increasing likelihood that the remaining instrument property transfers will not be completed by the end of December 2010 due to ongoing contract negotiations. Nevertheless, all remaining transition activities are planned to be completed by April 2011. Additional delays could result in slipping the launch readiness dates of NPP and the first JPSS satellite.

***JPSS Ground System Development Must Be Completed on Time to Support October 2011 NPP and 2015 JPSS Satellite 1 Launch Readiness Dates***

While all of the instruments required for NPP have been integrated onto the satellite and both are undergoing environmental testing, the ground system's maturity level is not where it should be at this point in the development schedule. During the development of the ground system, some issues were uncovered that must be fixed in order to meet near-term program milestones. Other issues must be resolved by the October 25, 2011, launch readiness date.

NOAA, with NASA as its acquisition agent, will continue to develop instruments for JPSS satellites 1 and 2 for its component of the polar environmental satellite capability. The JPSS management structure will be similar to GOES-R, in which NOAA manages the overall program with assistance from NASA. This management approach should leverage independent review team assessments, as is being done for GOES-R. Defense continues to evaluate the best approach for maintaining the continuity of its polar satellites. It is critical that NOAA and Defense implement their satellite programs on schedule to reduce the risk of gaps in coverage.

### **NOAA's Response / Actions Taken**

NOAA maintains close oversight of the JPSS program, working closely with NASA, and has taken a number of steps over the last year to reduce risks. Key accomplishments include:

- NOAA and NASA transitioned the NPOESS program office to the JPSS program office, aligned with NASA Goddard.
- NOAA and NASA restructured the management of JPSS.
- NOAA and NASA supported (NPOESS Preparatory Program (NPP) launch preparation activities, as the successful launch of NPP is considered the number one priority for the program.
- NOAA completed the transfer of all instruments, except the Advanced Technology Microwave Sounder, to NASA contracts.
- NOAA selected an NPP-like space craft for JPSS. This decision was critical to reducing risk.
- Currently, the ground system is undergoing critical testing to support NPP launch.

To continue progress, NOAA requires full funding of the President's FY 2012 budget request of \$1.070 billion to implement the JPSS program in order to support the nation's requirement for global observations that are critical for numerical weather prediction modeling. Given reductions from the President's Budget in funding levels every fiscal year since FY 2010, the JPSS program has been operating in a fiscally constrained environment. Further reductions will force NOAA to restructure the program.

### ***GOES-R Background***

The GOES-R system is intended to offer an uninterrupted flow of high-quality data for short-range weather forecasting and warning, and to provide climate research data through 2028. Working with NASA, NOAA is responsible for managing the entire program and for acquiring the ground segment, which is used to control satellite operations and to generate and distribute instrument data products. Cost increases, capability reductions, and project delays have historically plagued the GOES-R program. The projected cost has increased from \$6.2 billion to \$7.7 billion; a major satellite sensor was removed from the program; the number of satellites to be purchased was reduced from four to two; and the launch readiness dates for the first two satellites have slipped by 6 months, to October 2015 and February 2017.

### ***GOES-R Program Must Be Proactively Managed to Prevent Further Schedule Slips and Cost Growth***

According to November 2010 program documentation, since the revision to the launch schedule in August 2009 the overall program acquisition has remained within budget and on time. However, during two program reviews, independent review teams identified areas of concern that have to be proactively managed. Accordingly, the GOES-R Program Office must address the teams' concerns, including:

- obtaining and maintaining adequate contractor staffing for spacecraft development,
- reviewing the spacecraft design's applicability to the GOES-R mission,
- ensuring adequate end-to-end testing for program components (instruments, spacecraft, and ground), and
- verifying satellite operational facility readiness.

Any further delays in the satellite's launch readiness will increase NOAA's risk of not meeting its program requirements.

### **NOAA's Response / Actions Taken**

NOAA has consistently taken a proactive approach to ensure GOES-R's lifecycle costs have been based on realistic estimates. In 2003, the GOES-R program life cycle cost estimate was approximately \$6.2 billion based primarily on experience with previous satellite development and acquisition efforts. NOAA, however, hired independent experts to review its satellite acquisition strategies and they highlighted the dramatic changes in the space industry and the need to accomplish rigorous cost estimates. In addition, NOAA awarded contracts with several industry teams to get independent estimates of program costs and schedules. The result of these efforts showed an updated life cycle cost estimate for the total program. In 2006, NOAA revised the projected GOES-R costs to \$11.4 billion to reflect this updated profile. In mid to late CY 2007, NOAA scaled the program back to \$6.96 billion by eliminating two of four satellites and one of the five primary instruments: the Hyperspectral Environmental Suite (HES). At that point, NOAA commissioned an external team to perform another independent estimate of program costs. The reconciliation of the independent estimate along with internal estimates that had been performed resulted in a GOES-R life cycle cost request of \$7.67 billion in the FY 2009 President's Budget request.

NOAA addressed the items cited by the independent review teams in 2010 and those identified by subsequent Integrated Independent Review Teams (IIRTs) at the Preliminary Design Reviews of the Spacecraft, the Core Ground Segment, the Antennas, and the Ground Segment Project. In addition, the Department of Commerce sponsored a Satellite Program Management Capability Assessment that found that the program management processes at GOES-R were "very mature" and some were "Best of Class." Nevertheless, due to deficit reduction efforts, and reduced funding received in FY 2011, projected budgets for FY 2012 and beyond have fallen short of the new obligation authority needed to meet the required launch date. Early assessments indicate that there will be delays in the launch readiness date and associated cost increases will occur. The GOES-R Program Office continues to assess the impact of these funding shortages.

### **Challenge 3: Acquisitions and Contracts--Managing Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services at Reasonable Prices and on Schedule**

#### **OIG Statement**

In FY 2009, the Department of Commerce spent approximately \$3 billion to acquire a wide range of goods and services to support mission-critical programs such as the 2010 decennial census, satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. However, we have identified significant risks and vulnerabilities in Commerce's acquisition management structure that may threaten the integrity of these, and other, operations.

Acquisition management is not just the act of awarding a contract; it is an entire process that begins with identifying a mission need and developing a comprehensive strategy to fulfill that need through a thoughtful, balanced approach that considers cost, schedule, and performance. The Department needs more comprehensive acquisition guidance and oversight, as well as an acquisition management infrastructure that allows it to oversee effectively the complex, large-dollar procurements that are critically important to achieving its mission.

***The Department Does Not Have Robust Oversight Processes for Major System Acquisitions***

The Department lacks cohesive policies and procedures for program management and oversight of major systems acquisitions. This weakness has contributed to critical major acquisitions – such as the decennial’s handheld computers and the NPOESS and GOES-R programs – experiencing significant cost overruns and developmental delays; it also leaves the Department without adequate visibility into progress on and risks to major system acquisitions, which can result in costly delays while correcting problems.

While the Department failed to meet a 2008 deadline to develop a major systems acquisition policy, it has begun to address its approach for overseeing such acquisitions. In response to a June 18, 2010, memorandum from the Secretary, the Department is currently conducting a comprehensive review of its acquisition processes, and expects to issue the survey results and any recommendations by April 2011. Additionally, the Department has reorganized the Office of the Secretary to better manage risk in high-priority programs. As part of these efforts, the Department and its operating units must continue to develop effective policies and processes for planning, managing, and overseeing major system acquisitions.

**DM’s Response / Actions Taken**

The Office of Acquisition Management, in conjunction with its partners in oversight and management of acquisition programs, is developing and vetting a comprehensive Scalable Acquisition Project Management Framework within which systematic program management control, oversight and skills development can be accomplished within the Department. The newly created Offices of Performance Evaluation/Risk Management, and Program Management within the CFO/ASA, in conjunction with the Office of the Chief Information Officer, facilities and real property managers, and the financial community, are collaboratively developing a unified, centralized approach to program and project management within the Department. The resulting documentation for the Framework will be guidance and policy that comprehensively define the Department and bureau level processes and requirements. In the interim, senior level Departmental management have conducted reviews of high-risk programs including the satellite programs to ensure that the issues within these programs can be clearly identified and that appropriate adjustments, if necessary, can be made.

***Developing and Retaining a Highly Qualified Acquisition Workforce to Support the Department’s Mission Is a Major Concern***

Since 2007, Commerce’s acquisition spending has increased by 41 percent, contract actions by 15 percent, and contract modification actions by 67 percent. However, the Department faces a very high turnover rate in the acquisition workforce due to attrition and those eligible to retire.<sup>4</sup> As experienced acquisition professionals leave the Department, and with nearly half of the acquisition personnel expected to retire within the next decade, the Department must implement a strategy to keep its workforce at the needed size and skill levels to support its mission.

**DM’s Response / Actions Taken**

OAM continues to work with the Office of Human Resource Management (OHRM) to maximize incentives and recruitment strategies. This includes developing an acquisition-specific targeted marketing campaign that includes a 2-sided flyer with the Department’s brand, duties in the acquisition field, benefits, series qualifications, grade levels, and a salary table. The acquisition-specific marketing campaign has succeeded in yielding a larger pool of applicants from academic institutions and associations.

The Department hired four FTEs under the direct-hire and other available authorities and, in addition to OPM central registry, will continue to use these special hiring authorities in recruiting efforts. Further, the Department will pursue tuition repayment and assistance programs, and increasing the career ladders of GS-1102s as incentives to attract and retain a high-quality acquisition workforce. In addition to addressing attrition, the Department is addressing skills development through acquisition of 90 acquisition-related training slots for use across the acquisition community.

Still, budgetary constraints and uncertainties continue to thwart recruitment since underlying funded FTEs and timely information on availability of funding in current year and out-year limits the effectiveness of the recruitment campaigns.

NOAA Acquisitions and Grants Office (AGO) identified training needs for employees in the job series, 1102s/1105s. NOAA management considers those needs in requesting and budgeting funds for training annually.

- NOAA AGO's acquisition workforce uses a mix of on the job mentoring, classroom, on-line courses and attendance in acquisition-related conferences used to effect knowledge transfer as well as to complete core and specialized training courses in the most efficient and cost-effective manner.
- NOAA AGO has an established guidance to define requirements and processes for certification under the Federal Acquisition Certification to ensure the current workforce has the skill level needed to support the mission.
- NOAA AGO's successful efforts are camouflaged under budget restrictions that limit the number of qualified acquisition personnel to support a 41% increase in acquisition workload.

AGO has worked jointly with OAM and OHRM to develop a comprehensive human capital strategy to outline efforts to recruit and retain a qualified acquisition workforce. However, NOAA remains limited in the number of employee hires with budgetary restrictions and a statutory cap on overhead.

### ***The Census Bureau Has Not Successfully Managed Award-Fee Contracting Processes to Achieve Acquisition Objectives***

The Census Bureau has paid contractors millions of dollars in contract award fees that were not sufficiently designed or administered as required by regulations. For example, we reported that the Field Data Collection Automation (FDCA) contract's award fees were excessive and not supported by technical assessments of the contractor's performance. In response to our report on the approximately \$596 million FDCA contract, Census modified the contract to include fixed-price arrangements, eliminated the original award-fee structure and replaced it with one that contains both cost- and technical-incentive fees, and discontinued the practice of rolling unearned fees over into future award periods.

We have also audited the award-fee payment structures for the Decennial Response Integration System (DRIS) contract and found that these structures provided little incentive for the contractor to fully achieve specific performance objectives; also, the contract allowed the contractor to earn fees of up to \$48 million of the available \$65 million, even if performance fell below acceptable standards. In order to ensure that its award-fee contracts are designed and administered appropriately, Census needs to thoroughly train its acquisition workforce on how best to structure and administer its use of award-fee contracts for different projects.

### **Census's Response / Actions Taken**

In addition to those identified in the Federal Acquisition Regulation, the Census Bureau relies on bureau-level and department-level requirements and guidance, to establish and manage award fee plans and subsequent award fee determinations and outlays. Toward that end and to ensure uniform and effective

implementation of award fees within the Department, the Senior Procurement Executive established requirements for review and approval of award fee determinations and is developing a process within which the germane supporting information and contractor performance can be objectively monitored and considered as part of the award fee determination process. Since performance review and oversight, including award fee is an important aspect of the Acquisition Improvement Project, key constituents in the oversight processes within the Department are collaboratively defining and prescribing the Scalable Acquisition Project Management Framework and its effective management. . Training requirements for performance monitoring and management, including award fee, will be included in revisions and future implementation of the Federal Acquisition Certification - Program/Project Management program being managed by the newly-established Program Management Office within OAM.

The Census Bureau agrees with the OIG recommendation noted in the first section of this appendix to thoroughly and continuously train its acquisition workforce on the structuring and administration of award-fee contracts. Census will establish a training plan for the acquisition workforce starting in FY 2012 to reinforce previously acquired knowledge regarding planning and procurement of different types of contracts, including award-fee and incentive contracts, and to address other related areas, such as performance monitoring and documentation. Census will continue training and practice through the years leading to the 2020 decennial census.

In addition, the acquisition workforce will continue to work side by side with the program areas to determine the suitability and appropriateness of establishing award fee contract for decennial and non-decennial operations. If award fee contracts are determined to be the most effective vehicle to incentive contractor's performance, Census will engage the following practices to ensure a successful contract. (The Census Bureau currently utilizes many of these practices to manage multiple award-fee contracts currently in place or recently completed (in support of the 2010 decennial census).

1. Evaluate each and every active award fee contract prior to the commencement of each award fee period to determine if performance criteria can be revised to be more objective, to implement lessons learned from previous periods, and to reflect any changes prior to priorities or schedule.
2. Collect relevant data on award fee and incentive fees paid to contractors and inclusion of performance measures to evaluate such data on a regular basis to determine effectiveness of award and incentive fees as a tool for improving contractor performance and achieving the desired program outcomes. Census will use this information as part of the acquisition planning process in determining the appropriate type of contract to be utilized for future acquisitions.
3. Share proven incentive strategies for the acquisition of different types of products and services among contracting and program management officials.
4. Establish award fee process that maximizes team work, early notification and resolution of issues, and active participation by all elements of the project organization.

***The Department Has Not Done Enough to Ensure Suspended or Debarred Contractors Do Not Obtain Government Contracts or Assistance Agreements***

Federal regulations prohibit parties (i.e., firms or individuals) that lack satisfactory records of integrity and business ethics from receiving contracts and assistance agreements from the government. However, although the Department has suspension and debarment policies and procedures in place,<sup>5</sup> it is reluctant to apply them to parties that have committed contract fraud against it. For example, the two most recent suspension/debarment referrals OIG has sent the Department have not been acted upon promptly. Commerce needs to strengthen its policies, procedures, and internal controls so that those parties that have committed fraud are referred to a suspension and debarment official for appropriate action.

**DM's Response / Actions Taken**

The Senior Procurement Executive and Director, Office of Acquisition Management (who also serves as DOC's Suspending and Debarment Official (SDO)), has taken action toward building a more robust suspension and debarment program. The SDO has 1) consulted other agency officials on their S&D programs and capabilities; 2) collaborated with the Office of Inspector General (OIG) and Office of General Counsel (OGC) toward development of a strong program that leverages DOC's resources; and 3) is drafting an interim pilot policy to include procedures and internal controls based, in significant part, on OIG and OGC proposals and recommendations. The SDO has taken prompt action on all OIG suspension/debarment referrals and set up a central S&D e-mail box capability to ensure multiple access points and prompt attention to time sensitive correspondence. OAM inputs suspended/debarred contractors into the Excluded Parties List System (EPLS) in accordance with Federal Acquisition Regulation.

***A More Efficient, Effective, and Accountable Acquisition Function Is Needed***

While the Department has begun to identify opportunities to strategically strengthen and improve the quality of its acquisition functions, this area has many inherent risks and requires continued attention and improvement. Commerce's executive leadership needs to ensure the Office of Acquisition Management has the authority needed to perform effectively.

Further, the Department needs to improve its policies and processes for making real property acquisition decisions, as with NOAA's inadequate support for its decisions to lease the Port of Newport, Oregon, to house NOAA's Marine Operations Center-Pacific. For example, our review of this case revealed that NOAA limited its options without a documented analysis based on a preference for a consolidated facility, and it did not, in our view, adequately consider the use of existing federal facilities. The weaknesses highlighted by the Marine Operations Center-Pacific acquisition demonstrate the importance of effective capital planning and investment processes, and underscore the need to make certain these processes are coherent, rigorous, and implemented as intended.

**DM's Response / Actions Taken**

In addition to implementation of the Framework, the Senior Procurement Executive (SPE) has been authorized to provide formal input to the performance plans and evaluations for the Bureau Procurement Officials at each bureau. This input strengthens the role of the SPE and supports standardized acquisition practices and compliance.

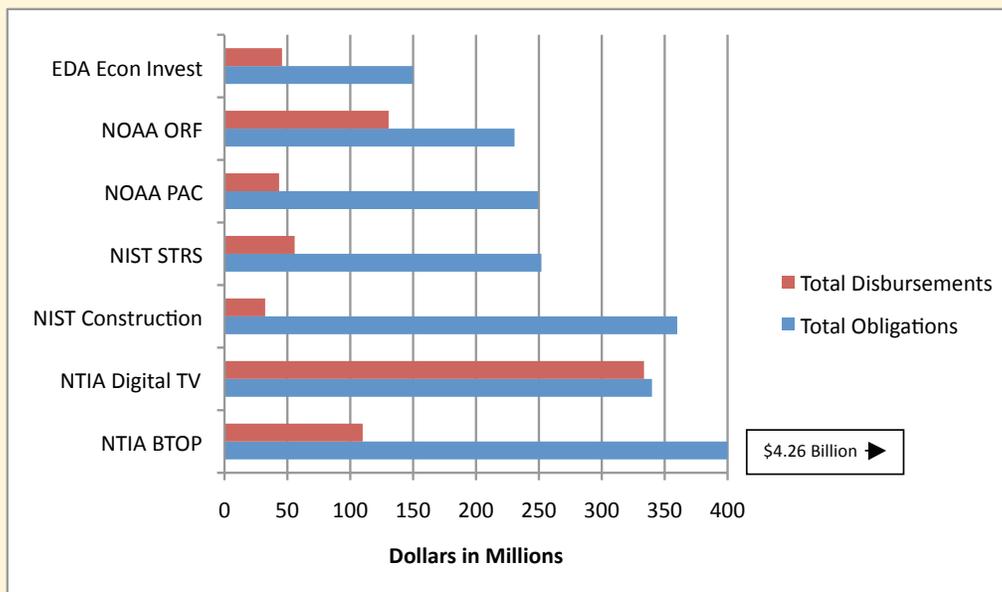
Specific to the Marine Operations Center - Pacific and related requirements, facilities and real property management are integral to the Scalable Acquisition Project Management Framework process. Department and operating unit facilities and real property managers are currently revising or developing, if necessary, specific requirements which are unique to the facilities and real property processes to ensure that a complete, transparent and well-monitored approach to documentation, analysis and decision-making is clearly established and maintained through department-level guidance and oversight.

### Challenge 4: American Recovery and Reinvestment Act--Enhancing Accountability and Transparency of the American Recovery and Reinvestment Act's Key Technology and Construction Programs

***OIG Statement***

The American Recovery and Reinvestment Act of 2009 is an unprecedented effort to promote economic activity, invest in long-term growth, and implement a high level of transparency and accountability that will allow the public to see how their tax dollars are being spent. The Department received \$7.9 billion in Recovery Act funds. Of that amount, approximately \$6 billion was obligated in the form of grants or contracts for key technology and construction programs in four of the Department's operating units: the Economic Development Administration (EDA), the National Institute of Standards and Technology (NIST), NOAA, and the National Telecommunications and Information Administration (NTIA). As of October 29, 2010, these operating units have spent about \$750 million (or approximately 13 percent of their obligated funds), leaving significant spending yet to be completed (figure 2).

*Figure 2. Breakdown of Obligations and Disbursements<sup>1</sup>*



<sup>1</sup> Amounts reflect a \$240 million rescission from DTV and a \$302 million rescission from the Broadband Technologies Opportunities Program (BTOP). The "total obligations" bar for BTOP is not to scale; as of October 29, the total obligation for BTOP was \$4.26 billion.

The Recovery Act also establishes additional reporting requirements that affect both agencies and fund recipients. Recipients need to provide quarterly reports on their grants and contracts activities, including financial information, job creation, and project completion status, and agencies are required to review recipient reports to ensure the completeness and consistency of the data. OIG is reviewing the internal

controls and procedures used during the recipient reporting process at the Department and its operating units for the second, third, and fourth Recovery Act reporting periods. Our review will determine whether the information available to the American public reflects the use and impact of Recovery Act funds.

### ***Broadband Expansion Program Creates New Challenges in Program Management***

Of the riskier Recovery Act programs being managed by the Department's operating units, the largest is NTIA's BTOP. Between December 2009 and September 2010, BTOP awarded 233 grants, totaling \$3.9 billion, to expand broadband Internet access across the nation. Monitoring the largest and most diverse grant program NTIA has ever overseen will present significant challenges. For example, the grant awards went to a diverse group of recipients, including public companies, for-profits, nonprofits, cooperative associations, and tribal entities. Also, conditions surrounding the awards vary widely in terms of recipients' experience administering federal awards; the size of the awards; and the need to satisfy special award conditions such as environmental assessments, which take up to 6 months to complete.

Infrastructure projects, which must be substantially complete in 2 years and fully complete in 3 years from the date of award, will pose particular challenges because they are generally the largest awards (five are for more than \$100 million each) and usually require environmental assessments before project construction can begin. Additionally, these projects are often comprised of an award recipient and several subrecipients working together to achieve the project's goals. This structure will create additional challenges for the NTIA staff, as they will have to monitor the recipients' compliance with grant terms and conditions and determine how the recipients are managing and monitoring their subrecipients. NTIA also will have to closely watch how its awardees manage the drawdown of federal funds.

In addition to the challenge of overseeing such a diverse portfolio of awards and recipients, there is significant uncertainty over funding to oversee and monitor the awards. Since September 30, 2010, NTIA has been working under special authority from the Office of Management and Budget (OMB) to fund the program's operations. Over the next 6 months, NTIA will need to continue to work with OMB and Congress to address the uncertainty of funding and to implement oversight that provides effective monitoring of the grant awards.

OIG recently issued a report to NTIA on BTOP's post-award processes. NTIA has made significant progress with its post-award operations; however, there are several areas that can be strengthened, such as training and IT program expertise in the BTOP office, documentation and internal controls, and the monitoring of awards and agreements.

### ***Construction Projects Will Require Proactive Oversight***

While BTOP is certainly the largest Commerce program funded by the Recovery Act, NIST and NOAA also saw an increase of \$1.4 billion in Recovery Act funds for contracts and grants, including a relatively significant funding increase for construction projects. To complete these projects successfully, these agencies will need to overcome the inherent risks associated with construction projects and dedicate construction managers to these projects.

The goal of any federally funded construction project is to achieve the objectives established for the project and to do so on time, within budget, and free from fraud. In addition to the challenges accompanying any acquisition or grant project, construction projects are also at particular risk of anticompetitive practices, substandard workmanship, defective materials, nonperformance, and fraud. These are just some of the potential problems NOAA and NIST grants and procurement officials need to be alert to as they manage the construction programs in their operating units.

Another potential issue lies with the type of contract federal agencies have been asked to use for Recovery Act projects. For grant cooperative agreements and cost-type contracts, an independent auditor, such as an independent public accounting firm, will annually test specific project requirements to ensure compliance with laws and regulations. These tests create a record of accountability throughout the life of the project. However, in order to contain costs under the Recovery Act, OMB has established a clear

preference for fixed-price contracts, which are not independently reviewed after they are issued. Fixed-price contracts must have clearly defined requirements; if they do not, change orders could be added later, thereby driving up the government's costs.

### **NOAA/NIST Responses / Actions Taken**

When ARRA was passed, NOAA established the NOAA Project Oversight Board (NPOB) as an internal control mechanism to ensure that all ARRA funded construction projects are: 1) in compliance with laws and regulations specifically focusing on the requirements of ARRA; 2) executed efficiently so as to complete projects on time; executed economically so as to complete projects within budget; and 3) achieving the objectives set for the facility by the agency. The NOAA Chief Administrative Officer and the NOAA Director of the Real Property, Facilities, and Logistics Office report to the NPOB on a quarterly, sometimes monthly, basis regarding the progress and status of the ARRA construction projects. At a minimum, these presentations discuss the financial status of the project, the project milestones and schedule, the performance of the contractor, and any potential issues that would prevent the project from a successful completion.

The NOAA Restoration Center has also developed a risk management framework that guides how to identify, manage, and mitigate risks to ARRA habitat restoration investments; defines roles and responsibilities, and serves to satisfy the Recovery Act's accountability objectives, including the following:

- Funds are used for authorized purposes and potential for fraud, waste, error, and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

The Restoration Center focused its risk management on three types of risks: technical, schedule, and financial. Technical risks are those associated with changes in scope; political concerns; or, changes to requirements for permitting or other compliance. Scheduling risks are risks associated with changes to the project implementation schedules. Restoration projects schedules often vary from original plans due to uncontrollable circumstances such as weather changes. Financial risks are potential changes in the amount of funding needed by the recipient to complete the project, or cases of fraud, waste or abuse. For example, contract bids may come in over estimates, which could result in the recipient needing to identify additional funding to cover these cost increases. Because the projects were selected through a competitive solicitation, these risk factors were also considered during the selection process since they were evaluated on their technical merit and shovel-readiness. Finally, all ARRA recipients are required to report financial information on the public site [www.recovery.gov](http://www.recovery.gov).

NIST supports the Department in its efforts to ensure that recipient reporting is complete and consistent and that it reflects the use and impact of Recovery Act funds.

The Grants Acquisition Management Division at NIST has updated the Grants Management Information System (GMIS) to include the Primary Place of Performance for all Recovery Act awards. The Recovery Act website, [www.FederalReporting.gov](http://www.FederalReporting.gov), has been updated to offer recipients a tool designed specifically to facilitate accurate, repetitive reporting of funding codes, award dates, and other information required in all Recovery Act Quarterly Reports. This tool allows NIST to automatically reproduce recipient reporting information into new Recovery Act Quarterly Reports. This not only improves reporting times, but also reduces data entry errors. NIST is in the process of identifying and planning enhancements to

GMIS during FY 2012 to automate the uploading of revised grant-related information to USASpending.gov during the required monthly updates. These enhancements will ensure accuracy of specific grant-related information that may have been revised during the previous month and will replace the existing process of individual requests for updated information by each Grants Specialist.

NIST agrees that oversight of construction projects is essential to mitigating risks and ensuring successful completion. NIST's Acquisition Management Division awarded all ARRA construction contracts as firm-fixed price contracts. The NIST Office of Facilities and Property Management (OFPM) is responsible for the post-award monitoring and oversight of the ARRA construction projects and construction grants. The OFPM proactively oversees the NIST construction program to ensure that the project objectives are achieved in terms of scope, cost, schedule, and safety. The oversight of the ARRA construction project contracts is administered by two Divisions within OFPM, the newly established Design and Construction Division (DCD) in Gaithersburg and the Engineering, Maintenance and Support Services division (EMSS) in Boulder. The DCD was set up as a separate division following the significant increase in the scope of the NIST construction program in order to concentrate and focus the Gaithersburg construction management activities under one organization, which includes a dedicated manager and several highly qualified project managers. The Contracting Officer's Technical Representatives (COTRs) within DCD and EMSS work closely with the awardees and the Contracting Officers to ensure that the terms and conditions of the contracts are met and that the projects are progressing according to their performance objectives. In addition, a separate contract was awarded to an engineering firm that supports the federal staff in their construction management responsibilities and to ensure sufficient hands-on project oversight and monitoring. The NIST Construction Grant Program Office was established within OFPM and is composed of the Federal Program Officer and the contract support team. They work closely with the grantees to ensure that they meet the conditions of the grant throughout the design and construction period, along with identifying and managing risks. This office uses many of the same tools and methods as the construction contract oversight divisions.

In order to maintain control and accountability for individual projects and the entire construction program, as well as reduce risks to project success and to NIST operations and programs, NIST has put in place targeted procedures. These procedures apply project management best practices to the context of the NIST construction program and include processes and activities needed to define, identify, review, and coordinate the various project management activities. In addition, NIST established a number of reporting tools to assist in the oversight and management of the construction program. Specific areas that form the focus of the construction program oversight include

- Project Performance – NIST has established metrics for cost, schedule and scope that are tracked continuously and reported to senior OFPM management through monthly dashboards; deviations are immediately reviewed for impact to project success and necessary corrections.
- Project Risk Management – NIST has developed project risk assessment and mitigation plans for each project, and are monitored/updated monthly, as necessary.
- Change management – NIST uses change control processes to review all change requests, approve changes, and manage changes to the deliverables, project documents, and the project schedules, and budgets. NIST also uses processes for risk management.
- Communications – extensive outreach provides early notice to the affected NIST community of potential impacts to technical programs or operations and allows early intervention to mitigate these impacts.

- Safety – All projects require approved contractor safety plans for all projects; Contracting Officer’s Safety Representatives (COSRs) were appointed for all jobs to monitor and ensure contractors’ safety performance.

## **Challenge 5: United States Patent and Trademark Office--Improving USPTO’s Patent Processing Times, Reducing Its Pendency and Backlogs, and Mitigating Its Financial Vulnerabilities**

### **OIG Statement**

The U.S. Patent and Trademark Office (USPTO) faces immense and complex challenges in addressing patent pendency and application backlogs while improving patent quality and building a highly trained and stable workforce. Since 2000, patent pendency has increased from 25 months to over 35 months, and the backlog of unexamined applications has grown from approximately 308,000 to more than 726,000. These large numbers of applications and long waiting periods for patent approval create a significant risk to innovation and economic competitiveness, and ultimately to the United States’ position as a world leader in innovation.

### ***USPTO Plans to Address Its Pendency, Backlog, and Operational Issues***

Since assuming office in August 2009, the Under Secretary of Commerce for Intellectual Property (who is also the Director of USPTO) has identified the state of patent pendency and backlog as a critical priority – as has the Secretary. The Under Secretary has set forth goals that include reducing the backlog to 379,000 by FY 2013 and decreasing the total processing time for patent applications to 20 months by FY 2015. USPTO has proposed multiple initiatives to address its challenges and accomplish these goals, including

- increasing the number of patent examiners, especially those with experience in the field of intellectual property;
- revising the system for how patent examiners are given credit for their work; and,
- adding options for patent applicants to accelerate USPTO’s review of their patent applications.

As USPTO begins to implement these initiatives, it is simultaneously planning to address its outdated IT infrastructure and seeking legislative approval for new financing tools. USPTO currently relies on aging, unstable legacy technology to support its current operations. According to USPTO, its current systems regularly crash, leaving thousands of employees without productive work to do. USPTO plans to redesign and implement end-to-end electronic patent processing so that most applications will be submitted, handled, and prosecuted electronically. In doing so, it faces the risks and challenges inherent in any major IT system change, such as oversight management; cost issues; and ensuring that the new system is delivered on time, meets user needs, and supports USPTO in achieving its strategic goals. The new financing tools USPTO hopes to implement, such as greater authority to set patent fees and establish operating reserves to protect its resources from unforeseen disruptions in revenue, are intended to enhance its ability to respond to changes in the economy and the fluctuating demand for its products and services. While such initiatives may produce a timelier and more effective patent system that supports American innovation and economic success, USPTO’s ability to reduce its patent backlog and pendency will also depend on how effectively it can monitor, evaluate, and refine its programs and operational processes.

### USPTO's Response / Actions Taken

A primary goal of the USPTO is to optimize patent quality and timeliness while simultaneously reducing the backlog of unexamined patent applications. By the end of fiscal year 2012, the USPTO anticipates reducing the average time to first action and final action on patent applications to 24.7 months and 35.1 months respectively. More importantly, the USPTO expects to reduce the backlog of unexamined patents to approximately 634,000 by the end of FY 2012. However, there are a number of complex factors that must be carefully executed and monitored in order to achieve this goal. Some of these factors include hiring new examiners, improvements in process efficiencies, application filings which may be largely driven by the economy; and the ability to outsource applications filed under the Patent Cooperation Treaty (PCT).

Based on the current environment in the short term, USPTO expects the first action pendency to increase and overall pendency to remain at approximately 34 months. Two major factors contribute to this short-term increase in first action pendency: first, inability to gain access to its fees earlier in FY 2011 to allow for full examiner hiring and full overtime; and second, the recalibration of workflow process, including re-engineering the examiner count system and moving toward a more first-in, first-out (FIFO) inventory process. In order to achieve its goal to reduce pendency, the USPTO must first clean up the older cases in the pending backlog, and more strictly manage its inventory in a FIFO environment, which may result in a temporary rise in pendency in the near-term. However, clearing the oldest patent applications is important to the USPTO's long-term success in reducing pendency and the backlog of unexamined patent applications.

USPTO will implement the following initiatives to meet the management challenges identified by the OIG to reform the patent application process, update the IT systems, and reduce pendency time:

- The USPTO has adopted significant revisions to the patent examiner production (count) system. The revised count system places emphasis on complete and thorough initial examination, decreases redundancy, and encourages quicker resolution of issues in the patent application process. This fundamental redesign is aimed at improving quality and efficiency, thereby resulting in a decrease in the application backlog and pendency. It provides more time for examination and more credit for first actions, which emphasize high quality examination and place a focus on quality up-front early in the examination process.
- The USPTO is moving from a patent examination process to a multi-track process by adopting procedures and initiatives that incentivize abandoning applications that are not important to applicants; accelerating critical technologies; permitting an applicant to accelerate important applications; and exploring other incentive and accelerated examination options. Specific initiatives include:
  - **Project Exchange** - Project Exchange is an application acceleration pilot initiative that empowers qualifying applicants having two or more pending patent applications to accelerate the review status of one of the applications by abandoning a second unexamined application. This initiative, which gives applicants greater control over the processing speed of their applications, helps the USPTO to prioritize its workload while reducing the backlog of unexamined patent applications.
  - **Green Technology Pilot Program** - The Green Technology Pilot Program provides accelerated examination of inventions involving green technology, thereby promoting innovation in green technologies and reducing the pendency of patent applications critical to climate change mitigation. In response to feedback from applicants, the USPTO revised the Green Technology Pilot Program to allow more categories of technology to be eligible for expedited processing under the program. As a result, the Green Technology Pilot Program has increased the

development and deployment of green technology, created green jobs, and contributed to promoting U.S. competitiveness in this vital sector.

- **Three-Track Program** – The Three-Track Program is a new patent examination initiative that moves from a single patent examination process to a multi-track process which would provide applicants greater control over the speed with which their applications are examined, promote greater efficiency in the patent examination process, and allow the USPTO to deploy its resources to better meet the needs of innovators. This new program has targeted application processing within 12 months for those applications deemed to be most important to applicants. Under the proposed “Three-Track” initiative, an applicant may request one of the following: Track I: a prioritized examination with a 12 month pendency goal, Track II: a traditional examination under the current procedures, or Track III: an applicant-controlled delay for up to 30 months prior to docketing for examination. The USPTO published a final rule to implement Track I of the “Three-Track” initiative but subsequently had to indefinitely delay the effective date due to the reduced spending authority in the Full-Year Continuing Appropriations Act, 2011.
- The USPTO has implemented patent processes to increase efficiencies and strengthen the effectiveness of examination workflow in the overall patent prosecution process. Specific initiatives include:
  - **First Action Interview Program** - The First Action Interview program encourages examiners to hold interviews with applicants early in the prosecution process in order to facilitate resolution of issues for a timely disposal. USPTO has expanded this program to include all utility applications in all technology areas, enhance efficiency, and provide more options to participants. The benefits of the program include the ability to advance prosecution of an application, enhanced interaction between applicant and the examiner, the opportunity to resolve patentability issues one-on-one with the examiner at the beginning of the prosecution process, and the opportunity to facilitate possible early allowance. The First Action Interview program has not only provided applicants with more options in regards to procedures needed for examination, but has also contributed dramatically to improving patent application quality.
  - **Clearing the Oldest Patent Applications (“COPA”)**: In February 2011, the USPTO launched a new initiative known as “Clearing the Oldest Patent Applications” in an effort to eliminate the “tail” of backlog applications that were more than 16 months old at the beginning of the fiscal year and had not yet received a first office action. This initiative is a critical first step in reaching the USPTO’s strategic goal of providing first office actions on all new applications in an average of 10 months from their date of filing by 2014. USPTO’s goal for fiscal year 2011 is to have a first office action completed on nearly all of the 313,000 oldest backlog applications. Reaching this goal, however, is highly dependent on the passage of a fiscal year 2011 budget that would provide sufficient resources for hiring and examiner overtime.
- The USPTO has begun an effort to reengineer the entire patent examination process from the time an application is filed through to the granting of a patent. This effort is paramount for USPTO to upgrade and redesign its IT infrastructure, and to allow innovative redesign of the examination process supported by state-of-the-art automated work flow capabilities. The USPTO will maximize the usage of automation in all processes and link project due dates to those of the end-to-end IT initiative such that the IT system is built to obtain the functionality of the reengineered process.
- The USPTO plans to hire, train and retain highly skilled and diverse examiners. While continuing to draw candidates from our traditional sources, USPTO expects that including Intellectual Property (IP) experienced hires will assist in developing a balanced workforce, contribute to a lower attrition rate, and provide a faster transition to productivity for new hires. Recruiting candidates having significant IP experience will lead to a reduced training burden as well as an increased ability to

examine applications much sooner than an inexperienced new hire, thereby increasing production output.

- By outsourcing searching on Patent Cooperation Treaty (PCT) international applications, examiners will have more time to conduct the examination process on U.S. National applications. In continuing to outsource this function, contractors, instead of patent examiners, would provide an international search report and a written opinion of the International Searching Authority under the provisions of the PCT, thus allowing examiners to examine the approximately 17,000 utility, plant and reissue applications, which will reduce the backlog by an estimated 9,000 applications.

The USPTO faced management challenges obtaining a reliable and sustainable source of funding to finance operations on a multi-year basis. The agency does not have much flexibility adjusting its fees or spending levels if filings and revenues change unexpectedly. To accomplish its strategic goals, the USPTO must have the authority to set the fees necessary to recover the cost of operations, spend fees collected on requirements-based operations, and to adapt and manage its funding requirements as changes occur in internal and external conditions.

As the agency requires sufficient resources to reduce the patent application backlog and achieve its stated pendency goals, the USPTO seeks fee setting authority through the America Invents Act. This Act will allow the USPTO to proactively adjust its fees in response to changes in demand for services, processing costs, or other factors. With fee setting authority, and with routine evaluation of the fee structure, the agency can compare the cost of activities with fees to ensure the rates are set at appropriate levels and the fee structure is achieving rational results.

Another management challenge faced by the USPTO is the potential existence of financial uncertainty as a result of the agency's unique financial structure. Subsequent downturns in the U.S. and global economies showed the structure's vulnerabilities. Multiple factors contribute to the differences, including a reduction in the number of patent applications filed and declines in maintenance fees collected for existing patents. In December 2010, the DOC IG found that the USPTO does not have clear guidance or a disciplined, documented process for forecasting patent fee collections. The IG recommended the establishment and implementation of written policies and procedures for developing fee-collection forecasts and annual reports on variances between projected and actual fee collections. The USPTO has completed several of these IG recommendations, having documented the CFO process for developing fee-collection forecasts and submitting the annual variance report.

## **Challenge 6: National Oceanic and Atmospheric Administration-- Effectively Balancing NOAA's Goals of Protecting the Environment and Supporting the Fishing Industry**

### **OIG Statement**

Charged with protecting, restoring, and managing the use of living marine and coastal and ocean resources, NOAA invests billions of dollars each year to support an array of programs that require long-term commitments and years of funding before showing their full effect. With its Exclusive Economic Zone of 3.4 million square nautical miles of ocean, the United States manages the largest marine territory of any nation in the world. According to NOAA's 2009-2014 strategic plan, "the value of the ocean economy to the United States is more than \$138 billion." NOAA faces difficult challenges in promoting the health of marine resources, especially in the areas of fishery enforcement and environmental restoration while ensuring they sustain the vital economic benefits we derive from them.

### *Allegations Against NOAA Law Enforcement Spark Reform*

NOAA's management of commercial fisheries and its enforcement of fair, transparent, and effective regulations is a critical component of the successful execution of its mission. In FY 2010, we responded to a request from NOAA to investigate allegations of excessive penalties and arbitrary actions by its Office for Law Enforcement and General Counsel for Enforcement and Litigation. In response to our findings, the Secretary of Commerce and the Undersecretary for Oceans and Atmosphere (who is also the NOAA Administrator) announced sweeping reforms to increase the accountability and transparency of, and to strengthen the public's trust in, NOAA's law enforcement agency. The Secretary also announced significant restrictions on the use of the Asset Forfeiture Fund (where fines and penalties assessed against the fishing industry are deposited).

The actions directed by the Secretary and the reforms being implemented by NOAA to promote impartiality in its enforcement processes should help ensure fair and unbiased treatment of fishery cases. NOAA must take positive, equitable action to restore the reputation and soundness of its enforcement program and ensure that corrective actions are applied consistently nationwide. We will continue to devote resources and attention to NOAA's fisheries enforcement to make sure that this important program receives sufficient independent oversight.

### **NOAA's Response / Actions Taken**

In response to Office of Inspector General reports, NOAA's Office of Law Enforcement (OLE) has implemented significant changes to increase accountability and transparency. NOAA has also introduced a new policy placing significant restrictions on the use of the Asset Forfeiture Fund (AFF). The new policy, finalized in March 2011, significantly limits the use of the AFF for services, supplies, and equipment. The new policy also restricts uses of AFF for travel and training. The final policy allows the AFF to support investigative travel and only specific, required law enforcement training. The full list of prohibited uses is at: <http://www.federalregister.gov/articles/2011/03/23/2011-6869/noaa-policy-on-prohibited-and-approved-uses-of-the-asset-forfeiture-fund>. In addition, NOAA completed the following actions in FY 2011:

- NOAA sponsored a National Fisheries Enforcement Summit, has implemented a compliance assistance pilot program in New England, and is increasing the emphasis on outreach and compliance assistance in the provision of enforcement services as it increases the number of staff engaged in dockside enforcement services (Enforcement Officers vs. Special Agents).
- NOAA implemented a public priority-setting process. OLE has collected stakeholder recommendations, published initial proposals and is in the process of refining its priority statement through consultation with NMFS and NOAA officials.
- NOAA appointed a new Director for OLE, Lt. Col. Bruce Buckson of the Florida Fish and Wildlife Conservation Commission Division of Law Enforcement.

In addition, NOAA is currently conducting a comprehensive review of OLE's Enforcement Operations manual.

NOAA has undertaken positive, equitable action to restore the reputation and soundness of its enforcement program and taken measures to ensure that corrective actions are applied consistently nationwide. In response to OIG reports as well as feedback received from stakeholders during NOAA's National Enforcement Summit, NOAA announced the compliance pilot program in September 2010. This pilot program serves as part of ongoing efforts to improve communication with the fishing industry and to work proactively with fishermen to help them understand and comply with fisheries regulations. A new Compliance Liaison, who is not an enforcement officer, will serve as a liaison to the fishing industry and other stakeholders in order to work collaboratively to solve such problems as understanding regulations or ensuring gear is in compliance. This program will be closely linked to and coordinated with the outreach, communication, and education team being formed in the Northeast Regional Office.

This program, initiated in the Northeast Enforcement Division, will serve as a template for the other five enforcement Divisions.

### ***Gulf Oil Spill Creates New Challenges for NOAA***

In addition to its law enforcement activities, NOAA responds each year to over a thousand natural and human-induced incidents threatening life, property, and marine resources. For example, on April 20, 2010, an explosion on Deepwater Horizon, a semisubmersible mobile offshore oil-drilling well in the Gulf of Mexico, resulted in the largest oil spill in U.S. history. To help recover from a spill of this magnitude, NOAA's monitoring, damage assessment, and restoration activities will continue for years to come.

Because the Deepwater Horizon spill is so large in scope, we anticipate NOAA will need to devote significant resources for an extended period of time towards restoration in the Gulf. As of September 2010, NOAA has dedicated \$131.4 million to the spill through reimbursable projects. Since serious threats to wildlife and the fishing community still exist, NOAA's National Marine Fisheries Service must continue to monitor conditions along the coastal areas of Louisiana, Mississippi, Texas, Alabama, and Florida to ensure seafood is safe for consumption. NOAA, as the lead agency for the Natural Resource Damage Assessment process and the nation's lead science agency covering oil spills, will also continue to assess what environmental resources have been harmed. Finally, federal, state, and local governments and affected communities will continue to rely on NOAA to provide continued monitoring and accurate data so responders can react to the oil's effects on our ecosystem.

### **NOAA's Response / Actions Taken**

NOAA undertook the following actions in response to the Gulf Oil Spill:

- At the outset of the Deepwater Horizon BP oil spill, NOAA quickly mobilized staff from the Damage Assessment Remediation and Restoration Program to begin coordinating with federal and state co-trustees and the responsible parties to collect a variety of ephemeral data that are critical to help inform the Natural Resource Damage Assessment (NRDA).
- NOAA expert personnel on site at each command post and the National Incident Command provided scientific advice to guide response actions toward best achievable outcome for environment and community
- NOAA's Surface Oil Forecasts aided those impacted by the spill – e.g. environmental trustees, responders, waterfront homeowners, local businesses.
- NOAA's Environmental Response Management Application (ERMA) provided common operating picture for responders and planners while GeoPlatform.gov did the same for the public
- NOAA provided scientific input and review on high-level reports and assessments – e.g. Operational Science Advisory Team (OSAT) report, Federal On-Scene Commander (FOSC) report, Incident Specific Preparedness Review (ISPR), Report to the President by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, and the National Response Team After Action Report.
- NOAA provided Federal guidance and oversight of Shoreline Cleanup and Assessment Technique process which determines best course of action for cleanup and monitoring of hundreds of miles of shoreline in four Gulf states. This is an ongoing effort requiring negotiations among many federal agencies, state, local, and tribal governments, and cultural and environmental trustees.
- NOAA completed response data analysis for science-based decision making through the OSATs Summary Report for Sub-sea and Sub-surface Oil and Dispersant Detection. This included Sampling

and Monitoring, Summary Report for Fate and Effects of Remnant Oil in the Beach Environment, and the Toxicity Addendum; and the Joint Analysis Group report on sub-sea monitoring

- NOAA established the NOAA Gulf Spill Restoration web site, [www.gulfspillrestoration.noaa.gov](http://www.gulfspillrestoration.noaa.gov), as a primary portal for public involvement in the Gulf Spill restoration planning process.
- Due to the size of the Deepwater Horizon release and the large potential for injury, NRDA field efforts have far surpassed any other for a single oil release. By early June 2011, the trustees had approved over 115 study plans and collected more than 36,000 water, tissue, sediment, soil, tarball, and oil samples. More than 90 oceanic cruises have been conducted since early May 2010 and many more are scheduled for the summer and fall of 2011.
- Technical teams consisting of several hundred scientists, economists, and restoration specialists from federal and state government, academia and BP have been in the field conducting daily surveys and collecting samples for multiple resources, habitats, and services.
- NOAA continues to collect information to assess potential impacts to fish, shellfish, terrestrial and marine mammals, turtles, birds, and other sensitive resources, as well as their habitats, including wetlands, beaches, mudflats, bottom sediments, corals, and the water column. NOAA is also assessing the lost human uses of these resources, such as recreational fishing, hunting, and beach use.
- As a result of supplemental funding from Congress to address some very targeted science-based issues, NOAA is conducting the following ongoing studies:
  - Improvement of algorithms and models for subsurface blowout dynamics and transport in 3D
  - Assessment of dispersed oil (surface, subsurface) data and development of national research and development priorities associated with dispersants in marine environments
  - Capture of new oil budget algorithms into real-time fate models for better and quicker oil budget estimates during continuous release scenarios

## **Challenge 7: Renovation of Department of Commerce Headquarters-- Protecting Against Cost Overruns and Schedule Delays for the Commerce Headquarters Renovation**

### **OIG Statement**

The Herbert C. Hoover Building (HCHB) – the Department of Commerce’s Washington, D.C., headquarters – is undergoing a comprehensive renovation. The eight-phase modernization and renovation of the over 1.8 million-gross-square-foot building is the first major upgrade of HCHB since its completion in 1932. The project, which has an estimated cost of \$960 million and is currently scheduled for completion by 2021, will upgrade mechanical, electrical, and life-safety systems; increase usable space; improve energy and environmental efficiency; and incorporate security improvements. Phase 1 of the renovation was substantially completed in October 2009, and Phase 2 is underway. Phases 2 and 3 will utilize some \$226 million in Recovery Act funds.

The General Services Administration (GSA) owns the building and is managing the renovation. However, the Department is also taking an active management role by working closely with GSA as an advocate for the operating units housed at HCHB with respect to space requirements, building services, and improvements. Since the renovation has the potential to disrupt the Department’s operations and affect its workforce, OIG plans to conduct an ongoing review of the construction activities and the

decisions critical to the renovation's success. Of special interest are the developments of the consolidated server room and perimeter security projects. These projects are Commerce's largest monetary responsibilities during the early phases of the renovation and directly affect critical stages of construction.

#### ***OIG's Initial Report Describes Problems with Billing Processes and Rental Rate Agreement***

Our August 2010 report on the Department's management of the project noted that GSA, Commerce, and the contractor for the renovation have implemented reasonable operating procedures to insure adequate oversight of the initial phases of the project. However, Commerce did not have a formal procedure in place for tracking and reconciling the documents used by GSA to capture costs and bill customers for the renovations; in addition, GSA and the Department had not reached a formal agreement on Commerce's future rental rates. Also during our work, OIG became aware of health complaints from Commerce staff occupying the renovation swing space. An inspection conducted by an Occupational Safety and Health Administration (OSHA) compliance safety officer found that the complaints were related to indoor air quality and temperature (being too hot or too cold), which are not regulated by OSHA.

Since our report, GSA and the Department have made progress addressing the billing and rental rate issues; we are awaiting a plan from Commerce that will provide more details about specific corrective actions. The Department has also informed us that the HCHB renovation has been included in the Department's balanced scorecard, a strategic program management tool initiated by the Secretary that measures the Department's progress against its mission goals. The scorecard will assess the renovation project from four perspectives: financial, schedule, project scope, and customer disruptions. These categories will provide a means to track progress and make corrections over the course of the renovation.

#### **DM's Response / Actions Taken**

The Office of Administrative Services (OAS) has held several meetings with GSA staff that addressed OIG recommendations and initiated dialogue for closure on numerous related issues.

OAS continues working with GSA National Capital Region leadership in resolving rental rates and timing issues. OAS also sought and received clarification from GSA on the basis for new rental rates for renovated and un-renovated HCHB space determined by a recent GSA appraisal that sets HCHB shell rent for the next five years (2012-2016).

Under the improved relationship, new occupancy agreements using renovated and un-renovated rental rates set under the previous appraisal, which reflect the Phase 1 addition, were put in place in December 2010. Draft pro forma occupancy agreements that identify estimated rental amounts after the acceptance of Phase 2 space next February were provided to the Department in June 2011. These draft documents identify the new rental rates based on the recent appraisal, as well as the acceptance of more renovated space and vacating un-renovated space to GSA for Phase 3. In addition, GSA is working to ensure that its measurement and rent processes will be in alignment with their project management for this next phase change.

The Department will not be charged for Tenant Improvements that will be funded with ARRA funds. Additionally, at the end of Phases 2 and 3, the Department will not be billed for Tenant Improvements.

On December 17, 2010, Commerce provided a rental rate plan to OIG outlining actions taken and actions planned.

#### ***HCHB Fire Underscores the Potential for Disruptions to Employee Productivity and Safety***

On October 7, 2010, a fire broke out at HCHB after normal working hours in an area undergoing renovation. Everyone was accounted for, and there were no reports of injuries. The fire resulted in the closure of the building on Friday, October 8. Testing for hazardous materials was conducted, and all areas of the building were cleared for occupancy on October 12 (the next scheduled workday). However,

this unexpected closure affected approximately 3,500 employees—a clear example of the disruptive effect that the renovation can have on Commerce’s operational efficiency.

OIG will monitor the effectiveness of the lessons learned from the fire and other disruptive incidents so that potential future disruptions to operations—as well as adverse effects on employees’ comfort, health, and productivity—can be mitigated. Our oversight in future reports will also include an assessment of the Department’s performance in meeting its four scorecard objectives.

### **DM’s Response / Actions Taken**

At the General Services Administration’s (GSA) request, the Bureau of Alcohol, Tobacco, and Firearms conducted a thorough investigation to identify the cause of the fire and address any fire safety concerns in the construction area. The investigation revealed that the fire was started by a compromised electrical extension cord. After the fire, GSA reiterated the need to enforce good construction safety practices to the Gilbane-Grunley Joint Venture and both parties continue to conduct regular inspections of the construction site. The Office of Building Renovation has been working with GSA to ensure the contractor follows all safety regulations to prevent any future events and/or accidents. In addition, GSA has procedures in place to prepare for known natural disasters such as hurricanes and snow storms.

### **DM’s Summary of Other Actions Taken in Response to HCHB Renovation**

#### **Response to Health Concerns in Swing Space**

On June 8 and 18, 2010, the HCHB Building Management received inspections on swing space level A by an OSHA Compliance Safety and Health Officer (CSHO). The CSHO concluded that swing space level A is in compliance and no citations or notices were necessary or required. A monthly air quality testing program of the entire HCHB, including swing space, has been implemented. The testing includes:

- Temperature and Relative Humidity
- Carbon Dioxide and Carbon Monoxide
- Total Volatile Organic Compound (TVOC) Monitoring

The results of this testing indicate that all parameters tested and noted are within the recommended regulations, standards and applicable guidelines. These test results are posted on the renovation intranet site for all HCHB tenants to view.

In addition, the Office of Space and Building Management hired GLOBAL Consulting Inc., an independent environmental firm, to provide a Certified Industrial Hygienist to do additional testing. Their evaluation included real-time field measurement, confirmatory sampling, and laboratory analysis. The results of this testing indicate that all parameters tested and noted are within the regulations, standards and applicable guidelines.

The National Institute for Occupational Safety and Health also conducted an Environmental Health Hazard Evaluation of the HCHB swing space and concluded that all environmental parameters, including volatile organic compounds, mold, bacteria, and electromagnetic interference, were within acceptable guidelines and the space was considered safe for occupancy.

On July 12, 2010, an electromagnetic field survey was performed throughout the offices on the second floor of the HCHB swing space to measure both electric and magnetic field strengths. The maximum field strength detected in this area was far below current recommended exposure limits for both static electric and magnetic fields.

### Balanced Scorecard

The HCHB renovation has been included in the Department's balanced scorecard. On a quarterly basis, the scorecard assesses the renovation project from four perspectives: financial, schedule, project scope, and customer disruptions. These categories provide a means to track progress and make corrections over the course of the renovation.

To effectively assess and track the progress of the Renovation Project:

- The Deputy Assistant Secretary for Administration (DASA) is briefed bi-weekly on the project status.
- A Working Overarching Product Team meets bi-weekly to review the status of the GSA contract and construction effort as well as the tenant improvement projects that DOC is responsible for. They address and resolve issues/problems associated with the project, review risk and risk mitigation strategies, and resolve cross-cutting issues and budget. This group includes the DASA; the Director for Office of Administrative Services; executive leadership from NOAA and ITA (the two largest tenants); the Director for Acquisition Management; Deputy Director for the Chief Information Officer and the Deputy Chief Financial Officer and Director for Financial Management; and executive leadership from GSA
- Senior managers meet bi-weekly with the Director, OAS and the GSA senior project manager to discuss the project and any potential impacts on the project schedule and HCHB tenants.

## Challenge 8: Census Bureau--Effectively Planning the 2020 Decennial

### OIG Statement

The decennial census provides important information that guides the apportioning of congressional representation and redistricting, as well as the distribution of more than \$400 billion of government funding every year. The 2010 census was an immense undertaking that encompassed a decade of planning and testing. It involved a massive end-of-decade effort to collect addresses and geographic information to update the bureau's master address file and digital maps, a late change in plans to revert to a pen-and-paper nonresponse follow-up operation instead of using handheld computers, and the training and deployment of more than 784,000 temporary employees to accurately count the estimated 300 million people living in the United States.

The 2010 decennial's life-cycle cost is approximately \$13 billion. Considering the current trends in population and cost growth, if Census uses 2010 as a model for designing the 2020 census, the total price of the next decennial could rise to more than \$22 billion (according to bureau estimates). Such cost growth is unsustainable. Census must make fundamental changes to the design, implementation, and management of the decennial census in order to obtain a quality count for a reasonable cost.

### *Lessons Learned from 2010 Are an Essential Part of Success in 2020*

Census must apply lessons learned from the 2010 process to develop an innovative, flexible, cost-effective, and transparent approach to the 2020 census. Alternative approaches to the labor-intensive end-of-decade address list improvement and non-response follow-up operations—both of which were major 2010 cost drivers—must be explored and tested early in the decade to prevent schedule delays or cost increases, and to enhance accuracy. In addition, Census must improve its IT management, as well as reduce costs and risk by limiting the deployment of one-time-use technology.

### *Exploring Options for Improving Operations*

The decennial is not the Census Bureau's only means of tracking the population of the United States. Currently, 12 regional offices manage a trained federal workforce to conduct a variety of censuses and surveys throughout the decade. Every month, quarter, and year households and businesses are contacted via mail, telephone, or in-person interview to provide information used by the government to manage its population and economic data. To be effective, the 2020 planning approach needs to leverage these existing surveys, field operations, and data assets.

One likely vehicle to continuously develop, test, and improve decennial operations and technology is through the American Community Survey. This nationwide survey replaced the once-a-decade "long form" and is conducted on an ongoing basis in every part of the country (using a national sample size of 250,000 households per month). Employing this survey to incrementally test various aspects of the 2020 census—including the development and testing of a secure system and approach for an Internet response option and exploring the use of existing information collected by public and private entities (commonly referred to as administrative records)—would reduce both cost and risk during future decennials. A continuous update of Census's maps and its address list throughout the coming decade—using the existing trained workforce in both office and field operations—could further reduce cost and risk, and likely increase quality.

Fiscal years 2011 and 2012 are critical years in the planning of the 2020 census and will set the course for how well this constitutionally mandated responsibility is performed.

### **Census's Response / Actions Taken**

Work on the 2020 decennial census in FY 2011 was mostly limited to development of goals and strategies, and establishing program management processes and documents. With respect to the specific recommendations, two key strategies for 2020 development include utilization of the American Community Survey (ACS) as a "test bed" for 2020 research, and work on continuously updating the address frame and maps over the decade, allowing a less-costly targeted update of the Master Address File in 2019.

To reduce R&D costs and manage risk, Census will integrate continuous testing into the production environment of the American Community Survey, so that Census can conduct many small tests throughout the decade. As the testing evolves to production system development, the ACS will serve as an initial production environment. Making use of the many developmental cycles in the ACS monthly production environment reduces the high risk of building one-use systems that must operate flawlessly in the decennial production, an approach used in previous censuses.

In FY 2011, the Census Bureau implemented an initiative for increasing the Geographic Support System program to support: improved address coverage; an expanded annual Boundary and Annexation Survey to include all legal governments; continual update of positionally accurate road and other related spatial data; mid-decade review of statistical areas; and, enhanced quality measures of ongoing geographic programs. By focusing on activities that improve the Master Address File while maintaining the spatial infrastructure that makes census and survey work possible, this initiative represents the next phase of geographic support following the 2010 Decennial Census.

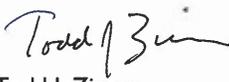
## 2012 MANAGEMENT CHALLENGES



UNITED STATES DEPARTMENT OF COMMERCE  
The Inspector General  
Washington, D.C. 20230

October 24, 2011

**MEMORANDUM TO THE SECRETARY**

**FROM:**   
Todd J. Zinser

**SUBJECT:** Top Management Challenges Facing the Department of Commerce  
in Fiscal Year 2012

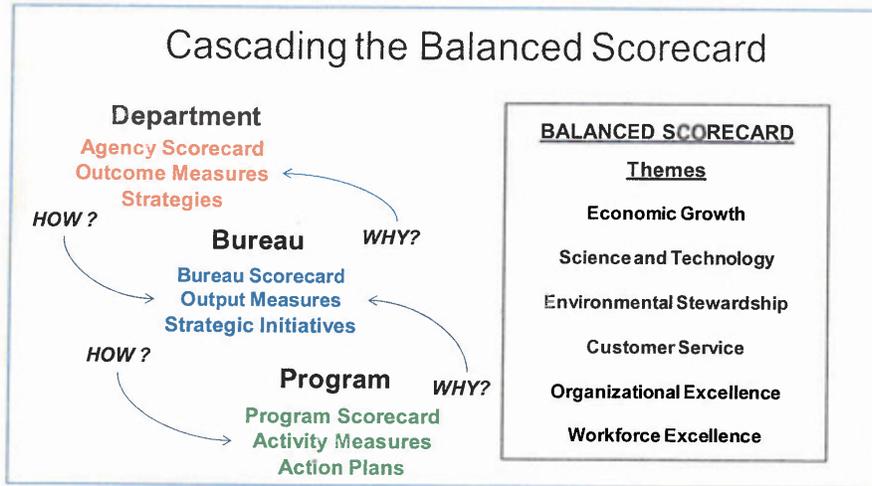
Enclosed is our final report on the Department of Commerce's top management challenges for fiscal year (FY) 2012. The Department plays a pivotal role in implementing the President's initiatives for economic recovery and job creation and plans to spend about \$10 billion on a wide range of programs in the upcoming year. The report identifies what we consider, from our oversight perspective, to be the most significant management and performance issues facing the Department.

The five major challenges we have identified for FY 2012 represent cross-cutting issues that focus on the President's most important goals. The first two challenges in the report are new additions: challenge 1 discusses the Department's mission to *promote the export of American goods, stimulate economic growth, and create jobs while simultaneously enforcing trade laws and protecting U.S. trade interests*; and challenge 2 explains the Department's need to *reduce operating costs in the face of an extended period of constrained federal budgets*. The remaining three challenges are longstanding departmental concerns: *enhancing IT security across the Department, improving Commerce-wide acquisitions and contracting practices, and ensuring NOAA meets its milestones to develop and launch its new environmental satellites while minimizing expected data gaps*. Under the leadership of former Secretary Locke and Acting Secretary Blank, the Department has a solid foundation upon which to make continued improvements when addressing these challenges.

Former Secretary Locke's legacy included adopting a *balanced scorecard* management approach focusing on themes that reflect the Department's priorities. This approach gives a greater emphasis to Commerce's three programmatic themes of Economic Growth, Science and Information, and Environmental Stewardship as well as its management themes of Customer Service, Organizational Excellence, and Workforce Excellence (see diagram, on next page). Since the beginning of FY 2011, the Deputy Secretary has met each quarter with operating unit heads to review the scorecard, which tracks performance and measures progress. This management approach has helped to institutionalize the Department's efforts in working



toward cross-cutting performance goals and to better position the Department to respond promptly and suitably to challenges as they emerge. We would recommend that you continue to exercise these capabilities consistent with your goals and objectives in leading the Department.



Source: OIG, based on the Department's balanced scorecard overview

We remain committed to keeping the Department's decision makers informed of longstanding as well as emerging problems identified through our audits and investigations so that timely corrective actions can be taken. This final report and the Department's response to it (which appears as an appendix) will be included in the Department's *Performance and Accountability Report*, as required by law.<sup>1</sup>

We appreciate the cooperation received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions concerning this report, please contact me at (202) 482-4661.

- cc: Rebecca Blank, Acting Deputy Secretary  
 Cameron Kerry, General Counsel  
 Bruce Andrews, Chief of Staff  
 Scott Quehl, CFO/ASA  
 Simon Szykman, Chief Information Officer  
 Operating Unit Heads  
 Operating Unit Audit Liaisons

<sup>1</sup> 31 U.S.C. § 3516(d).

## Contents

<b>Challenge 1: Effectively Promote Exports, Stimulate Economic Growth, and Create Jobs</b> .....	<b>1</b>
Implement Administration Initiatives with Effective Interagency Partnerships.....	1
Enhance Commerce Unit Operations to Help Promote Trade and Job Creation.....	2
Correct Unfair Trade Practices and Protect Our National Security Through Enforcement Activities.....	5
Improve Regulatory Reviews to Protect and Promote Public Interests.....	6
<b>Challenge 2: Reduce Costs and Improve Operations to Optimize Resources for a Decade of Constrained Budgets</b> .....	<b>7</b>
Implement and Expand Initiatives to Improve Operational Efficiency and Economy.....	8
Strengthen Oversight of Improper Payments for Additional Recoveries.....	9
Reduce the Risk of Misuse, Abuse, or Waste of Federal Funds Awarded to Grantees.....	10
Continue Oversight of the Broadband Technology Opportunities Program.....	11
Apply Lessons Learned from 2010 Decennial to Planning for the 2020 Census to Avoid Cost Overruns.....	11
Protect Against Cost Overruns and Schedule Slippages for Headquarters Renovation.....	12
<b>Challenge 3: Strengthen Department-Wide Information Security to Protect Critical Information Systems and Data</b> .....	<b>14</b>
Continue Working to Improve IT Security by Addressing Ongoing Security Weaknesses.....	14
Implement Security Policy Effectively Through Consistent, Proactive Management.....	16
<b>Challenge 4: Manage Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services in a Manner Most Beneficial to Taxpayers</b> .....	<b>18</b>
Develop and Retain a Qualified Acquisition Workforce.....	19
Ensure High Ethical Standards in the Acquisition Workforce and in Procurement Practices.....	19
Strengthen Processes to Govern the Appropriate Use of High-Risk Contracts and to Maximize Competition..	20
Achieve Efficiency and Savings in Acquiring Goods and Services, and Improve Oversight and Tracking of Contract Savings.....	21
Deliver Cost Savings and Efficiency on Major IT Investments.....	22
<b>Challenge 5: Manage the Development and Acquisition of NOAA’s Environmental Satellite Systems to Avoid Launch Delays and Coverage Gaps</b> .....	<b>23</b>
Prevent a Near-Term Polar Satellite Coverage Gap Between NOAA-19 and NPP.....	24
Ensure Solid Program Management and Systems Engineering Principles Are Applied to Mitigate JPSS Coverage Gaps.....	25
Maintain Robust Program Management and Systems Engineering Disciplines to Prevent Geostationary Coverage Gaps.....	27
<b>Acronym List</b> .....	<b>29</b>
<b>Appendix A: Related OIG Publications</b> .....	<b>30</b>
<b>Appendix B: Comparison of FY 2011 Challenges to FY 2012</b> .....	<b>34</b>
<b>Appendix C: Management Response to OIG Draft Report</b> .....	<b>35</b>

## Challenge I:

### Effectively Promote Exports, Stimulate Economic Growth, and Create Jobs

The Department is at the center of the federal government’s efforts to promote exports and stimulate economic development, while at the same time regulating exports. The Secretary plays a visible role in carrying out the Department’s trade promotion mission, with export- and trade-related activities—such as leading trade missions and representing the United States in bilateral or multilateral meetings—accounting for a significant portion of the Secretary’s time. The President also tasked Commerce with leading the government-wide SelectUSA initiative by attracting and retaining domestic and foreign investments. We estimated that Commerce planned to devote approximately \$994 million (11 percent) of its FY 2011 budget request to fund direct international programs and activities, most of which is represented by the budgets of the International Trade Administration (ITA) and the Bureau of Industry and Security (BIS).

#### *Implement Administration Initiatives with Effective Interagency Partnerships*

Many federal agency missions are related to international trade. We reviewed their missions and found more than 20 performed trade-related functions, such as policy development and negotiation, export promotion, financing, and licensing and regulation (table 1).

**Table 1. U.S. Government Agencies with Trade-Related Functions**

Agency	Member of			Function		
	Export Promotion Cabinet	Trade Promotion Coordinating Committee	Policy Development, Negotiation & Cooperation	Export Promotion <sup>a</sup>	Finance, Insurance, Grants & Adjustment Assistance	Licensing, Inspection & Regulation
Council of Economic Advisors	•	•	•			
Department of Agriculture	•	•	•	•	•	•
Department of Commerce	•	•	•	•	•	•
Department of Defense		•	•			•
Department of Energy		•	•	•		•
Department of Homeland Security		•	•			•
Department of the Interior		•	•			•
Department of Labor	•	•	•	•	•	
Department of State	•	•	•	•		•
Department of Transportation		•	•			
Department of the Treasury	•	•	•			•
Environmental Protection Agency		•	•			•
Export-Import Bank	•	•			•	
Food and Drug Administration			•			•
National Economic Council	•	•	•			
National Security Council	•	•	•			
Office of Management and Budget	•	•	•			
Office of the U.S. Trade Representative	•	•	•	•		
Overseas Private Investment Corporation	•	•			•	
Small Business Administration	•	•		•	•	
U.S. Agency for International Development		•	•			
U.S. International Trade Commission			•			•
U.S. Trade Development Agency	•	•		•		

Source: OIG analysis of government agency information  
<sup>a</sup> Export Promotion includes export counseling and assistance, providing trade leads and market research, conducting feasibility studies, and advocating for U.S. businesses.

## OFFICE OF INSPECTOR GENERAL

The Department has a critical part in the success of the administration's three government-wide initiatives: promote U.S. exports, reform the export control system, and reorganize the federal government's trade promotion responsibilities. The following efforts require the Secretary to work effectively with interagency partners and to marshal and integrate Commerce resources:

- **Increase Collaboration Among Partner Agencies to Implement the National Export Initiative.** In March 2010, the President formalized a government-wide strategy called the National Export Initiative (NEI), which aims to double U.S. exports by 2014 by enhancing the private sector's ability to export goods and services. The NEI is led by a secretarial-level body called the Export Promotion Cabinet that is charged with implementing the initiative's trade-related activities in coordination with the Trade Promotion Coordinating Committee (TPCC; see member agencies in table 1),<sup>2</sup> which is chaired by the Secretary. Historically, collaboration among TPCC agencies on specific trade promotion has not been strong, and the TPCC has not developed any working groups to improve coordination among its members. Despite these limitations the Department reports that, as of August 2011, the efforts of these organizations have resulted in a 17 percent increase in exports since 2009.<sup>3</sup>
- **Work with Partner Agencies to Implement the Export Control Reform Initiative.** The Department, along with the Departments of Defense and State, is a central part of implementing the Export Control Reform Initiative. This initiative envisions more effective export administration and enforcement by consolidating agency efforts and using a single IT system and list of controlled goods and technologies with military and commercial applications. Through this approach, the government would create a single source to help businesses obtain the information they need to export sensitive goods and technology. To date, the Department has succeeded in revising some of its export control regulations and is helping establish an export enforcement coordination center.
- **Support Reorganization of U.S. Government Trade and Export Promotion Functions.** The Office of Management and Budget (OMB) is leading an effort to reduce overlap in government trade-related responsibilities and identify potential cost savings, thereby improving agencies' efficiency and effectiveness. As noted in table 1 and later in table 2, trade functions and responsibilities are spread across multiple federal agencies—and even within the Department's own operating units. Although the plan is not yet public, it is likely that the reorganization will affect the Department significantly; Commerce should be prepared for the possibility of major program changes.

### *Enhance Commerce Unit Operations to Help Promote Trade and Job Creation*

At the same time as it is involved in these government-wide efforts, the Department must continue to enhance its own mission to promote U.S. economic growth and associated job

<sup>2</sup> The TPCC was established in 1993 by Executive Order 12870 under the authority of the Export Enhancement Act of 1992 to coordinate governmental efforts to promote U.S. exports.

<sup>3</sup> OIG has not verified the accuracy of this claim.

gains. Our office analyzed the Department’s trade-related responsibilities. The results of our analysis are displayed in table 2, which outlines Commerce’s international functions and the missions of responsible operating units.

**Table 2. International Function by Commerce Operating Unit <sup>a</sup>**

International Function	Commerce Operating Unit									
	ITA	USPTO	NIST	EDA	ESA	BIS	MBDA	NOAA	NTIA	
Represent the nation in international forums	•	•	•		•	•		•	•	
Formulate policy and negotiate agreements	•	•	•			•		•	•	
Manage international cooperation and exchanges	•	•	•		•	•		•		
Promote U.S. exports and commercial advocacy	•	•	•			•		•	•	
Promote U.S. international competitiveness	•	•	•	•		•	•			
Promote U.S. standards	•		•						•	
Regulate trade and investment	•					•				
Collect, analyze, and disseminate trade data	•				•					
Protect U.S. intellectual property rights	•	•								
Mitigate negative effects of international trade	•			•						
Enforce international law and U.S. treaty obligations						•		•		
Combat unfair trade practices	•									

Source: OIG analysis, based on bureau information  
<sup>a</sup> Commerce’s operating units are International Trade Administration (ITA), U.S. Patent and Trademark Office (USPTO), National Institute of Standards and Technology (NIST), Economic Development Administration (EDA), Economics and Statistics Administration (ESA), Bureau of Industry and Security (BIS), Minority Business Development Agency (MBDA), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA).

The Department began improving coordination among its operating units by launching the “CommerceConnect” initiative in 2009 to help U.S. businesses be more competitive and create jobs by coordinating and providing a portfolio of government assistance to businesses via the Internet, a national call center, and field offices throughout the country. However, a more structured and broad-based approach is needed to adequately address Commerce-wide coordination efforts and address possible duplication of activities, as reported in a recent Government Accountability Office (GAO) study.<sup>4</sup> The Department also faces the following specific challenges to help promote trade and create jobs:

- **Repatriate Manufacturing Jobs in America.** Repatriation of jobs that have moved abroad will help create U.S. jobs and improve the economy. The House Appropriations Committee has recently proposed tasking the Secretary with establishing a Repatriation Task Force to examine incentives needed to encourage U.S. companies to bring manufacturing and research and development jobs back to the United States. The Senate Appropriations Committee also proposed giving the Department the task of developing a national manufacturing strategy.<sup>5</sup>
- **Appropriately Allocate Resources to Support the NEI.** ITA is involved with both the NEI and the potential reorganization/consolidation of U.S. export promotion

<sup>4</sup> GAO. March 1, 2011. *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP. Washington, D.C.

<sup>5</sup> See the pending House appropriations bill for FY 2012 (H.R. 2596) and Senate Report 112-78 accompanying the Senate appropriations bill for FY 2012 (S. 1572), as reported by the respective Appropriations Committees.

## OFFICE OF INSPECTOR GENERAL

activities. As part of the NEI, ITA intends to promote U.S. exports by increasing the number of trade specialists, outreach, and guidance to small- and medium-sized businesses capable of entering new markets, as well as the number and size of trade missions. The bureau's proposed FY 2012 budget provides additional funding to carry out NEI activities. With its increased workload, ITA must effectively manage its resources to meet the established goal of doubling U.S. exports by 2014 and must also fulfill congressional reporting requirements.

- **Reduce the Patent Backlog, Improve Processing Times, and Effectively Implement Patent Reform.** USPTO fosters innovation and protects inventors' intellectual property rights by registering trademarks and granting patents. Patents can help make initial investments in an invention worth the effort and expense; a granted patent can help investors secure capital, create or expand businesses, and create jobs. Over the past decade, the patent backlog has doubled, and the completion of patent reviews has increased from an average of 2 years to almost 3 years. Long waits for application decisions could negatively impact innovation, economic development, and job growth. USPTO continues to contend with the large number of patents awaiting review, making it imperative that USPTO maintain its focus and increase its efforts to address these challenges.<sup>6</sup>

USPTO also faces new administrative and operational challenges in implementing the recently enacted Leahy-Smith America Invents Act (Pub. L. No. 112-29). This act contains many changes to patent laws and USPTO practices, such as moving the United States to a "first-to-file" system, creating new proceedings for review of granted patents, allowing USPTO the authority to set fees, and imposing a 15 percent surcharge on all patent-related fees. These changes—many of which must be made between 10 days and 12 months of the enactment—will require USPTO to issue new regulations, set new fees, modify current business processes, and conduct new studies and report on them to Congress.

- **Improve Technical and Financial Assistance Programs to Promote Job Growth in the United States.** The two departmental operating units that provide assistance to U.S. companies are NIST and EDA. NIST fosters trade through a variety of programs that support business innovation, promote research, and help companies improve their business processes. The \$125 million-per-year Manufacturing Extension Partnership, for example, works with small and mid-sized U.S. manufacturers to help create and retain jobs, increase profits, and save time and money through a public/private partnership. In FY 2011, EDA provided approximately \$250 million in grants and assistance programs that focus on helping businesses in disadvantaged and distressed communities and mitigating the negative impacts of trade. EDA grants enhance the export potential of U.S. businesses, and increase the competitiveness of

<sup>6</sup> USPTO reports that the backlog of patent applications has decreased from 716,428 in October 2010 to 683,991 in August 2011 ([www.uspto.gov/dashboards/patents/kpis/kpiBacklogDrilldown.kpixml](http://www.uspto.gov/dashboards/patents/kpis/kpiBacklogDrilldown.kpixml)).

regions across the country. Our office has identified needs to improve program and grant management in these areas.

- **Ensure the Elimination of Important Surveys Does Not Adversely Affect the Formulation of Vital National Social or Economic Indicators.** Composed of the U.S. Census Bureau and the Bureau of Economic Analysis (BEA), ESA is responsible for collecting and maintaining key statistics on the U.S. economy, international trade, and investment. The constrained budget environment may result in an adverse impact on this critical mission. For example, the Department has proposed eliminating the Census Bureau's 2012 Economic Census, which would affect the quality and production of major economic indicators such as BEA's National Income and Product Accounts and Gross Domestic Product, and the Bureau of Labor Statistics' Producer Price Index. The Department and Congress need to ensure that the elimination of these important surveys does not have an adverse effect on the formulation of vital national social or economic indicators.

The entire Department has to effectively and efficiently coordinate efforts and manage resources to meet the goals of the various trade and export initiatives, avoid program duplication, and maximize resources. Workforce planning, program improvements, and well-defined missions can assist with meeting those goals. If all operating units do not successfully manage their programs and coordinate efforts, valuable resources may be wasted, jeopardizing Commerce's ability to help U.S. companies increase exports and strengthen the national economy.

### *Correct Unfair Trade Practices and Protect Our National Security Through Enforcement Activities*

While trade promotion is an essential part of the its mission, the Department must also maintain strong trade enforcement programs so that the United States can thrive in the global marketplace. Long-term, sustainable U.S. economic growth depends on the effective enforcement of trade agreements and laws to ensure U.S. companies can compete fairly in the international arena. ITA's Import Administration works to counteract unfair trade practices by U.S. trading partners, such as dumping and foreign subsidies, while its Market Access and Compliance unit works to ensure compliance by these same trading partners with international trade agreements and to resolve trade disputes.

Additionally, the Department facilitates trade in a manner that protects U.S. national interests. This mission is carried out by BIS, which protects national security interests by regulating the export of controlled goods and technology to prevent their acquisition by our country's adversaries. While each bureau vigorously carries out its respective missions, BIS faces the greatest challenge as it contends with fundamental changes to the country's export control system.

BIS is currently helping to implement the long-term goals of the Export Control Reform Initiative. In the near term, the initiative will result in the transfer of a significant number of export-controlled items from the jurisdiction of the State Department's Directorate of Defense

## OFFICE OF INSPECTOR GENERAL

Trade Controls to BIS. The bureau will need to ensure that its resources are adequate to handle the increased workload. In addition, BIS will need to increase its outreach efforts to educate exporters about changes in export control regulations and provide the necessary guidance to ensure compliance with new regulations. Finally, with more goods and technology shipped under its jurisdiction, BIS will need to increase its enforcement efforts to detect, prosecute, and deter violations of the regulations. Effective administration and enforcement of the revised dual-use export regulations will be critical. Otherwise, U.S. companies risk losing export sales because of delays in processing license applications, and controlled goods and technology may be shipped to unsuitable end users by exporters who willfully or unintentionally violate the regulations.

### *Improve Regulatory Reviews to Protect and Promote Public Interests*

The Department plays a vital role in regulating marine fisheries and protected resources (NOAA), patents and trademarks (USPTO), and the import and export of goods (ITA and BIS). In August 2011, the Department submitted its *Plan for Retrospective Analysis of Existing Rules* in response to Executive Order 13563, *Improving Regulation and Regulatory Review*, issued January 18, 2011. In this order, the President stated:

Our regulatory system must protect public health, welfare, safety, and our environment while promoting economic growth, innovation, competitiveness, and job creation. It must be based on the best available science....It must take into account benefits and costs.... It must measure, and seek to improve, the actual results of regulatory requirements.

Conducting adequate cost-benefit analyses and identifying meaningful performance measures for regulatory activities are critical to avoid overburdening affected industries, as required by the President's Order. This is especially important for NOAA to consider. In recent years, members of the fishing industry and congressional leaders from the New England region have repeatedly questioned the costs and benefits of certain fishery regulations. Last year, we also reported that balancing NOAA's goals of protecting the environment and supporting the fishing industry was one of the top management challenges facing the Department.

NOAA has committed to working with stakeholders and Congress to improve performance metrics for its U.S. fishery management policies and to revisit previous cost-benefit analyses as part of the retrospective regulatory analysis. USPTO, ITA, and BIS also plan to incorporate cost-benefit analyses as part of their regulatory reviews. To implement the President's Order, the Department needs to ensure the quality of cost-benefit analyses conducted by these regulatory operating units and appropriate actions taken to revise/update regulatory activities.

## Challenge 2:

### Reduce Costs and Improve Operations to Optimize Resources for a Decade of Constrained Budgets

OMB has issued FY 2013 budget guidance directing federal agencies to provide scenarios with their FY 2013 requests reflecting funding at levels 5 and 10 percent below their FY 2011 enacted budgets. At the same time, OMB encouraged agencies to develop programs supporting economic growth. OMB has stated that it will be difficult, but possible, to find savings to support these investments in growth; agencies have to cut or eliminate low-priority and ineffective programs while consolidating duplicate ones, improve program efficiency by driving down costs, and support fundamental program reforms that will generate the best outcomes per dollar spent.

The pending House appropriations bill for FY 2012, as reported by the Committee on Appropriations, would reduce the Department's appropriations by 6 percent compared with FY 2011—and was almost 20 percent below the administration's FY 2012 budget request. In addition, the Joint Select Committee on Deficit Reduction is seeking \$1.5 trillion in government-wide savings over the next 10 years. The Committee could target additional cuts in specific Commerce programs; if the Committee fails to agree on spending reductions, or the Committee's proposal is not enacted by January 15, 2012, across-the-board cuts will begin with the FY 2013 budget. Some Commerce programs, both small and large, have already been deeply affected by constrained budgets:

- The Department requested \$22.6 million for two key IT security strategic initiatives intended to enhance system monitoring and detect and respond to cyber attacks. However, due to budget uncertainties, the Department is identifying alternative funding sources internally, and has to carefully prioritize the elements of both initiatives so that funds can be used to implement the most critical elements first. Information technology and cybersecurity are discussed in detail in challenge 3.
- Based on the current FY 2011 funding level, NOAA expects a potential coverage gap between its two new polar weather satellites—the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Preparatory Project, scheduled for launch in October 2011, and the first Joint Polar Satellite System satellite, scheduled for launch in February 2017. According to NOAA's studies, its weather forecasting at 5, 4, and 3 days before weather events could be significantly degraded during the coverage gap. We discuss NOAA's ability to minimize the gap in severe weather forecasting in challenge 5.

As the Department prepares for an extended period of tighter budgets and decreased spending, it is more important than ever to target waste, reduce inefficiency, and ensure that taxpayers' dollars are being spent wisely. OIG has reviewed and recommended improvements in several areas of the Department's operations. Opportunities to save money and optimize efficiency lie in such diverse areas as administrative operations; improper payments; program and grants management; 2020 decennial census planning; and the ongoing renovation of the Department's Washington, D.C., headquarters.

### *Implement and Expand Initiatives to Improve Operational Efficiency and Economy*

In view of the constrained budget environment for FY 2012 and beyond, the Department has already started looking for additional savings by reforming the way it does business.

Commerce has an initiative in place to save \$143 million in administrative costs in FY 2011 and 2012 (table 3). Savings will be realized in part through an \$86 million reduction in facilities and information technology as well as human resources. For example, Commerce is one of more than 12 federal agencies that have received approval to authorize voluntary early retirement and separation incentives for employees who volunteer to retire from federal service. The Department has also committed to close 22 of its 56 data centers by December 31, 2012, as part of the federal government's long-term plan to lower operating costs by consolidating data centers.<sup>7</sup>

**Table 3. Commerce's Cost-Saving Initiatives**

Initiatives	Savings in FYs 2011–2012 <sup>a</sup>
<b>Acquisition:</b>	
<b>Strategic Sourcing</b>	\$ 25 million
<b>Acquisition:</b>	
<b>Contract Management</b>	\$ 32 million
<b>Other Administrative Activities</b>	\$ 86 million
<b>Total Savings</b>	\$143 million =====

Source: Department of Commerce  
<sup>a</sup> Although some of the initiatives began in FY 2011, the total administrative savings are estimated for FY 2012.

The remaining \$57 million in savings will be derived from changes in the Department's acquisition activities. As we discuss in challenge 4, the Department needs to handle acquisitions more effectively and efficiently; it can do so in part by reducing the use of high-risk acquisition contracts. The Department reported it has already saved about \$4 million by focusing on strategic sourcing for six services: cellular service, office supplies, personal computers and accessories, print management and energy, small package delivery, and support services. But relentless management attention and active oversight of reported savings are critical to achieving the Department's goal.

The Department demonstrated leadership in taking these cost-saving initiatives; however, the budget environment will require that Commerce continue to search for similar opportunities to optimize efficiency and cut operational costs. For example, in our audit of the Department's motor pool operations, we found that Commerce needed more effective oversight of its vehicle inventory, records, and cost; over 730 fleet credit cards—with transactions totaling over \$1 million—could not be matched to a motor pool vehicle. Our recommendations to improve the inventory and use fraud monitoring tools to prevent or detect credit card abuses will improve the economy and efficiency of motor pool operations. In addition, the Census Bureau, in an effort to reduce costs and improve the quality of the hundreds of surveys it executes annually, plans to realign its 12 regional offices into 6. An annual cost saving of \$15–18 million is projected once this realignment is complete.

<sup>7</sup> Department of Commerce. September 28, 2011. *2011 Data Consolidation Center Plan and Progress Report* (draft).

*Strengthen Oversight of Improper Payments for Additional Recoveries*

The Department can increase efforts to implement the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and increase the dollars it recovers from improper payments. The law defines improper payments as payments that either should not have been made or that were made to ineligible recipients or for ineligible goods and services. Our 2011 report on improper payments highlighted the opportunity to test payments for almost \$6 billion in FY 2010 grants. Commerce can recover more improper payments by testing more types of payments, lowering its dollar limit for testing payments, beginning testing sooner, and following the guidance of OMB and IPERA to determine which programs may have the most risk of losses due to improper payments.

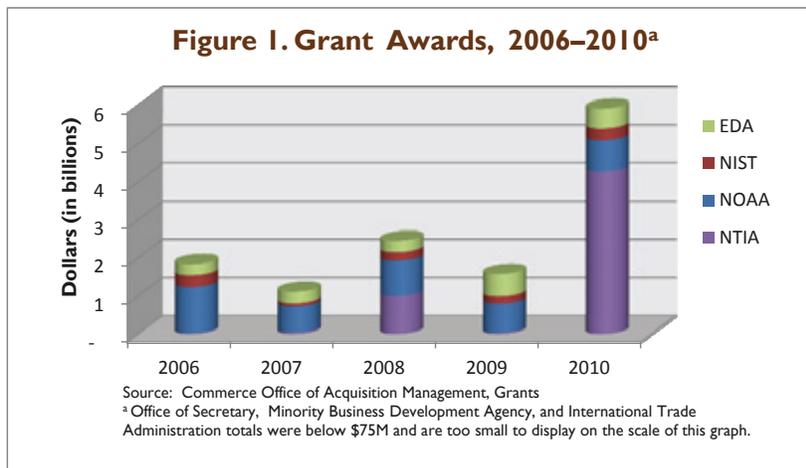
IPERA expanded the criteria for determining whether a program may be susceptible to improper payments, lowered the review threshold for programs and activities from \$500 million to \$1 million in payments, and expanded the types of programs required to conduct recovery audits, if cost-effective, to include any contract, grant, or cooperative agreement. OMB also has lower dollar thresholds for testing potential improper payments. For example, according to OMB's updated criteria, single payments of more than \$5,000 to an individual or \$25,000 to an entity can be tested for high-risk programs. By lowering the threshold for testing, agencies have a better chance of detecting and recovering improper payments. Currently, the Department only tests single payments greater than \$100,000. While focusing on a few high-dollar payments addresses the very highest risk, the Department does not have an adequate assessment of the total improper payments.

Since FY 2006, OMB guidance on improper payment testing has encouraged, but not required, that grants be included in recovery audits, which are post-payment reviews designed to identify improper payments and return the payments to the Treasury. The Department, however, excludes from these reviews grants, travel payments, bank and purchase cards, procurements with other federal agencies, and procurements with non-federal entities unless the associated contracts have expired. Because the Department did not elect to include grants in its recovery audits from FYs 2006–2010, annual amounts of \$1–6 billion were not tested. For these fiscal years, Commerce identified and reported only one contract recovery—for less than \$100,000—from a recovery audit. We have recommended that the Department include grant funds in future audits, increasing the chance that significant erroneous payments will be found, reported, and recovered. In response, the Department, beginning in FY 2011, has expanded its payment recapture audits to include grants and other cooperative agreements. An independent contractor is currently performing a Department-wide payment recapture audit of closed grants and other cooperative agreements. The Department should also consider including ongoing grant and procurement activities in its review to ensure timely recovery of any improper payments made. Deferring improper payment reviews until contracts have been closed—years after payments have been made—undercuts IPERA's requirement to give priority to the most recent payments.

*Reduce the Risk of Misuse, Abuse, or Waste of Federal Funds Awarded to Grantees*

The Department’s annual grant obligations increased from approximately \$2 billion in FY 2006 to almost \$6 billion in FY 2010, as shown below in figure 1 (the additional \$4 billion was due to Recovery Act funds). As of June 2011, the Department reported about \$10 billion accumulative outstanding obligations, more than half of which were for grants. Strong oversight and program management are needed to ensure responsible spending and timely de-obligation of unneeded funds.

Shrinking grant management budgets will in turn challenge pre- and post-award grant processes. Pre-award application processes need to target for funding only the most highly qualified applicants performing mission-critical functions. Post-award processes have to focus on obtaining the maximum benefit for taxpayer dollars through program office oversight of grant recipients’ performance, compliance with program rules, and reporting, as well as ensuring the financial integrity of programs by overseeing expenditures, matching share, and indirect costs.



The diversity and duration of Commerce grant programs (grants can have a performance period of 3 years or more) also highlight the Department’s need to examine options such as the following to standardize and streamline its management processes:

- Better use of OIG audits and single audit reports (which are performed by independent audit firms) that include financial and compliance testing to evaluate grantees during grant implementation so that emerging issues can be promptly identified and remedied. Examples of these issues include grantees needing better cash management, improved procurement practices, and more accurate financial reporting. Since FY 2009, OIG audits and single audits have identified more than \$56 million in questioned costs and funds to be put to better use.

- Consolidation of the Department's three separate grants management systems into a single system to improve efficiency and reduce the need for grants personnel to manually correct errors or inconsistencies. Currently, the Department's grants and contracts personnel have to perform many manual procedures to compensate for errors or inconsistencies in the grants and contracts systems. Updated systems could result in a more efficient use of time and resources, as well as ensure consistently high data quality and lower error rates. This will help the Department meet future requirements of the Government Accountability and Transparency Board that is being formed in response to an Executive Order by the President.

### *Continue Oversight of the Broadband Technology Opportunities Program*

At some \$4 billion, the Broadband Technology Opportunities Program (BTOP) represents a significant investment of federal funds to develop and deploy broadband services nationwide. The success of this program depends on the efforts of the National Telecommunications and Information Administration (NTIA)—along with its grant management partners, NOAA and NIST—and the rigor and strength of its oversight. The uncertain funding for BTOP oversight in FY 2012 and beyond raises significant concerns about NTIA's ability to adequately oversee the program in the future. BTOP is a high-risk program that requires continuous, long-term oversight for several reasons. The approximately 230 BTOP awards represent the largest and most complex grant program NTIA has ever overseen. These grants went to a diverse group of recipients, many of them first-time federal award recipients. As of September 30, 2011, only about 19 percent of BTOP funds had been disbursed; the potential for fraud, waste, and abuse associated with such a large dollar amount of awards will increase substantially as recipient spending rises. As a result of the current spending pace, we are concerned that some grantees will not complete projects within three years of the grant issuance date. This completion goal is required by NTIA, as well as a recent memo by OMB requiring agencies to ensure that recipients complete all Recovery Act spending by September 30, 2013. Meeting completion and spending goals will require close monitoring by management.

We have issued several reports on the program underscoring the need to continue active program oversight, and we have provided training and guidance to program staff, contract staff, and grant recipients. We will continue to track BTOP's progress toward achieving program goals and its compliance with statutory and programmatic requirements.

### *Apply Lessons Learned from 2010 Decennial to Planning for the 2020 Census to Avoid Cost Overruns*

While decennial field operations were successfully completed in 2010, if the next census uses the same design its life-cycle cost estimate ranges from a low of \$22 billion to a high of \$30 billion. Given these projections, Census has to fundamentally change the design, implementation, and management of the decennial census to obtain a quality count for a reasonable sum of money.

## OFFICE OF INSPECTOR GENERAL

The decade's early years are critical for deciding on a design and for implementing these changes. According to the bureau, the research and testing phase determines how much change can be made to decennial operations; this phase has to occur early in the decade to reduce cost and risk. With funding constraints likely, the bureau needs to prioritize its research and testing to determine the feasibility, cost, and data quality impacts of proposed census design changes.

This summer, we issued our final report to Congress on the 2010 decennial. In the report, we outlined several challenges the Census Bureau has to effectively address in time for the 2020 Census:

1. revamp cost estimation and budget processes to increase accuracy, flexibility, and transparency;
2. use the Internet and administrative records to contain costs and improve accuracy;
3. implement a more effective decennial test program using existing surveys as a test environment;
4. effectively automate field data collection;
5. avoid a massive end-of-decade field operation through continuous updating of address lists and maps; and
6. implement improved project planning and management techniques early in the decade.

*“Our historical review had found that the census costs will have escalated by more than 600 percent over the period 1960–2010, even after adjusting for inflation and the growth in housing units.”*

National Research Council  
*Envisioning the 2020 Census (2010)*

### *Protect Against Cost Overruns and Schedule Slippages for Headquarters Renovation*

For the first time in its 79-year history, the Herbert C. Hoover Building (HCHB)—Commerce's Washington, D.C., headquarters—is undergoing a comprehensive renovation. The project, currently scheduled for completion in 2021, has a budgeted cost of \$958 million. Although the General Services Administration (GSA) owns the building, the Department is responsible for funding tenant improvements, such as

- upgrading all mechanical, electrical, and safety systems to alleviate code deficiencies, conform to industry standards, meet GSA guidelines, and extend the building's useful life;
- increasing usable space;
- increasing energy and environmental efficiencies; and
- incorporating security improvements.

The President's FY 2012 budget included over \$16 million for Commerce to fund tenant improvements. However, the pending House appropriations bill for FY 2012 would reduce the Department's requested appropriation for the renovation by almost \$1.2 million. This

## OFFICE OF INSPECTOR GENERAL

reduction, along with budget cuts to meet OMB's FY 2013 guidance and a decade of restricted spending, will increase the risk of delays and could cause the project to miss the scheduled completion date. We will continue our ongoing review of construction activities and decisions critical to the renovation's success.

Commerce also needs to continue to work closely with GSA as an advocate for the operating units housed in HCHB since the project has the potential to disrupt Commerce operations and adversely affect its workforce. We are overseeing how effectively Commerce is working with GSA, and we will examine the project's cost schedules, performance, and any health or safety issues that may emerge as the renovation continues.

## Challenge 3:

### Strengthen Department-Wide Information Security to Protect Critical Information Systems and Data

The Department of Commerce—along with other government agencies, private industry, and the public—relies on its 280 IT systems to perform critical actions and provide vital information. The Department's varied IT functions include processing census and economic data, managing patent and trademark applications, developing trade information, delivering meteorological information and severe weather alerts, modeling atmospheric conditions for weather and climate forecasting, and controlling weather satellites.

In recent years, the federal government—and the Department in particular—have increasingly taken advantage of Internet-based technologies to interconnect IT systems and conduct business with the public. According to the Department's June 2011 green paper,<sup>8</sup> today the Internet has become central to the nation's mission to "promote growth and retool the economy for sustained U.S. leadership in the 21st century." As this trend continues, cyber attacks on Internet commerce, vital business sectors, and government agencies have grown exponentially. In 2010, an estimated 55,000 new viruses, worms, spyware, and other threats bombarded the Internet daily; according to OMB's FY 2010 Federal Information Security Management Act of 2002 (FISMA) report to Congress, the number of cyber incidents reported for federal systems alone in FY 2010 had increased by approximately 39 percent over FY 2009.

To address cybersecurity threats, the Department is playing a leading role in developing public policies and private-sector standards and practices that can markedly improve the United States' overall cybersecurity posture. For instance, the President's National Strategy for Trusted Identities in Cyberspace has tasked the Department this year to coordinate federal government and private-sector efforts to raise the level of trust associated with the identities of individuals, organizations, networks, services, and devices involved in online transactions.

But Commerce's own IT systems are constantly exposed to an increasing number of cyber attacks, which are becoming more sophisticated and more difficult to detect. And clearly, cybersecurity threats are exacerbated by the globally interconnected and interdependent architecture of today's computing environment. As a result, security weaknesses in one area may provide opportunities for exploitations elsewhere. With this in mind, the Department must continue to improve the effectiveness of its security measures to protect the confidentiality, integrity, and availability of critical systems and information.

#### *Continue Working to Improve IT Security by Addressing Ongoing Security Weaknesses*

For our FY 2010 FISMA audit report, we evaluated 18 Commerce IT systems and concluded that the Department's information security program and practices have not adequately secured

<sup>8</sup> *Cybersecurity, Innovation and the Internet Economy*, The Department of Commerce Internet Policy Task Force, June 2011.

Department systems. The report presented major findings that required senior management attention, as shown in table 4.

**Table 4. OIG’s FY 2010 FISMA Findings Show Significant Weaknesses in Commerce’s Systems**

Measure	Finding
High-risk vulnerabilities identified	Extensive vulnerabilities in system software suggest considerable likelihood of a security breach; patch management and vulnerability scanning practices are not effective. Scans identified significantly more high-risk vulnerabilities than were previously known.
Configuration settings defined and documented	Only 4 of 18 systems (1 high-impact) adequately defined and documented secure settings for operating systems and major applications. This is a long-standing deficiency in a crucial security practice.
Configuration settings securely implemented	Only 1 of 18 systems securely configured settings for its operating systems.
Security weaknesses and corrective actions adequately reported and tracked	Most systems exhibited significant deficiencies in reporting and tracking security weaknesses. As a result, the information about corrective action that the Department is using for performance measurement is inaccurate and inconsistent.
Contingency plans adequately tested	Six of 18 systems’ contingency plans were inadequately tested, including 2 systems that support the primary mission-essential weather forecasting function; testing of these 2 systems’ contingency plans had not been done since FY 2007.
Alternate processing sites arranged	Five systems that are required to have alternate processing sites do not have them, including three systems—two high-impact and one moderate-impact—that support weather forecasting. Documents attribute the lack of alternate sites primarily to budget constraints.

Source: OIG, 2010 FISMA report

According to OMB’s FY 2010 FISMA report to Congress, while the Department reported spending more than \$165 million on IT security, its standing related to IT security posture is generally lower compared to other federal agencies (table 5).

**Table 5. Summary of OMB FY 2010 FISMA Report to Congress (Selected IT Security Key Metrics) <sup>a</sup>**

Key Metrics	Commerce’s Standing Among 24 Agencies (From the Top)
Smartcard issuance	19
IT assets with automated inventory capability	18
IT assets with automated vulnerability management capability	20
Portable computers with encryption	10
Security training for users with significant security responsibilities	16
Security training for new users	15

Source: OMB

<sup>a</sup> Information in the table is based on data provided to OMB by the agencies, not agency inspectors general.

Last year, we recommended that Commerce revise its IT security policy by providing specific implementation guidance that will ensure more effective and consistent practices across the

## OFFICE OF INSPECTOR GENERAL

Department. Further, we recommended the Department increase management attention to ensure that the deficiencies we identified are rectified Department-wide.

In responding to our recommendations, the Department developed an action plan to address the security weaknesses we identified; in the past year, the Department has taken several steps toward improving IT security. It has continued to enhance IT security workforce training, has increased collaboration between Department and operating unit chief information officers, and is currently revising its IT security program policy to address recommendations from our FY 2010 FISMA audit report. The Department has also taken the significant step of including information security measures in the Deputy Secretary's quarterly balanced scorecard review with bureau heads during FY 2011.

While we believe these efforts should strengthen the Department's IT security program, much more needs to be done. Until the Department successfully implements the items in its action plan, we can expect to find recurring security weaknesses—in both agency and contractor systems—that undermine the Department's ability to defend its systems and information, and that require greater attention and commitment from the Department's senior management. In fact, our ongoing FY 2011 FISMA work continues to find significant security weaknesses in Department and contractor systems. Our review of the Department's web applications identified significant security weaknesses that put them at risk of cyber attack, and our assessment of the selected Department IT systems found continued lapses in implementing critical security controls related to secure configuration settings, auditing and monitoring, and controlling access.

### *Implement Security Policy Effectively Through Consistent, Proactive Management*

Our findings this year reaffirm the need for increased management attention by the Department's Chief Information Officer, senior operating unit leadership, and senior program officials to ensure security policy and practices, including the associated performance evaluation, are applied consistently and effectively across the Department. For example, in 2010, the Department's Office of the Chief Information Officer and the Office of Human Resources issued joint memorandums to address performance management and accountability issues identified in our 2009 IT security workforce audit. These memorandums provided specific performance requirements to be incorporated in performance plans for individuals holding critical IT security roles within the Department. If fully implemented, this would be a positive step toward increasing management accountability to the Department's IT security posture. However, we reviewed a sample of FY 2010 and FY 2011 performance plans for authorizing officials, system owners, and other individuals holding critical IT security roles in two operating units, and found that specific requirements for these roles are not consistently incorporated in some of the performance plans. We found plans that did not incorporate any of the requirements and other plans that incorporated only some. The Department, therefore, needs to determine the extent to which operating units are incorporating these requirements into their performance plans and whether the incorporation is producing the desired effect.

The Department also faces the challenge of transitioning from a traditional certification and accreditation process, which assessed a system's security controls every 3 years, to NIST's

current risk management framework, which emphasizes continuous monitoring of security controls. The Department is modifying its policy to adapt to the risk management framework and taking two critical initiatives to secure Commerce's cyber infrastructure:

- In response to a mandate by OMB, the Department is planning to strengthen its networks' peripheral security protection with Trusted Internet Connections (TICs) equipped with monitoring devices provided by the Department of Homeland Security. Commerce has identified hundreds of Internet connection points that need to be secured. Currently, the majority of operating units have awarded a contract to implement TIC protection during 2011 or 2012; however, NOAA's timetable for implementing TIC protection extends all the way to 2014. Considering the vulnerabilities that we have identified in Commerce systems and increased threats on the Internet, management should strive to accelerate the TIC implementation timetable.
- The Department is planning to implement two key elements of its IT security strategic plan developed in FY 2010: enterprise continuous monitoring capability and an enterprise cybersecurity center. These initiatives are critical to proactively protecting Commerce networks. However, as we discuss in challenge 2, Department management needs to carefully prioritize the elements of these initiatives so that the limited funds that are available can be used to implement the most critical elements first.

## Challenge 4:

### Manage Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services in a Manner Most Beneficial to Taxpayers

The Department's acquisition and contract operations are critical to its ability to effectively fulfill its mission. In FY 2010, the Department obligated nearly \$4 billion through more than 26,000 contract actions<sup>9</sup> to acquire a wide range of goods and services to support mission-critical programs, including satellite acquisitions, intellectual property protection, broadband technology opportunities, management of coastal and ocean resources, information technology, and construction and facilities management. Table 6 illustrates the growing dollar amounts that Commerce's operating units have obligated through contracts in recent years.

**Table 6. Contract Actions by Operating Unit, FY 2008 Through 2010<sup>a</sup>**

Commerce Acquisition Office	FY 2008		FY 2009 <sup>b</sup>		FY 2010 <sup>b</sup>	
	Contract actions	Dollars (in millions)	Contract actions	Dollars (in millions)	Contract actions	Dollars (in millions)
NOAA	15,625	\$990	16,831	\$1,159	16,087	\$1,624
Census	2,267	\$681	3,332	\$1,308	3,187	\$1,312
USPTO	1,794	\$489	1,776	\$384	1,619	\$431
NIST	4,481	\$233	4,768	\$286	4,992	\$505
Office of Secretary	903	\$79	768	\$63	870	\$53
<b>Total</b>	<b>25,070</b>	<b>\$2,472</b>	<b>27,475</b>	<b>\$3,200</b>	<b>26,755</b>	<b>\$3,925</b>

Source: Department of Commerce Office of Acquisition Management

<sup>a</sup> Dollar amounts are rounded.

<sup>b</sup> FY 2009 and 2010 include \$361 million and \$754 million, respectively, in contract actions obligated under the American Recovery and Reinvestment Act. These years also reflect significant contract spending related to the 2010 decennial census.

In order to maximize its investments, the Department needs to strengthen its acquisition and contract management practices. Acquisition management is not just the act of awarding a contract; while a contract is a product of an acquisition, there is an entire process that begins with identifying a mission need and developing a comprehensive strategy to fulfill that need through a thoughtful, balanced approach that considers cost, schedule, and performance. While the Department has made some progress in this important area, our audits continue to find weaknesses in how the Department plans, administers, and oversees its contracts and acquisitions.

Commerce has made important efforts to address these challenges. In June 2010, the Secretary, in an effort to strengthen and improve the quality of Commerce's acquisitions, initiated a comprehensive review of the Department's acquisition processes. The study found fragmented, overlapping, and inadequate departmental oversight and unclear roles and responsibilities of the offices involved in acquisitions. These problems allowed the operating units to initiate large acquisitions without the benefit of Department-level governance and insight. While the Department has established working teams to develop and implement solutions to these

<sup>9</sup> Contract actions include contracts, delivery orders, task orders, and contract modifications.

problems, it is early in the process. Commerce hopes to have a framework in place for a Department-wide acquisition improvement project by the end of October 2011. However, developing the framework is just the first step in implementing solutions to the problems identified in the Secretary's acquisition study. Commerce must follow through on the Secretary's commitment—as well as take other needed actions to address the weaknesses we have identified—to establishing an efficient and effective acquisition process.

### *Develop and Retain a Qualified Acquisition Workforce*

The Department needs to maintain an acquisition workforce that can effectively oversee its expanding and increasingly complex contract practices. As we reported in our September 2010 memorandum on Commerce's Recovery Act contracts and grants workforce, the Department claimed that almost all contracting personnel have met the Office of Federal Procurement Policy's requirements for job-related certifications and continuous learning. Nonetheless, recruitment, training, and retention still pose risks to the Department's ability to meet its increasing acquisition workload. For example, in FY 2010, the Department's attrition rate was 15 percent for contracting officers and 6 percent for contracting officer representatives and project managers. The Department estimates that maintaining a sufficient number of contract staff will require a 41 percent increase in contracting positions, a 56 percent increase in contracting officer representatives, and a 77 percent increase in project managers over the next 4 years.

In addition to staff lost through attrition, between FYs 2009 and 2019, 54 percent of the senior-level acquisition employees in the Department's contracting series will be eligible to retire. According to the Department, it lacks a sufficient pipeline of entry- to mid-level professionals with the knowledge and leadership skills to adequately sustain operations during the projected retirement wave. As experienced professionals leave the Department, Commerce must implement a strategy to keep its workforce at the needed size and skill levels to support its mission.

*By 2019, the Department expects to lose over half of its senior acquisitions work force to retirement.*

### *Ensure High Ethical Standards in the Acquisition Workforce and in Procurement Practices*

Prevention and deterrence of ethical violations in any organization depends upon internal controls, oversight, and robust ethics awareness and training programs. Government contracting is risky by nature, and Commerce employees in contract-related positions represent the first—and best—line of defense in ensuring program integrity by promptly recognizing and reporting ethics violations and fraud indicators. Their vigilance, along with effective internal controls, is essential to combating fraud.

Because federal acquisition professionals have considerable control over how and to whom contracts are awarded, the profession has an inherent need for strong ethics monitoring and effective internal controls. Ethics training should include discussions of actual ethics violations

## OFFICE OF INSPECTOR GENERAL

and “what-if” scenarios illustrating situations to avoid. Staff should also receive training on how to avoid the appearance of a conflict of interest. As an added safeguard, Commerce ethics officials should periodically review the ethics programs of contractors to help identify and prevent conflicts or violations.

Historically, our investigations have identified the need for more vigilant oversight and stronger process controls to detect and prevent procurement fraud, waste, and abuse within the Department and among its fund recipients and contractors. The following examples of OIG investigative findings illustrate the need for Commerce’s continued attention to procurement integrity issues:

- questionable sole sourcing practices by local program officials against advice of counsel,
- regional officials steering contracts to acquaintances,
- improper splitting of purchase card transactions to circumvent spending limits, and
- improper communications with unsuccessful contract bidders.

Another control that the Department needs to strengthen is its suspension and debarment program, which would help to ensure Commerce awards contracts and grants only to responsible parties. In January 2011, we reported that the Department’s ability to safeguard itself against awarding contracts and grants to improper parties was limited by delays in its suspension and debarment decisions. The Government Accountability Office has also recently issued a report disclosing that the Department needed to improve its suspension and debarment practices.

In April 2011, the Department made its first decision to debar a contractor (or any other party) in over 15 years. In this case, we recommended debarment to Commerce’s senior procurement officials because the contractor had been convicted of conspiracy to commit money laundering and sentenced to 9 years in prison. But a more than 3-year lapse between our initial recommendation to bureau officials and the Department’s final action highlights the problems with the Department’s approach to suspensions and debarments. Commerce’s current Suspending and Debarring Official has begun to develop the processes and policies that form the foundation of a successful suspension and debarment program but, despite this recent progress, creating an efficient and durable program remains a challenge.

*Strengthen Processes to Govern the Appropriate Use of High-Risk Contracts and to Maximize Competition*

Recent OMB contracting initiatives promote agency use of competition and fixed-price contracts and require agencies to effectively analyze prices to mitigate risks for noncompetitive contract awards. In FY 2010, the Department obligated over \$473 million under contracts considered to be high risk. High-risk contracts increase the risk of loss to the government because they

*OMB defines **high-risk contracts** as contracts awarded noncompetitively or in which only one bid was received in response to a solicitation; cost-reimbursement contracts; and time-and-materials and labor-hour contracts.*

provide fewer incentives for contractors to control costs while requiring more government resources for oversight. New high-risk contracts awarded by Commerce represented 39.5 percent of the total dollar value of all new awards made in FY 2010. The Department was required to reduce the amount obligated for new awards of high-risk contracts by at least 10 percent in FY 2010.<sup>10</sup> However, our recent work illustrates that the Department needs to further improve its controls over high-risk contracts.

In our ongoing work, we have found that the Department has reduced its ratio of new high-risk contracts to total new contracts by over 15 percent. However, it did not report any FY 2010 cases to OMB in which a high-risk contract was reduced or eliminated. In fact, the dollar value of high-risk contracts actually *increased* significantly from 2008 to 2010. Specifically, total dollars obligated for new high-risk contracts in FY 2010 increased by \$143 million (more than 43 percent) from FY 2008. Although there were no reported reductions or eliminations of high-risk contracts in FY 2010, operating unit acquisition officials have taken actions that should result in more extensive use of competitive fixed-priced contracts in FY 2011 and beyond.

Further, without strong oversight, cost-plus-award-fee (CPAF) contracts can represent an additional risk of loss to the Department. The award fee in CPAF contracts is intended to motivate excellence in contractor performance and can also serve as a tool to control program risk and cost. However, the monitoring and evaluation of contractor performance necessary under a CPAF contract requires additional administrative effort and cost; federal regulations provide that such a contract is suitable only when the expected benefits of the contract are sufficient to warrant the added effort and cost. As we noted in our FY 2011 report, *Top Management Challenges Facing the Department of Commerce*, during 2010 decennial operations, the Census Bureau paid contractors millions of dollars in contract award fees that were not sufficiently designed or administered as required by regulations. For instance, for the Field Data Collection Automation (FDCA) contract, there were award fees that were excessive and not supported by technical assessments of the contractor's performance. Our 2009 review of two FDCA contract performance periods revealed that the contractor received over 90 percent of the available fees despite serious performance problems noted by Census's technical reviewers. Furthermore, the fee determination process lacked key features—such as qualitative measures and midpoint assessments—for ensuring awards were appropriate.

### *Achieve Efficiency and Savings in Acquiring Goods and Services, and Improve Oversight and Tracking of Contract Savings*

OMB's contracting initiatives require agencies to improve oversight of contractors and focus on cutting contract costs by using smarter buying practices. The Department was required to develop an acquisition savings plan to review its existing contracts and acquisition practices and reduce contract spending by 3.5 percent in FY 2010 and an additional 7 percent by the end of FY 2011. Commerce had claimed cost savings of several million dollars resulting from the implementation of several initiatives in its November 2009 acquisition savings improvement plan; however, we found that the actual amount of cost savings achieved to date is uncertain because many of the amounts reported by the operating units are unsupported or

<sup>10</sup> OMB Memorandum M-09-25, July 29, 2009. *Improving Government Acquisition*.

## OFFICE OF INSPECTOR GENERAL

overestimated, and controls used to develop the methods for estimating savings are not adequate or well defined. Several factors contributed to this problem, including the lack of effective coordination, monitoring, and verification processes. For example, the Department's Office of Acquisition Management did not verify a nearly \$18 million savings claim by the Census Bureau for its bulk purchase of scanners. We disagreed with the bureau's calculation of its claimed savings, which was based on list prices; a more realistic value for the savings would have been the difference between what Census would have spent for the scanners in the absence of the savings initiative—based on prices it would have received for smaller-quantity, regional purchases—and what it ultimately paid as a result of pursuing the initiative to consolidate the acquisitions into a single nationwide action.

The Department has taken steps to improve its monitoring and verification of the cost savings reported by the operating units' procurement offices. Specifically, it is developing a process to standardize the contract savings reporting among the procurement offices and also requiring each office to report monthly on its actual contract savings; the Department will validate a sample of the reported savings each quarter. While such efforts to improve reporting represent real progress, continued attention will be needed to meet the level of accountability called for by OMB. In challenge 2, we describe additional departmental actions to achieve cost savings by eliminating improper payments.

### *Deliver Cost Savings and Efficiency on Major IT Investments*

The Department spends about 25 percent of its annual budget (\$2.5 billion) on IT investments (excluding satellite spacecraft)—one of the highest percentages among all federal agencies. With such a large amount being spent on technology, the Department must watch for any opportunity to save money, improve efficiency, and prevent setbacks to these important projects.

*The Department spends about 25 percent of its annual budget on IT investments—one of the highest percentages among federal agencies.*

For instance, OMB requires agencies to compile the cost and schedule variances of major IT investment projects, the results of which are posted publicly on the government's IT Dashboard website for accountability and transparency. In its results, the Department reported serious cost and schedule problems concerning four NOAA IT investment projects, totaling \$265 million of Commerce's annual investments. NOAA management also expressed concerns that these IT system deficiencies, if not properly resolved, could result in serious disruptions to its 24/7 weather forecasting capability or satellite support operations.

In addition, USPTO has embarked on its Patent End-to-End (PE2E) acquisition initiative to significantly improve or replace nearly all of its aging patent processing systems. At a cost of \$130 million (by USPTO's current estimate), PE2E is the largest, most complex multi-year IT investment USPTO has undertaken in several years. In evaluating USPTO's management of the acquisition, we have identified challenges and offered recommendations related to improving long-term technical and acquisition planning, as well as strengthening USPTO's oversight of the project.

## Challenge 5:

### Manage the Development and Acquisition of NOAA's Environmental Satellite Systems to Avoid Launch Delays and Coverage Gaps

For the past 50 years, NOAA, in partnership with the National Aeronautics and Space Administration (NASA), has been responsible for developing and operating polar and geostationary environmental satellite systems. NOAA's environmental satellite operations and weather forecasting are designated primary mission-essential functions of the Department of Commerce because they directly support government functions the President has deemed necessary to lead and sustain the nation during a catastrophe. But NOAA's current constellation of polar and geostationary operational environmental satellites is aging, and its capabilities will degrade over time. As a result, the risk of gaps in critical satellite data is increasing.

Between 1995 and early 2010, NOAA partnered with the Department of Defense and NASA in the development of the National Polar-orbiting Operational Environmental Satellite System (NPOESS), which was at that time the planned replacement system for NOAA's Polar Operational Environmental Satellite System and Defense's Defense Meteorological Satellite Program. The original NPOESS program was to develop six satellites, with first launch planned for 2009 and an estimated life-cycle cost of \$6.5 billion through 2018. By late 2009, however, the program had reduced its scope to four satellites, with the first launch delayed until 2014, while its life-cycle cost estimate had escalated to \$14 billion through 2026.

In February 2010, the White House's Office of Science and Technology Policy announced its decision to have NOAA, in partnership with NASA, establish the Joint Polar Satellite System (JPSS) program as part of the restructuring of NPOESS due to its long history of cost overruns and schedule delays. At that time, the JPSS program planned to launch two satellites—at an estimated cost of \$11.9 billion—to collect data for short- and long-term weather and climate forecasting through 2026. But in order to be included in the FY 2011 President's budget request, the JPSS budget estimate had to be developed so quickly that, while NOAA had existing NPOESS requirements in place, it did not have time to formally approve high-level requirements for JPSS.<sup>11</sup>

*“Polar-orbiting satellites are the backbone of all model forecasts at three days and beyond. . . . NOAA is faced with a nearly 100% chance of a data gap in the U.S. civilian polar orbit, on which both civilian and military users rely, by late 2016 to early 2017.”*

Dr. Kathryn D. Sullivan, Assistant Secretary of Commerce for Environmental Observation and Prediction and Deputy Administrator of NOAA, in July 28, 2011, written testimony to the U.S. Senate Committee on Appropriations, Subcommittee on Financial Services and General Government

<sup>11</sup> In a September 23, 2011, hearing before the House Subcommittees on Investigations and Oversight and Energy and Environment, Committee on Science, Space, and Technology, the Assistant Secretary of Commerce for Environmental Observation and Prediction and Deputy Administrator of NOAA stated that NOAA has recently completed high-level JPSS requirements, refining its cost estimate, and will incorporate updated baselines (cost, schedule, and performance) in the upcoming FY 2013 budget submission.

## OFFICE OF INSPECTOR GENERAL

The second system, the Geostationary Operational Environmental Satellite-R Series (GOES-R), is intended to offer uninterrupted short-range severe weather warning and “now-casting” through 2036. With an estimated cost of \$10.9 billion for four satellites, this program experienced projected cost changes and reduced capabilities, which occurred while GOES-R was in the midst of defining the system architecture. Working with NASA, NOAA is responsible for managing the entire program and for acquiring the ground segment, which is used to control satellite operations and to generate and distribute instrument data products.

Given their histories, both of these critical satellite programs require strong program management and close oversight to minimize further delays and prevent any interruptions in satellite coverage. Our work has identified three near-term priorities for NOAA as it manages JPSS and GOES-R:

1. timely launch and complete the data checkout for the NPOESS Preparatory Project (NPP);
2. strengthen program management and systems engineering to mitigate JPSS coverage gaps; and
3. maintain robust program management and systems engineering to prevent GOES-R coverage gaps.

#### *Prevent a Near-Term Polar Satellite Coverage Gap Between NOAA-19 and NPP*

The first JPSS satellite (JPSS-1) will be preceded in orbit by the NPP satellite, originally a NASA-led risk reduction effort to test NPOESS’ new instruments in flight. Scheduled for an October 28, 2011, launch, NPP will now be used operationally to maintain continuity of climate and weather forecast data (used, for example, in the prediction of heavy snowstorms and flooding) between NOAA’s current polar-orbiting operational environmental satellite (NOAA-19) and JPSS-1. Recent efforts by NASA’s NPP team (including contractors) have put the satellite on track to launch in late October, but late development of the ground system has compressed the mission schedule and delayed the schedule for data product availability after launch.

After the launch, NOAA originally planned to make NPP operationally ready in 18 months, which coincides with the end of the design life of NOAA-19 (approximately March 2013). This plan left little room for contingencies. Both NOAA and OIG have identified a number of risks that, if not properly mitigated, could cause further delays in NPP operational readiness and degradation of NOAA’s weather and climate forecasting capability:

- According to the ground system’s contractor, Raytheon, the ground system will not be able to support the validation of a significant number of data records until after a system upgrade, planned for March 2012. In addition, NOAA has not finalized coordination between the NPP/JPSS program and NOAA’s Center for Satellite Applications and Research (STAR), which is critical to transferring satellite observation into operations. Consequently, NOAA has extended its projection for readiness from 18 to 24 months after launch, which could lead to a coverage gap between NOAA-19 and NPP if NOAA-19 stops functioning properly at the end of its design life.

- We also observed that, unlike NOAA's existing operational satellite systems, NPP has only a single mission management center for controlling the satellite, and NPP's ground station has the system's only science data downlink (the means to transmit a signal from the satellite to the ground station). JPSS program officials told us they have commissioned studies to develop an alternate mission management center and hope to have one ready well in advance of the JPSS-1 launch. They also told us that the ground station has redundancy in terms of antennas and equipment. However, while there is redundancy, the use of a single ground station in a single geographic location is not consistent with NOAA's existing polar and geostationary operational environmental satellite systems, in which more than one location is used.
- NASA conducted two ground system/NPP satellite compatibility tests in 2011; the first test had been delayed when ground system software builds took longer than expected to produce. Both tests experienced further delays and compressed the remaining work schedule for the October 2011 NPP launch. NASA has had to postpone analysis of some test results and requirements verification until after NPP's launch. Also, in response to an independent review team's recommendations, the project has completed a stress test in late September and early October to evaluate NPP's operational readiness. Any system fixes required to mitigate concerns identified during the stress test would add to the postlaunch data production workload.

In order to reduce the risk of a data gap between NOAA-19 and NPP, NOAA management needs to provide sufficient oversight to enable communication and coordination between the JPSS program and STAR as well as ensure additional resources are available after launch to support activities needed for data production. NOAA should also determine the feasibility of establishing an alternate mission management center and an additional science data downlink for NPP as soon as possible.

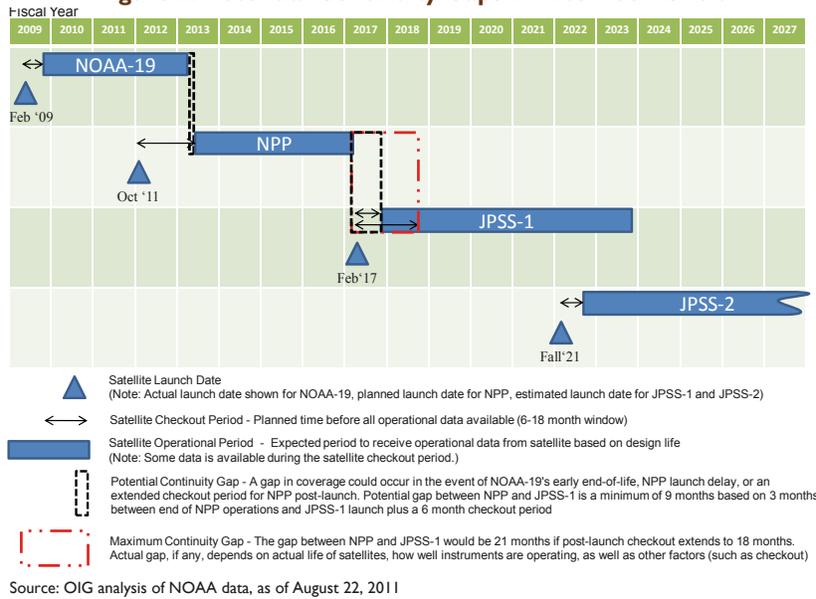
*Ensure Solid Program Management and Systems Engineering Principles Are Applied to Mitigate JPSS Coverage Gaps*

NOAA expects a gap in weather and climate observations between NPP's end of design life and the operational date of JPSS-1. NPP's projected end of design life is November 2016, NOAA plans to launch JPSS-1 in the first quarter of 2017,<sup>12</sup> and there is a minimum 6-month checkout period before key data products from JPSS-1 can be used operationally. We believe that, due to continued budget uncertainty and probable FY 2012 funding somewhat below the President's budget request, the JPSS-1 launch date will be no earlier than February 2017. Based on a February 2017 launch, the gap would last at least 9 months (3 months from November to February, plus the additional 6 months for checkout). Should checkout take 18 months (as NPP's is projected to do), the gap would extend a total of 21 months (figure 2, next page). NOAA's studies have found that its weather forecasting at 5, 4, and 3 days before an event could be significantly degraded during the coverage gap period.

<sup>12</sup> According to NOAA, JPSS-1 could launch in the first quarter of FY 2017 with (1) the program receiving the full President's budget request for FY 2012 (\$1.07 billion) and beyond and (2) no FY 2012 continuing resolution beyond the first quarter of FY 2012.

A checkout period longer than 6 months will be necessary to achieve full operational capability (versus an interim capability to produce key data products). Full checkout may take longer because JPSS-1 instruments will have manufacturing changes from the models flown on NPP and, in all probability, NPP will no longer be operational when JPSS-1 is on-orbit, thus leaving the JPSS-1 mission without a direct, and more efficient, means for comparison.

**Figure 2. Potential Continuity Gaps in Afternoon Orbit**



We have identified the following areas that require senior management attention to help ensure JPSS-1 operational readiness and minimize the potential impact of the coverage gap:

- Prioritize all JPSS requirements, develop reliable cost estimates to support future funding requests, and systematically communicate planned actions and progress with decision makers.** NOAA is currently developing a revised life-cycle cost estimate. Additionally, NOAA tasked NASA with developing contingencies that prioritize some of the most important requirements and maintain a launch readiness date no later than February 2017. We believe the JPSS program should formally prioritize all of its requirements, not just the subset in this contingency exercise, so that it can efficiently adjust the program's performance capabilities or launch dates, if needed, in response to year-to-year funding variances. Further, the program should develop a plan to accommodate requirements that may have to be removed or relaxed when annual funding falls short of the program's budget but could be recouped in future appropriations. Finally, due to the importance and complexity of the JPSS program, NOAA must ensure that a program baseline (cost, schedule, and requirements) is established as soon as possible, and keep the Department and

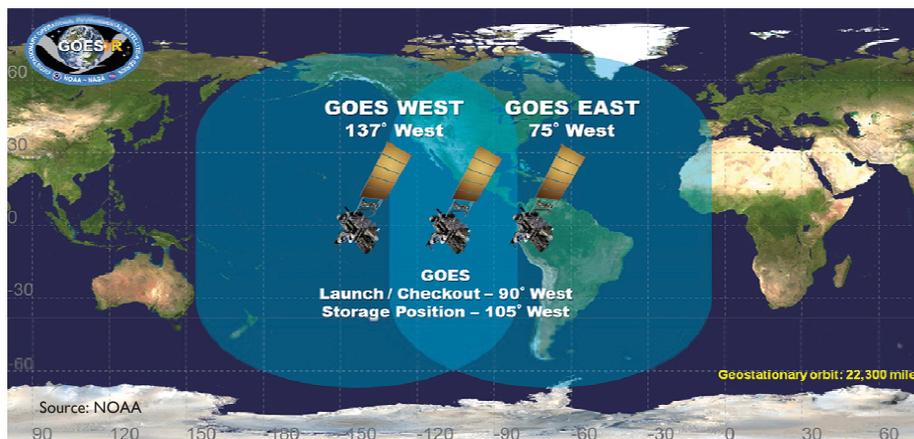
Congress informed of its planned actions and progress against this baseline to facilitate decision making.

- Coordinate NOAA response, in case NPP does not live through its 5-year design life.** The NPP spacecraft was designed to last 5 years and carries enough fuel to last 7 years. However, most of its instruments were managed and developed under the NPOESS contract, which received limited government oversight and had a history of technical issues. Additionally, NASA lacked technical oversight during the instrument development, manufacturing, and testing phases, creating uncertainty about the instruments' ability to operate for the length of the spacecraft's design life. For these reasons, NASA's revised criteria for NPP mission success called for only 3 years of operability. Although NOAA's current analysis assumes that NPP will have a 5-year operational life, NOAA understands that a residual risk of a shorter life expectancy remains due to the lack of oversight during the development of most of NPP's instruments. In order to sufficiently prepare for an expected gap in polar satellite data from the afternoon orbit, NOAA should coordinate efforts from across its line offices to minimize the degradation of weather and climate forecasting during gaps in coverage.

*Maintain Robust Program Management and Systems Engineering Disciplines to Prevent Geostationary Coverage Gaps*

NOAA's policy for its geostationary satellites is to have three satellites in orbit—two operational satellites (GOES-East and GOES-West) and one on-orbit spare that is ready for use operationally should either of the active satellites fail (figure 3).

**Figure 3. GOES-R Orbital Coverage**

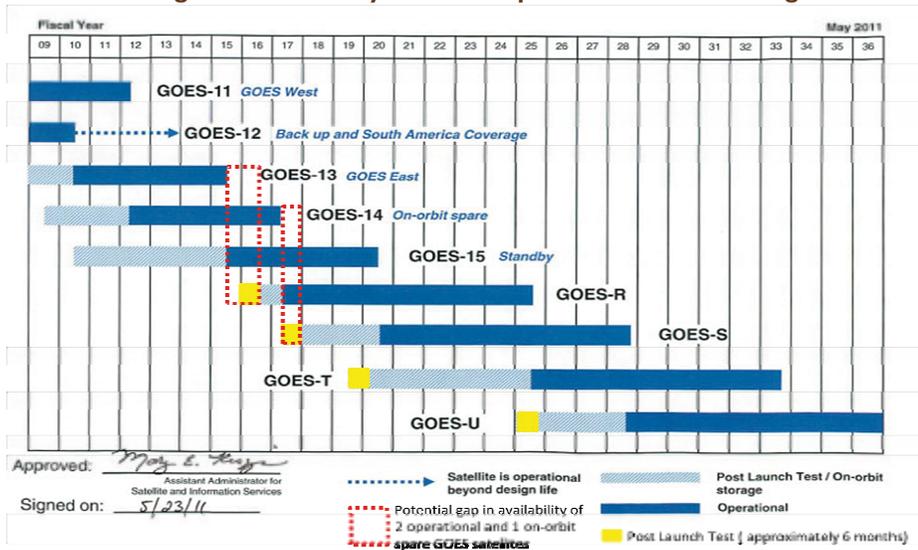


When GOES-R is launched in October 2015, NOAA may not be able to meet its policy of having an on-orbit spare because GOES-13 will have exceeded its operational life (figure 4, next page). Until GOES-R completes its 6-month postlaunch test, there would be only two

OFFICE OF INSPECTOR GENERAL

operational satellites (GOES-14 and GOES-15). A similar lack of an on-orbit spare will occur when the next GOES satellite, GOES-S, is launched in February 2017 (only GOES-15 and GOES-R would be operational).<sup>13</sup>

**Figure 4. Continuity of GOES Operational Satellite Programs**



Source: OIG analysis of NOAA data

GOES-R development is proceeding towards its next key technical milestone (critical design) in the 4th quarter of FY 2012. According to August 2011 program documentation, the GOES-R program's overall schedule and technical development remain on track; however, the ground project's development is being modified to control costs. The program is changing the ground segment's security architecture and has chosen not to implement some optional data products. The program is also revising the ground segment's schedule to a more incremental development approach—which will increase schedule flexibility, as well as better align the delivery schedule for GOES-R spacecraft, instruments, documentation and other flight-to-ground segment dependencies. In light of these developments, NOAA should ensure that solid program management and system engineering principles are effectively implemented to control costs, keep schedules on track, and maintain required technical performance.

<sup>13</sup> The launch dates for GOES-R and GOES-S are based on NOAA's current projections.

## Acronym List

BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security
BTOP	Broadband Technology Opportunities Program
CPAF	cost-plus-award-fee
EDA	Economic Development Administration
ESA	Economics and Statistics Administration
FDCA	Field Data Collection Automation
FISMA	Federal Information Security Management Act
FY	fiscal year
GAO	Government Accountability Office
GOES-R	Geostationary Operational Environmental Satellite-R Series
GSA	General Services Administration
HCHB	Herbert C. Hoover Building
IPERA	Improper Payments Elimination and Recovery Act
ITA	International Trade Administration
JPSS	Joint Polar Satellite System
MBDA	Minority Business Development Agency
NASA	National Aeronautics and Space Administration
NEI	National Export Initiative
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NPOESS	National Polar-orbiting Operational Environmental Satellite System
NPP	NPOESS Preparatory Project
NTIA	National Telecommunications and Information Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PE2E	Patent End-to-End
STAR	Center for Satellite Applications and Research
TIC	Trusted Internet Connections
TPCC	Trade Promotion Coordinating Committee
USPTO	U.S. Patent and Trademark Office

## Appendix A: Related OIG Publications

This list presents OIG's past and current work related to FY 2012's top management challenges. Challenges 3, 4, and 5 are ongoing challenges that were also featured in FY 2011's *Top Management Challenges Facing the Department of Commerce* (OIG-11-015, December 20, 2010). These products can be viewed at [www.oig.doc.gov](http://www.oig.doc.gov). If the product contains information that cannot be released publicly, a redacted version or an abstract will be available on the website.

### Challenge 1: Trade and Export Promotion

#### *BUREAU OF ECONOMIC ANALYSIS (BEA)*

- FY 2008 FISMA Assessment of BEA Estimation Information Technology System (BEA-015) (OSE-19001, September 22, 2008)

#### *INTERNATIONAL TRADE ADMINISTRATION (ITA)*

- Greater Interagency Involvement and More Effective Strategic Planning Would Enhance National Export Strategy (IPE-18589, September 25, 2007)
- Commerce Can Further Assist U.S. Exporters by Enhancing Its Trade Coordination Efforts (IPE-18322, March 30, 2007)
- CS Brazil Is Operating Well Overall but Needs Management Attention in Some Areas (IPE-18114, March 30, 2007)
- Commercial Service Operations in Argentina and Uruguay Are Mostly Sound but Financial Processes Need Attention (IPE-18111, September 29, 2006)
- CS China Generally Performs Well but Opportunities Exist for Commerce to Better Coordinate Its Multiple China Operations (IPE-17546, March 31, 2006)

#### *ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)*

- Aggressive EDA Leadership and Oversight Needed to Correct Persistent Problems in RLF Program (OA-18200, March 30, 2007)
- EDC Fund, Inc. Revolving Loan Fund EDA Grant No. 01-39-01829 (ATL-17285, January 11, 2006)

#### *BUREAU OF INDUSTRY AND SECURITY (BIS)*

- Briefing on Issues Related to BIS Budget and Responsibilities for International Treaty Implementation and Compliance (October 7, 2008)

- U.S. Dual-Use Export Controls for India Should Continue to Be Closely Monitored (IPE-18144, March 30, 2007)
- U.S. Dual-Use Export Controls for China Need to Be Strengthened (IPE-17500, March 30, 2006)
- Export Licensing Process for Chemical and Biological Commodities Is Generally Working Well, but Some Issues Need Resolution (IPE-16946, March 31, 2005)

#### *U.S. PATENT AND TRADEMARK OFFICE (USPTO)*

- Status of USPTO Initiatives to Improve Patent Timeliness and Quality (OIG-11-032-I, September 29, 2011)
- Stronger Management Controls Needed over USPTO's Projection of Patent Fee Collections (OIG-11-014-A, December 14, 2010)
- USPTO Patent Quality Assurance Process (OIG-11-006-I, November 5, 2010)
- Overseas Intellectual Property Rights Attaché Program Is Generally Working Well, but Comprehensive Operating Plan Is Needed (IPE-19044, July 17, 2008)

*The following reviews are in progress:*

- USPTO's Largest Telework Program—Patent Hoteling Program

#### **Challenge 2: Operating Effectively in a Constrained Budget Environment**

- Census 2010: Final Report to Congress (OIG-11-030-I, June 27, 2011)
- Commerce Has Procedures in Place for Recovery Act Recipient Reporting, but Improvements Should Be Made (OIG-11-031-A, July 29, 2011)
- Commerce Needs to Strengthen Its Improper Payment Practices and Reporting (OIG-11-021-A, March 25, 2011)
- IG's Testimony on Recovery Act Broadband Spending: House Committee on Energy and Commerce (OIG-11-019-T, February 10, 2011)
- Commerce Should Strengthen Accountability and Internal Controls in Its Motor Pool Operations, OIG-11-004-A (October 27, 2010)
- Inspector General's Semiannual Reports to Congress (September 2010 and March 2011)
- Management of the Herbert C. Hoover Building Renovation (OAE-19885, August 5, 2010)

*The following reviews are in progress:*

- Review of 2020 Census Planning Efforts
- Review of the Effectiveness of NTIA's Monitoring of BTOP Grant Awards
- Review of NTIA BTOP Grantees' Match

### **Challenge 3: IT Security**

- Improvements Are Needed For Effective Web Security Management (OIG-12-002-A, October 21, 2011)
- Federal Information Security Management Act Audit Identified Significant Issues Requiring Management Attention (OIG-11-012-A, November 15, 2010)
- Respondent Data Safeguards in the Decennial Response Integration System (DRIS) (OAE-19888, September 24, 2010)
- FY 2009 FISMA Assessment of the Environmental Satellite Processing Center (OAE-19730, January 11, 2010) [abstract only]
- FY 2009 FISMA Assessment of the Enterprise UNIX Services System (OAE-19729, November 20, 2009)
- FY 2009 FISMA Assessment of the Patent Cooperation Treaty Search Recordation System (OAE-19731, November 20, 2009)
- FY 2009 FISMA Assessment of the Field Data Collection Automation System (OAE-19728, November 20, 2009)
- FY 2009 FISMA Assessment of BIS Information Technology Infrastructure (OSE-19574, September 30, 2009)
- FY 2009 FISMA Assessment of Bureau Export Control Cyber Infrastructure, Version 2 (OSE-19575, September 30, 2009)

*The following reviews are in progress:*

- Effectiveness of IT Security Controls Implemented in Department Systems

### **Challenge 4: Contracts and Acquisitions**

- Commerce's Office of Acquisition Management Must Continue to Improve Its Ongoing Oversight of Acquisition Savings Initiatives (OIG-12-001-A, October 6, 2011)
- Patent End-to-End Planning and Oversight Need to Be Strengthened to Reduce Development Risk (OIG-11-033-A, September 29, 2011)

- 2010 Census: Contract Modifications and Award-Fee Actions on the Decennial Response Integration System (DRIS) Demonstrate Need for Improved Contracting Practices (OIG-11-020-A, February 15, 2011)
- Census 2010: Revised Field Data Collection Automation Contract Incorporated OIG Recommendations, but Concerns Remain Over Fee Awarded During Negotiations (CAR-18702, March 3, 2009)

*The following reviews are in progress:*

- Department of Commerce's Acquisition Workforce
- NOAA's Management of Cost-Plus-Award-Fee Contracts
- NIST Oversight of Recovery Act Construction Grants
- NIST's Oversight of Recovery Act Construction Contracts

#### **Challenge 5: Satellites**

- Audit of JPSS: Challenges Must Be Met to Minimize Gaps in Polar Environmental Satellite Data (OIG-11-034-A, September 30, 2011)
- IG Memorandum, NOAA's Joint Polar Satellite System Audit Observations (OIG-11-029-M, June 10, 2011)
- IG Testimony before the Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies, United States House of Representatives (OIG-11-018-T, February 9, 2011)
- IG Testimony before the Subcommittee on Commerce, Justice, Science, and Related Agencies, Committee on Appropriations, United States Senate (March 4, 2010)
- Inspector General's Semiannual Reports to Congress (March 2009–September 2010)

## Appendix B: Comparison of FY 2011 Challenges to FY 2012

FY 2012 Challenges	FY 2011 Challenges
1. Effectively Promote Exports, Stimulate Economic Growth, and Create Jobs <sup>a</sup>	5. Improving USPTO's Patent Processing Times, Reducing Its Pendency and Backlogs, and Mitigating Its Financial Vulnerabilities  6. Effectively Balancing NOAA's Goals of Protecting the Environment and Supporting the Fishing Industry
2. Reduce Costs and Improve Operations to Optimize Resources for a Decade of Constrained Budgets <sup>a</sup>	4. Enhancing Accountability and Transparency of the American Recovery and Reinvestment Act's Key Technology and Construction Programs  8. Effectively Planning the 2020 Decennial  7. Protecting Against Cost Overruns and Schedule Delays for the Commerce Headquarters Renovation
3. Strengthen Department-Wide Information Security to Protect Critical Information Systems and Data	1. Strengthening Department-Wide Information Security
4. Manage Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services in a Manner Most Beneficial to Taxpayers	3. Managing Acquisition and Contract Operations More Effectively to Obtain Quality Goods and Services at Reasonable Prices and on Schedule
5. Effectively Manage the Development and Acquisition of NOAA's Environmental Satellite Systems to Avoid Launch Delays and Coverage Gaps	2. Effectively Managing the Development and Acquisition of NOAA's Environmental Satellite Programs
<sup>a</sup> The FY 2012 challenge is cross-cutting and broad-based. The FY 2011 challenge was bureau-specific and could be traced as a subset under the corresponding FY 2012 challenge.	

U.S. DEPARTMENT OF COMMERCE

OFFICE OF INSPECTOR GENERAL

## Appendix C: Management Response to OIG Draft Report



UNITED STATES DEPARTMENT OF COMMERCE  
The Secretary of Commerce  
Washington, D.C. 20230

OCT 20 2011

MEMORANDUM FOR Todd J. Zinser  
Inspector General

FROM: Rebecca M. Blank *Rebecca Blank*  
Acting Secretary of Commerce

SUBJECT: Response to OIG Report on Top Management  
Challenges

Thank you for the opportunity to review the Office of Inspector General's report, "Top Management Challenges Facing the Department of Commerce." Every day the Department's bureaus work with American businesses, communities, and private citizens to promote innovation, entrepreneurship, competitiveness, and stewardship—and we want to do that in the most effective and efficient way possible. As you stated in your report, one of our challenges, which we are working to meet head-on, is to reduce costs and improve operations to optimize resources for a decade of constrained budgets. In fact, having adequate resources is a common theme throughout the report.

We are aware that we have challenges in all of the areas discussed in your report, and we realize these areas require continued oversight, planning, and work. We look forward to working with you to address those challenges during fiscal year 2012.

We value your opinions and the hard work of your staff to provide audits and investigations that keep Departmental and bureau leadership apprised of both longstanding and emerging issues. Thank you for recognizing our hard work in many of our mission areas, including promoting exports and stimulating economic growth, and for acknowledging the tough decisions that went into finding cost-saving initiatives. As you mentioned in your memorandum, we are continuing to use the balanced scorecard approach to track performance and measure progress on the Department's priorities. This approach will help ease the transition to our new Secretary.

(01120000129)

OFFICE OF THE SECRETARY: TOP MANAGEMENT CHALLENGES

35

**IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002,  
AS AMENDED, REPORTING DETAILS**

**I** PIA of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, was enacted to provide for estimates and reports of improper payments by federal agencies. The act, as amended, requires that federal agencies estimate improper payments, and report on actions to reduce them. A review of all programs and activities that the Department administers is required annually to assist in identifying and reporting improper payments. The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to continuous improvement in the overall disbursement management process remains very strong. Each of the Department's payment offices has implemented procedures to detect and prevent improper payments. For FY 2012 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

**I. Risk Assessment. Briefly describe the risk assessment(s) performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified by the agency risk assessments. Include any programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* (now located in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*). Highlight any changes to the risk assessment methodology or results that occurred since the last report.**

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Furthermore, the FY 2011 assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes are sound.

Each of the Department's bureaus/reporting entities periodically completes or updates, over a one to three-year period (depending on the size of the entity), improper payments risk assessments covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These improper payments risk assessments of the entity's programs/activities also include assessments of the corporate control, procurement, and grants management environments. The improper payments program/activity risk assessments performed thus far revealed no program or activity susceptible to significant improper payments.

The results of Departmental assessments revealed no risk-susceptible programs/activities, and demonstrated that, overall, the Department has strong internal controls over disbursement processes, the amount of improper payments by the Department is immaterial, and the risk of improper payments is low.

**II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Please highlight any changes to the statistical sampling process that have occurred since the last report.**

Not applicable, as the Department does not have any risk-susceptible programs/activities.

**III. Corrective Actions.** Any agency that has programs or activities that are susceptible to significant improper payments shall describe the Corrective Action Plans (CAPs) for reducing the estimated improper payment rate and amount for each type of root cause identified. Agencies shall report root cause information (including error rate and error amount) based on the following three categories: Administrative and Documentation errors; Authentication and Medical Necessity errors; and Verification errors. This discussion must include the corrective action(s), planned or taken, most likely to significantly reduce future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories of the three categories listed above, if available.

Not applicable, as the Department does not have any risk-susceptible programs/activities. While the Department, accordingly, does not have a need for CAPs for improper payments, the Department has, nevertheless, further enhanced its processes and is actively working with each of the Department's payment offices to identify and implement additional procedures to prevent and detect improper payments. In FY 2011, the Department continued with the bureaus' quarterly reporting of any improper payments to the Deputy Chief Financial Officer (CFO), along with identifying the nature and magnitude of any improper payments and identifying any necessary control enhancements. The Department has additionally reviewed all financial statement audit findings/comments, and results of any other payment reviews, for indications of breaches of disbursement controls or for areas of improvement. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

In FY 2011, the Department conducted a sampling process to draw and review random samples of disbursements greater than \$100 thousand from a Department-wide universe of disbursements. Grants and other cooperative agreements, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. Each selected sample item was then subjected to a review of original invoices and supporting documentation to determine that the disbursement was accurate, made only once, and that the correct vendor was compensated. The results of the Department's review did not reveal any significant improper payments. The same results were achieved following a similar review in FY 2010. An estimated improper payment rate, accordingly, was deemed not necessary.

#### **IV. Recapture of Improper Payments Reporting.**

- a. An agency shall discuss payment recapture audit efforts, if applicable. The discussion should describe: the agency's payment recapture audit program; the actions and methods used by the agency to recoup overpayments; a justification of any overpayments that have been determined not to be collectable; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture auditing program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as and the justification for doing so. Include in your discussion the dollar amount of cumulative payment recaptures collected beginning with FY 2004.**

In conformity with IPIA of 2002, the Department has been performing, since 2005, payment recapture audits of closed contracts/obligations for many Department bureaus/reporting entities, on a rotational basis. The payment recapture audits were performed by a contractor or by the Department's Office of Financial Management. Payment recapture audits of closed contracts/obligations on a rotational basis will continue to be performed. Since 2005, cumulative recaptures of improper payments is \$96 thousand.

As a result of the Department's implementation of additional requirements under IPERA of 2010, payment recapture auditing will additionally be performed, effective FY 2011, for the Department's grants and other cooperative agreements (i.e., financial assistance). Per OMB's IPERA implementation guidance, intragovernmental transactions, and payments to employees, are not required to be reviewed. With regard to loan disbursements, the National Oceanic and Atmospheric Administration (NOAA) is currently the only bureau with loan disbursements. As part of NOAA's internally-conducted reviews and testing processes, NOAA's loan disbursements will be significantly tested every three years for both internal controls and improper payments, and the disbursements testing for improper payments is considered to be essentially equivalent to a payment recapture audit. With regard to the NOAA Corps Retirement System and the NOAA Corps Health Benefits benefit programs, these programs are cross-serviced for disbursements by the Department of Defense, and therefore are not subject to payment recapture auditing by the Department.

For payment recapture audits performed of closed contracts/obligations, and of grants and other cooperative agreements, the auditor will analyze the reasons why any payment errors occurred, and shall develop, present, and document any recommendations for cost-effective controls to prevent improper payment in the future; and for enhancing the applicable bureau processes.

In November 2011, a payment recapture audit of closed contracts/obligations was completed for the National Telecommunications and Information Administration (NTIA). Contracts/obligations closed after September 30, 2008 greater than \$100 thousand were reviewed. Intragovernmental transactions, and payments to employees, were excluded from review in conformity with OMB's IPERA implementation guidance. Travel payments, bankcards/purchase cards, government bills of lading, and gifts and bequests were excluded from review. The Department determined that, for these categories of closed contracts/obligations that were excluded from review, the Department's costs for the payment recapture audit activities would likely exceed the benefits of a payment recapture audit. Vendor inquiries were performed for a sample of vendors to determine if the reporting entities had any open credits or debts with vendors. Of the \$30.0 million reviewed, no amounts were identified for payment recapture.

In November 2011, a payment recapture audit of Department-wide grants and other cooperative agreements was completed. The applicable bureaus/entities are: Departmental Management, Economic Development Administration (EDA), International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), NOAA, and NTIA. The audit consisted of two different populations: a) sustained disallowed costs of \$10 thousand or more for grants and other cooperative agreements per Single Audit Act audit reports, grant/cooperative agreement-specific audits, and OIG audits or reviews issued after September 30, 2008 and through April 30, 2011; and b) grants and other cooperative agreements closed after September 30, 2008 and through April 30, 2011, and greater than \$100 thousand, and which were not subjected to any of the types of audits or reviews indicated in item a) above. Of the \$604.1 million reviewed, no amounts were identified for payment recapture.

**b. Payment Recapture Audit Reporting Data.**

The following table presents a summary of the results of the Department’s current year (CY) and prior years (PY) payment recapture audits.

*(In Thousands)*

Reporting Entity(s)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed for CY Reporting	Amounts Identified for Payment Recapture for CY Reporting	Amounts Recaptured for CY Reporting	Amounts Identified for Recapture in PYs Reporting	Amounts Recaptured in PYs Reporting	Cumulative Amounts Identified for Recapture (CY and PYs Reporting)	Cumulative Amounts Recaptured (CY and PYs Reporting)
Payment Recapture Audit of Department-wide Grants and Other Cooperative Agreements:								
Department-wide	\$2,994,194	\$604,077	\$ -	N/A	N/A	N/A	N/A	N/A
Payment Recapture Audits of Closed Contracts/Obligations:								
NTIA	\$ 127,552	\$ 29,997	\$ -	N/A	N/A	N/A	N/A	N/A
BIS, and NTIS	N/A	N/A	N/A	N/A	\$ 6	\$ -	\$ 6	\$ -
EDA/S&E, and ITA	N/A	N/A	N/A	N/A	\$ -	\$ -	\$ -	\$ -
DM/S&E, DM/WCF, and ESA/BEA	N/A	N/A	N/A	N/A	\$ -	\$ -	\$ -	\$ -
Census Bureau, NIST, NOAA, and USPTO	N/A	N/A	N/A	N/A	\$ 96	\$ 96	\$ 96	\$ 96

**c. Payment Recapture Audit Targets. If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recapture.**

The Department’s target recapture rate is 100 percent of amounts identified for recapture. Since 2005, the Department has recaptured \$96 thousand of the \$102 thousand identified for recapture, and is pursuing the \$6 thousand of overpayments not yet recaptured.

**d. Aging of Outstanding Overpayments. In addition, agencies shall report the following information on their payment recapture audit programs, if applicable: An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured).**

The Department currently has \$6 thousand of identified overpayments that have not yet been recaptured, resulting from the NTIS payment recapture audit completed in October 2010.

**e. Disposition of Recaptured Funds. A summary of how recaptured amounts have been disposed of.**

There has not yet been any recapture of overpayments that fall under the new IPERA requirements for disposition of recaptured funds.

**f. Overpayments Recaptured Outside of Payment Recapture Audits. As applicable, agencies should also report on improper payments identified and recaptured through sources other than payment recapture audits. For example, agencies could report on improper payments identified through statistical samples conducted under IPIA; agency post-payment reviews or audits; OIG reviews; Single Audit reports; self-reported overpayments; or reports from the public. Specific information on additional required reporting for contracts is included in Section 7 of OMB memorandum M-11-04, issued in November 2010.**

The Department has extensive improper payments monitoring and minimization efforts in place, including the identification of improper payments through bureau post-payment reviews, Departmental annual sampling of disbursements, OIG audits or reviews, Single Audit Act audits of grants/cooperative agreements, other grants/cooperative agreements audits, contract closeout reviews, grants/cooperative agreements closeout reviews, and other audits or reviews.

The following table summarizes overpayments identified and overpayments recaptured through sources other than payment recapture audits.

*(In Thousands)*

Source of Overpayments	Amounts Identified	Amounts Recaptured
Post-payment Reviews	\$ 2,184	\$ 2,079
Audits and Other Reviews	141	141
Grant Closeout Reviews	509	509
Settlement with Contractor	600	600
Restitution from Grantee	100	100
Total	\$ 3,534	\$ 3,429

**V. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate), are held accountable for reducing and recapturing improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recaptures any improper payments that are made.**

The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and its commitment to continuous improvement in disbursement management processes remains very strong. The Department’s CFO has responsibility for establishing policies and procedures for assessing Departmental and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to Departmental management for oversight and other actions as deemed appropriate. The CFO has designated the Deputy CFO to oversee initiatives related to reducing improper payments within the Department, and to work closely with the bureau CFOs in this area.

In FY 2011, the Department continued its reporting procedures that required quarterly reporting to the Department by its bureaus on any improper payments, identifying the nature and magnitude of any improper payments along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were at or below three-tenths of one percent in FY 2011 and FY 2010. The bureau CFOs are accountable for internal controls over improper payments, and for monitoring and minimizing improper payments.

For FY 2012 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

**VI. Agency Information Systems and Other Infrastructure. Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

---

The Department has ensured that internal controls, manual, as well as financial system, relating to payments are in place throughout the Department, and has reviewed all financial statement audit findings/comments and results of any other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

**VII. Describe any statutory or regulatory barriers which may limit agency corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.**

---

The Department has not identified any significant barriers to-date, but will notify OMB and Congress of any barriers that inhibit actions to reduce improper payments if they occur.

**VIII. Additional Comments. Discuss any additional comments on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.**

---

The Department's Disbursement Best Practices. The following are some examples of internal control procedures used by the Department's payment offices:

- Limited/controlled access to vendor files—access to basic vendor information (e.g., name, address, business size, etc.) is available to financial system users; access to banking information, however, is strictly limited by system security to certain Office of Finance staff.
- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records is limited to certain Office of Finance financial system users. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance system users.
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to Treasury—data entry duties are assigned to technicians in the Office of Finance who do not have authority to review and process payments. Authority to approve and process payments is assigned to accountants in the Office of Finance. Both data entry and approval/processing of payments are separate functions from transmitting disbursement files to Treasury.

- Financial system edit reports highlight potential items that may result in improper payments (e.g., invoice amount and accrual amount are not the same). There is a daily Invoice Workload Report that displays open amounts (not closed by a payment) on all invoices. This report is reviewed and action is taken to resolve partially open invoices. Furthermore, system settings prevent a payment in excess of the amount of the invoice.
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, thereby preventing improper payments from occurring.
- Financial system edit checks if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation or accrual amount.
- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.
- An accountant or supervisor reviews individual payments before releasing for payment, to help ensure that the correct banking information or payment addresses are used, and that the correct amount will be paid.
- Monthly post-payment random sample audits are performed for detection purposes.
- Contracts include a clause requiring the contractor to notify the contracting officer if the government overpays when making an invoice payment or a contract financing payment.

**SUMMARY OF FINANCIAL STATEMENT AUDIT  
AND MANAGEMENT ASSURANCES**

Presented below is a summary of financial statement audit and management assurances for FY 2011. Table 1 relates to the Department’s FY 2011 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers’ Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Department’s compliance with the Federal Financial Management Improvement Act (FFMIA).

**Table 1. Summary of Financial Statement Audit**

<ul style="list-style-type: none"> <li>● <b>Audit Opinion:</b> <ul style="list-style-type: none"> <li>● Unqualified</li> </ul> </li> <li>● <b>Restatement:</b> <ul style="list-style-type: none"> <li>● No</li> </ul> </li> </ul>
---

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0

**Table 2. Summary of Management Assurances**

<b>EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Material Weaknesses	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
<b>EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)</b>						
<b>Statement of Assurance:</b>		Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Material Weaknesses	0	0	0	0	0	0
<b>Total Material Weaknesses</b>	0	0	0	0	0	0
<b>CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)</b>						
<b>Statement of Assurance:</b>		Systems conform with financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Non-Conformance Issues	0	0	0	0	0	0
<b>Total Non-Conformances</b>	0	0	0	0	0	0
<b>COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)</b>						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		

## UNDISBURSED BALANCES IN EXPIRED GRANT ACCOUNTS

**U**ndisbursed balances in expired grant accounts include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements. (Section 20.4(c) of the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission and Execution of the Budget*) For FY 2011, the following information is required to be reported in this FY 2011 Performance and Accountability Report as well as the annual performance plans/budgets:

1. Details on future action the Department/bureau will take to resolve the undisbursed balances in expired grant accounts;
2. The method the Department/bureau uses to track undisbursed balances in expired grant accounts;
3. Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States; and
4. In the preceding three fiscal years, details on the total number of expired grant accounts with undisbursed balances (on the first day of each fiscal year) for the Department/bureau and the total finances that have not been obligated to a specific project remaining in the accounts

Six bureaus report information under this guidance: the Economic Development Administration (EDA), the International Trade Administration (ITA), the Minority Business Development Agency (MBDA), the National Oceanic and Atmospheric Administration (NOAA), the National Institute of Standards and Technology (NIST), and the National Telecommunications Administration (NTIA).

The EDA Budget and Finance Division will send a monthly report identifying undisbursed balances to EDA's regional offices, and request the status of these grants on a quarterly basis. The Assistant Secretary has, and will continue, to discuss the importance of monitoring and closing our grants in a timely manner in various EDA meetings.

The EDA Budget and Finance Division prepares a monthly Open Grants report using data in the NOAA Commerce Financial System Data Warehouse and distributes it to appropriate staff on a monthly basis. The report will be monitored slightly to more easily identify grants in expired grant accounts.

The NOAA Grants Management Division (GMD) has an Oversight and Compliance team that is responsible for reviewing, closing out, and deobligation of un-disbursed balances identified. On a monthly basis, the expired awards report will be reviewed for unobligated balances of funds based on data downloads from the Commerce Business System (CBS). GMD will initiate contact (email, phone calls, etc.) with those identified recipients to inform them that based on either their final financial status report submission or our CBS data warehouse information, that there are funds to be returned to NOAA or deobligated from CBS by NOAA Finance. If the recipient does not request an extension to the closeout period within 14 days of notification, GMD will take action to request deobligation of the remaining funds.

On a monthly basis, the Grants Online Production Unit provides a report which identifies the recipient, award number and the amount of unobligated balances.

The NIST Grants and Agreements Management Division had created an in-house report that combines the data from its Grants Management system with the Core Financial System so they will have the most accurate information on the undisbursed funds under our grants. In order to tackle the deobligations of these funds, NIST will be running this report on a monthly basis and

**APPENDIX H: UNDISBURSED BALANCES IN EXPIRED GRANT ACCOUNTS**

deobligate the largest balances first in order to have the largest effect on the total undisbursed NIST grant funds. These same actions apply to NTIA as well.

Below is a table summarizing the Department’s bureaus, accounts, appropriate fiscal year, undisbursed balances, and amounts available to the Treasury.

Bureau	Account	Fiscal Year	Undisbursed Balance	Amount Available to Treasury
<b>EDA</b>	ARRA	2009	\$37,497,333	\$0
<b>ITA</b>	Operations and Administration	2009	\$34,296	\$33
		2007	\$18,940	\$0
<b>MBDA</b>	Minority Business Development	2010	\$296,944	\$0
<b>NIST</b>	Scientific and Technical Research and Services	2011	\$2,671,591	\$0
		2010	\$67,019	\$0
		2009	\$332,492	\$0
		2008	\$19,367	\$0
		2007	\$9,100	\$0
	Industrial Technology Services	2011	\$1,865,507	\$0
		2010	\$2,064,500	\$0
		2009	\$820,216	\$0
		2008	\$373,499	\$0
	ARRA	2011	\$31,307	\$0
<b>NTIA</b>	Technology Opportunities Program - ARRA	2010	\$257,771	\$0
	Technology Opportunities Program	2008	\$54,599	\$0
		2007	\$0	\$0
		2011	\$4,762,975	\$0
	Public Telecommunications Facilities, Planning and Construction	2010	\$29,519	\$0
		2009	\$170,492	\$0
		2008	\$9,535	\$0
		2007	\$20,966	\$0
Broadband Technology Opportunities Program - ARRA	2011	\$1,953	\$0	
<b>NOAA</b>	Operations, Research and Facilities	2010	\$315,818	\$0
		2009	\$1,561,574	\$0
		2008	\$1,246,646	\$0
		2007	\$647,688	\$0
	Procurement, Acquisition and Construction	2009	\$2,975,150	\$0
		2008	\$1,987,800	\$0
	Pacific Coastal Salmon Recovery Fund	2008	\$2,761	\$0
		2007	\$12,523	\$0
	Promote and Develop Fishery Products	2010	\$1	\$0
		2009	\$124,728	\$0
		2008	\$124,728	\$0
		2007	\$2,275	\$0
	Coastal Impact Assistance Fund	2009	\$579,902	\$0
		2008	\$669,357	\$0
		2007	\$186	\$0
Coastal Zone Management Fund	2007	\$6,296	\$0	
Limited Access System Administration Fund	2008	\$18,278	\$0	
	2007	\$18,278	\$0	

## GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE	
<b>A</b>	<b>ACS</b>	American Community Survey	<b>CCSPS</b>	Climate Change Science Program Strategic Plan
	<b>ACSI</b>	American Customer Satisfaction Index	<b>CEDS</b>	Comprehensive Economic Development Strategies
	<b>AD</b>	Antidumping	<b>CEIP</b>	Coastal Energy Impact Program (NOAA)
	<b>ADP</b>	Automated Data Processing	<b>CFO</b>	Chief Financial Officer
	<b>AHS</b>	American Housing Survey	<b>CFO/ASA</b>	Chief Financial Officer and Assistant Secretary for Administration (OS)
	<b>APP</b>	Annual Performance Plan	<b>CIO</b>	Chief Information Officer
	<b>ARRA</b>	American Recovery and Reinvestment Act of 2009	<b>CIRT</b>	Computer Incident Response Team
	<b>ASAP</b>	Automated Standard Application for Payments	<b>CNST</b>	Center for Nanoscale Science and Technology (NIST)
	<b>ATP</b>	Advanced Technology Program (NIST)	<b>COOL</b>	Commerce Opportunities Online
	<b>ATS</b>	Annual Trade Survey	<b>COOP</b>	Continuity of Operations Plan
	<b>AWIPS</b>	Advanced Weather Interactive Processing System	<b>COTR</b>	Contracting Officer Technical Representative
<b>B</b>	<b>BAS</b>	Boundary and Annexation Survey	<b>CPD</b>	Coastal Programs Division
	<b>BDC</b>	Business Development Centers (MBDA)	<b>CPI</b>	Consumer Price Index
	<b>BEA</b>	Bureau of Economic Analysis	<b>CPS</b>	Current Population Survey
	<b>BEES</b>	Building for Environmental and Economic Sustainability	<b>CRADA</b>	Cooperative Research and Development Agreements
	<b>BIS</b>	Bureau of Industry and Security	<b>CPI</b>	Consumer Price Index
	<b>BLS</b>	Bureau of Labor Statistics	<b>CSRS</b>	Civil Service Retirement System
	<b>BNQP</b>	Baldrige National Quality Program	<b>CVD</b>	Countervailing Duty
	<b>BRL</b>	Biometrics Research Lab	<b>CWC</b>	Chemical Weapons Convention
<b>C</b>	<b>CAMS</b>	Commerce Administrative Management System	<b>CWCIA</b>	CWC Implementation Act
	<b>CBP</b>	U.S. Customs and Border Protection	<b>CZM</b>	Coastal Zone Management (NOAA)
			<b>CZMA</b>	CZM Act

APPENDIX I: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE
<b>CZMP</b>	CZM Program
<b>D</b>	
<b>DFI</b>	Digital Freedom Initiative
<b>DHS</b>	U.S. Department of Homeland Security
<b>DM</b>	Departmental Management
<b>DOJ</b>	U.S. Department of Justice
<b>DOL</b>	U.S. Department of Labor
<b>DOL/OLMS</b>	DOL Online Labor Management System
<b>DPAS</b>	Defense Priorities and Allocations System
<b>DSSR</b>	Demographic Surveys Sample Redesign
<b>E</b>	
<b>EAA</b>	Export Administration Act
<b>EAR</b>	Export Administration Regulations
<b>ECASS</b>	Export Control Automated Support System
<b>EDA</b>	Economic Development Administration
<b>EDD</b>	Economic Development District
<b>EFT</b>	Electronic Funds Transfer
<b>ELGP</b>	Emergency Oil and Gas and Steel Loan Guarantee Program
<b>ENC</b>	Electronic Navigational Chart
<b>ENSO</b>	El Niño/Southern Oscillation
<b>EPO</b>	European Patent Office
<b>ESA</b>	Economics and Statistics Administration
<b>E3</b>	Economy, Energy, and Environment
<b>F</b>	
<b>FAIR</b>	Federal Activities Inventory Reform
<b>FAR</b>	False Alarm Rate
<b>FCC</b>	Federal Communications Commission

ABBREVIATION	TITLE
<b>FECA</b>	Federal Employees Compensation Act
<b>FEGLI</b>	Federal Employees Group Life Insurance Program
<b>FEHB</b>	Federal Employees Health Benefit Program
<b>FEMA</b>	Federal Emergency Management Agency
<b>FERS</b>	Federal Employees Retirement System
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>FICA</b>	Federal Insurance Contributions Act
<b>FISMA</b>	Federal Information Security Management Act
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982
<b>FMP</b>	Fishery Management Plan
<b>FR</b>	Field Representative
<b>FTA</b>	Free Trade Agreement
<b>FTAA</b>	Free Trade Area of the Americas
<b>FTE</b>	Full-Time Equivalent
<b>FVOG</b>	Fishing Vessel Obligation Guarantee Program (NOAA)
<b>FWC</b>	Future Workers' Compensation
<b>FY</b>	Fiscal Year
<b>G</b>	
<b>G&amp;B</b>	Gifts and Bequests (a fund that is part of DM)
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAO</b>	U.S. Government Accountability Office
<b>GDP</b>	Gross Domestic Product
<b>GFDL</b>	Geophysical Fluid Dynamics Laboratory (NOAA)

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>GLERL</b>	Great Lakes Environmental Research Laboratory	<b>IRS</b>	Internal Revenue Service
<b>GPRA</b>	Government Performance and Results Act of 1993	<b>ISI</b>	Institute for Scientific Information
<b>GPS</b>	Global Positioning System	<b>IT</b>	Information Technology
<b>GSA</b>	U.S. General Services Administration	<b>ITA</b>	International Trade Administration
<b>GSN</b>	Green Suppliers Network	<b>ITS</b>	Institute for Telecommunication Sciences (NTIA)
<b>GSP</b>	Gross State Product	<b>ITU</b>	International Telecommunication Union
<b>GSS</b>	Geographic Support System	<b>K</b> <b>KSA</b>	Knowledge, Skills, and Abilities
<b>H</b> <b>HHS</b>	U.S. Department of Health and Human Services	<b>L</b> <b>LEED</b>	Leadership in Energy and Environmental Design
<b>HR</b>	Human Resources	<b>LMS</b>	Learning Management System
<b>HSS</b>	Heidke Skill Scores	<b>M</b> <b>MAF</b>	Master Address File
<b>I</b> <b>IA</b>	Import Administration (ITA)	<b>MAMTC</b>	Mod-America Manufacturing Technology Center
<b>ICANN</b>	Internet Corporation for Assigned Names and Numbers	<b>MBDA</b>	Minority Business Development Agency
<b>ICEP</b>	International Catalog Exhibition Program (ITA)	<b>MBEC</b>	Minority Business Enterprise Centers (MBDA)
<b>ICT</b>	Information and Communication Technology	<b>MBE</b>	Minority Business Enterprise
<b>IDS</b>	Intrusion Detection Software	<b>MBOC</b>	Minority Business Opportunity Center (MBDA)
<b>IFQ</b>	Individual Fishing Quota Direct Loans (NOAA)	<b>MDCP</b>	Market Development Cooperator Program (ITA)
<b>IFW</b>	Image File Wrapper	<b>MED</b>	Minority Enterprise Development
<b>IP</b>	Intellectual Property	<b>MEP</b>	Manufacturing Extension Partnership (NIST)
<b>IP</b>	Internet Protocol	<b>MOU</b>	Memorandum of Understanding
<b>IRAC</b>	Interdepartmental Radio Advisory Committee	<b>MTS</b>	U.S. Marine Transportation System
<b>IRC</b>	Investment Review Committees		

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>N</b>	<b>NABEC</b>		<b>NTIS</b>
	Native American Business Enterprise Center (MBDA)		National Technical Information Service
	<b>NAICS</b>		<b>NTTAA</b>
	North American Industry Classification System		National Technology Transfer Advancement Act
	<b>NAO</b>		<b>NWLON</b>
	North Atlantic Oscillation		National Water Level Observation Network
	<b>NAPA</b>		
	National Academy of Public Administration	<b>O</b>	<b>OA</b>
	<b>NASA</b>		Office of Audits (OIG)
	National Aeronautics and Space Administration		<b>OAM</b>
	<b>NBS</b>		Office of Acquisition Management (OS)
	National Bureau of Standards (former name of NIST)		<b>OCAD</b>
	<b>NCDC</b>		Office of Compliance and Administration (OIG)
	National Climatic Data Center (NOAA)		<b>OCS</b>
	<b>NCNR</b>		Office of Computer Services (Franchise Fund)
	NIST Center for Neutron Research (NIST)		<b>OECD</b>
	<b>NERR</b>		Organization for Economic Cooperation and Development
	National Estuarine Research Reserve		<b>OFM</b>
	<b>NIH</b>		Office of Financial Management (OS)
	National Institutes for Health		<b>OFPP</b>
	<b>NIPA</b>		Office of Federal Procurement Policy
	National Income and Product Accounts		<b>OHRM</b>
	<b>NIPC</b>		Office of Human Resources Management (OS)
	National Intellectual Property Law Enforcement Coordination Council		<b>OI</b>
	<b>NIST</b>		Office of Investigations (OIG)
	National Institute of Standards and Technology		<b>OIG</b>
	<b>NM</b>		Office of Inspector General (DM)
	Nautical Miles		<b>OIPE</b>
	<b>NMFS</b>		Office of Inspections and Program Evaluations (OIG)
	National Marine Fisheries Service (NOAA)		<b>OMB</b>
	<b>NOAA</b>		Office of Management and Budget
	National Oceanic and Atmospheric Administration		<b>OPEM</b>
	<b>NOS</b>		Office of Planning, Evaluation and Management (BIS)
	National Ocean Service (NOAA)		<b>OPM</b>
	<b>NPV</b>		U.S. Office of Personnel Management
	Net Present Value		<b>OS</b>
	<b>NRC</b>		Office of the Secretary (DM)
	National Research Council		<b>OSDBU</b>
	<b>NSRS</b>		Office of Small and Disadvantaged Business Utilization (OS)
	National Spatial Reference System		<b>OSE</b>
	<b>NTIA</b>		Office of Systems Evaluation (OIG)
	National Telecommunications and Information Administration		

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>OSM</b>	Office of Spectrum Management (NTIA)	<b>ROP</b>	Reserve's Operations Plan (NOAA)
<b>OSY</b>	Office of Security (OS)	<b>S</b> <b>S&amp;E</b>	Salaries and Expenses
<b>OTE</b>	Office of Technology Evaluation	<b>S&amp;T</b>	Science and Technology
<b>OTP</b>	Office of Technology Policy (TA)	<b>SAS</b>	Services Annual Survey
<b>P</b> <b>PALM</b>	Patent Application Location and Monitoring System	<b>SAV</b>	Site Assistance Visits
<b>PAR</b>	Performance and Accountability Report	<b>SBA</b>	U.S. Small Business Administration
<b>PART</b>	Program Assessment Rating Tool	<b>SBR</b>	Combined Statement of Budgetary Resources
<b>PBSA</b>	Performance-based Service Acquisitions	<b>SCNP</b>	Consolidated Statement of Changes in Net Position
<b>PBSC</b>	Performance-based Service Contracting	<b>SDDS</b>	Special Data Dissemination Standards
<b>PBViews</b>	Panorama Business Views	<b>SES</b>	Senior Executive Service
<b>PKI</b>	Public Key Infrastructure	<b>SIPP</b>	Survey of Income and Program Participation
<b>PMA</b>	President's Management Agenda	<b>SME</b>	Small and Medium-sized Enterprise
<b>PNA</b>	Pacific North America	<b>SNM</b>	Square Nautical Miles
<b>PORTS®</b>	Physical Oceanographic Real-time System	<b>SPD</b>	Survey of Program Dynamics
<b>PP&amp;E</b>	Property, Plant, and Equipment, Net	<b>SRD</b>	Standard Reference Data
<b>PRT</b>	Program Review Team (NOAA)	<b>SRM</b>	Standard Reference Materials
<b>PSV</b>	Post-shipment Verification	<b>STRS</b>	Scientific and Technical Research and Services
<b>PTFP</b>	Public Telecommunications Facilities Program (NTIA)	<b>T</b> <b>3G</b>	Third Generation
<b>Q</b> <b>QFR</b>	Quarterly Financial Report	<b>TA</b>	Technology Administration
<b>QPF</b>	Quantitative Precipitation Forecasts	<b>TAA</b>	Trade Adjustment Assistance Program (EDA)
<b>QSS</b>	Quarterly Services Survey	<b>TAAC</b>	Trade Adjustment Assistance Center
<b>R</b> <b>R&amp;D</b>	Research and Development	<b>TABD</b>	Trans-Atlantic Business Dialogue
<b>RLF</b>	Revolving Loan Fund (EDA)		

APPENDIX I: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
<b>TCC</b>	Trade Compliance Center (ITA)	<b>U</b> <b>UAE</b>	United Arab Emirates
<b>TECI</b>	Transshipment Country Export Control Initiative	<b>UC</b>	University Center
<b>TIC</b>	Trade Information Center (ITA)	<b>US&amp;FCS</b>	U.S. and Foreign Commercial Service
<b>TIGER</b>	Topologically Integrated Geographic Encoding and Referencing System	<b>US/OTP</b>	Office of the Under Secretary/Office of Technology Policy (TA)
<b>TIP</b>	Technology Innovation Program (NIST)	<b>USCRN</b>	U.S. Climate Reference Network
<b>TIS</b>	Trademark Information System	<b>USDA</b>	U.S. Department of Agriculture
<b>TPA</b>	Trade Promotion Authority	<b>USPTO</b>	U.S. Patent and Trademark Office
<b>TPC</b>	Tropical Prediction Center (NOAA)	<b>USTR</b>	Office of the U.S. Trade Representative
<b>TPCC</b>	Trade Promotion Coordinating Committee	<b>USWRP</b>	U.S. Weather Research Program
<b>TRAM</b>	Trademark Reporting and Monitoring System	<b>UWB</b>	Ultra-wideband
<b>Treasury</b>	U.S. Department of the Treasury	<b>V</b> <b>VoIP</b>	Voice over Internet Protocol
<b>TROR</b>	Treasury Report on Receivables	<b>W</b> <b>WCF</b>	Working Capital Fund (DM)
<b>TRP</b>	Take Reduction Plan	<b>WMD</b>	Weapons of Mass Destruction
<b>TRT</b>	Take Reduction Team	<b>WTO</b>	World Trade Organization
<b>TSP</b>	Thrift Savings Plan		
<b>TVA</b>	Tennessee Valley Authority		

# ACKNOWLEDGEMENTS



**T**his Performance and Accountability Report was produced with the energies and talents of the Department of Commerce staff. To these individuals we would like to offer our sincerest thanks and acknowledgement.



*In particular, we would like to recognize the following organizations and individuals for their contributions:*

*Kerstin Millius and Hilary Sherman of EDA, James Belton, Camelia Burris, and Camelia Carter of Census, Doug Follansbee of ESA, Matthew Bright of ITA, Brad Burke of BIS, Ron Marin of MBDA, Heidi Keller of NOAA, Robert Fawcett of USPTO, Gail Ehrlich of NIST, Angie*

*Martin of NTIS, Charles Franz of NTIA, John Webb, Kathleen Frampton, and Rebecca Leng of OIG, Diane Haeger of the Office of Program Evaluation and Risk Management, and Bill Tatter, Bill Tootle, Anne Barrett, and Michael Phelps of the Office of Budget, and the many other bureau and Departmental staff, particularly of the Office of Financial Management who contributed to this report.*



*We offer special thanks to Michael James, Sheri Beauregard, and Don James of The DesignPond for their outstanding contributions in the design and production of this report.*

*To send comments or obtain additional information about this report, please email Bill Tatter at [btatter@doc.gov](mailto:btatter@doc.gov).*

# STRATEGIC THEMES



## PROGRAMMATIC THEMES

Economic Growth

Science and Information

Environmental Stewardship

## MANAGEMENT THEMES

Customer Service

Organizational Excellence

Workforce Excellence

