

Message from the Chief Financial Officer and Chief Administrative Officer



Clarence C. Crawford
Chief Financial Officer and
Chief Administrative Officer

On November 7, 1999, I officially assumed the position of Associate Commissioner and Chief Financial Officer of the U. S. Patent and Trademark Office (PTO). I am pleased to be responsible for the PTO's financial management and reporting, procurement and human resources practices, physical and personnel security, space and facilities management, and the effective stewardship and safeguarding of assets and budget resources.

Though I have been here just a short time, I am proud to be a part of the PTO's excellent financial management team. This is the eighth consecutive year that the PTO has prepared comprehensive annual financial statements. For the very first time, a national independent public accounting firm conducted our financial statement audit. As in previous years, the auditors rendered an unqualified opinion on our financial statements. Moreover, this is the third consecutive year that our auditors did not identify and report material weaknesses in the PTO's internal control. I look forward to the challenge of perpetuating and improving on the level of excellence exhibited by the PTO in all aspects of its fiscal management

and financial reporting. I am proud to have joined an agency that is considered a leader in Federal financial management and that is on the cutting edge of information technology.

Ours is truly a unique business, and we are in the midst of change and opportunity. As the global business environment continues to evolve, we continue to modernize our financial management systems and information technology infrastructure to keep pace. We have enhanced our various financial systems to improve on our management of assets and budget resources and to provide for more effective decision-making and greater accountability. By linking our financial accounting results with the budget process, we are able to better analyze our financial position and recognize how operating results and budget formulation form a continuous loop of information for managing costs and making progress toward achieving our vision and program goals. Because of our technology dependence, we actively pursued and resolved the Year 2000 issue and our mission critical systems continued to function effectively in the Year 2000. We are also aggressively pursuing our vision of an electronic workplace. Through the medium of electronic commerce and the Internet, we are extending our presence beyond our physical location in Northern Virginia and allowing our customers direct access to our products and services

24 hours a day, 365 days a year. In June 1999, the identification of an offeror for our new consolidated facility was announced and we have begun addressing the many financial, accounting, and reporting matters that will arise. These matters include planning, controlling, and accounting for the actual space acquisition resources; capitalizing, as appropriate, costs incurred to improve the new space beyond the improvements being made by the landlord; purchases of assets for the new location; and disposals of existing assets at the current locations.

In the midst of all these changes, our greatest challenge during fiscal year 1999 and in the future is the management of our largest asset, Fund Balance with Treasury. During this fiscal year, \$72.0 million of our fund balance was rescinded, and \$233.5 million in previous years' surcharge collections continues to be restricted and unavailable for use in funding our operations. As a result, our Statement of Cash Flows indicates that, for the first time since we began preparing comprehensive financial statements, we realized a net decrease in our cash position. Also for the very first time, our Balance Sheet shows a reduction in total assets. In addition, we collected \$142 million from our customers to process work that we were not authorized to spend in fiscal year 1999. In spite of these

restrictions on our cash, we were able to effectively manage our program costs in the short term and ensure that the costs did not increase at a rate faster than our revenue growth. Our Balance Sheet indicates that our liabilities were also kept in check and appropriately managed. However, this challenge of managing our largest asset requires a long-term solution—without one, the inability to access all of fund balances could potentially affect our ability to carry out our mission in the long term.

As we face the new millennium, I realize that achievement of our missions and goals requires a total commitment to our customers and stakeholders, a cultural change in our organization, and a clear and strategic vision that effectively uses our substantial resources. I believe in our strength and potential, but most importantly, I believe that the PTO's employees have the skills and perseverance to create a strong and successful future for all of us.



Clarence C. Crawford
Associate Commissioner
and Chief Financial Officer