



UNITED STATES
DEPARTMENT OF COMMERCE

**FY 2007 PERFORMANCE &
ACCOUNTABILITY REPORT**



AMERICAN JOBS, AMERICAN VALUES

THE DEPARTMENT AT A GLANCE



History and Enabling Legislation

The Department of Commerce is one of the oldest cabinet-level departments in the United States Government. Originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591), it was subsequently renamed the U. S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. Section 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.

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 Goals

Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship

Management Integration Goal: Achieve organizational and management 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

The Department is an agency with approximately 39,000 employees.

Financial Resources

The Department's FY 2006 and FY 2007 budgets were approximately \$6.6 billion.

Internet

The Department's Internet address is www.commerce.gov.



U.S. DEPARTMENT OF COMMERCE



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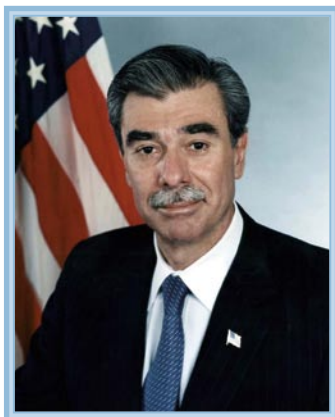
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STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's FY 2007 Performance and Accountability Report (PAR). The report describes the Department's goals and our progress in meeting them. It also provides program data and information about financial management and performance.

The data and details in this report provide an account of the Department's accomplishments in maximizing U.S. competitiveness, enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship.

Trade, Competitiveness, and Economic Growth

The Department has made strong progress toward improving trade for U.S. industries and workers, particularly in the area of broadening and deepening the U.S. exporter base, where we achieved the most new-to-export successes since fiscal year FY 2003. However, we remain focused on making greater progress on improving U.S. competitiveness and removing industry-specific trade barriers.

The bureau most heavily focused on trade is the International Trade Administration (ITA). ITA improves the global business environment and helps U.S. firms compete and win both at home and abroad. The bureau is involved in strengthening U.S. industry competitiveness, establishing an open trading environment, promoting trade and investment, and resolving unfair trade practices. In FY 2007, ITA saved industry \$413 million through its analysis and recommendations on major rulemakings by the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Department of Transportation (DOT), and the Department of Justice.

In FY 2007, the Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and Census Bureau continued to increase and improve the quality and availability of economic and demographic information used as a basis for important decisions by business leaders, policymakers, and the U.S. public. The Census Bureau completed critical preparations for the 2007 Economic Census data collection and processing, which began in October 2007 and will continue throughout FY 2008. The Economic Census provides detailed facts about the structure of the U.S. economy, ranging from the national to the local level. It covers 26 million business locations and 84 percent of the Nation's economic activity, with the data helping to build the foundation for the gross domestic product (GDP) estimates and other indicators of economic performance. The Census Bureau also provides current indicators of economic activity on topics including employment, household income, wholesale and retail trade, foreign trade, construction, and services.

Another key focus for the Census Bureau in FY 2008 will be preparations for the 2010 Decennial Census, including a critical test of automating field procedures. Over \$300 billion in federal funds is allocated each year on the basis of the decennial census. Furthermore, the census will be used to reapportion all congressional districts as well as state and local legislative districts.

The Department also assists U.S. industries, communities, and workers through investments in public infrastructure and technology which, in turn, attract private capital investment and new jobs. The Economic Development Administration's (EDA) FY 1998 investments of \$272 million have realized nearly \$2 billion in private investments and over 73,000 jobs as of FY 2007. One example involved regional agribusiness—diversifying the local economy of rural southwest Georgia. Part of the project supported a partnership between Moultrie and Valdosta Technical Colleges and a local poultry processing plant to train plant workers and contract growers



STATEMENT FROM THE SECRETARY

to handle state-of-the-art technology. Similarly, the Minority Business Development Agency (MBDA) helped obtain over \$1.7 billion in transactions for minority firms and created over 3,500 jobs during FY 2007, largely through MBDA's Strategic Growth Initiative to attract firms capable of competing for larger contracts.

The Bureau of Industry and Security (BIS) issued regulations that adapted export controls to the current national security and economic climate. Also during FY 2007, BIS continued conducting outreach and enforcement activities, focusing its investigative case load on weapons of mass destruction, terrorism, and military diversion.

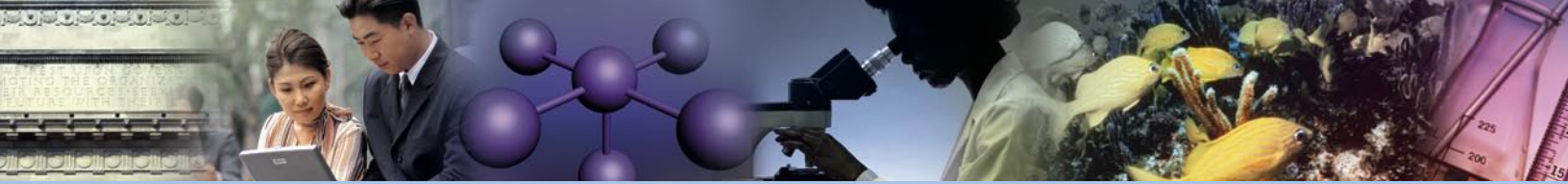
Innovation and Intellectual Property Protection

The domestic and foreign economies benefit from economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient intellectual property (IP) system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit. The Department is committed to maintaining and improving IP protection through the efficient and effective implementation of patent, trademark, and copyright laws as well as supporting domestic and international enforcement activities.

The U.S. Patent and Trademark Office (USPTO) had the highest production, highest hiring, highest usage of electronic filing and electronic processing, and highest number of examiners on-board and working from home in its history. Patents maintained its best examination compliance rate in a quarter of a century, while Trademarks continued to maintain its high quality compliance rate. Despite these significant efforts and successes, reducing the length of time for action on patent applications has continued to be a key challenge, particularly for completing first actions. The number of patent applications filed increased by 73 percent between 1995 and 2005, and this trend is expected to continue, reflecting the Nation's strong participation in global business growth and innovation. The Department is committed to achieving long-term reductions in pendency through a combination of hiring, retention, training, and process optimization.

With innovation essential to the Nation's economic future, the Department continued to play a key role in the American Competitiveness Initiative (ACI) to maintain U.S. leadership in science and technology. The National Institute of Standards and Technology (NIST) is one of three primary federal agencies in the ACI that support basic research programs in the physical sciences and engineering. NIST's measurement science and standards form a key part of the foundation for innovation. NIST research laboratories provide standards, verified data, measurement science, and test methods to support development of new technologies and to promote the competitive standing of the United States in the global economy. NIST research has impacted innovation in a number of key fields. NIST researchers developed a "lab-on-a-chip separation technique" that has the potential to transform the conduct of biochemical analysis, bringing the biotech community a step closer to revolutionary new approaches to drug development and diagnostic technology. NIST researchers have also built a prototype high-speed quantum key distribution (QKD) that has the potential to enable more secure communications for banking, Internet transactions, and national security.

Additionally, recommendations stemming from NIST's three-year investigation of the World Trade Center disaster have stimulated fundamental and substantial changes in U.S. building codes and standards that represent a significant improvement in public safety over current practice. The International Code Council approved a comprehensive set of building code changes that were incorporated into the International Building Code, which is used as the basis for building regulations promulgated and enforced by U.S., state, and local jurisdictions.



STATEMENT FROM THE SECRETARY

The Technology Administration (TA) and one of its components, the Office of Technology Policy (OTP), were de-authorized by the America COMPETES Act, which also abolished the positions of the Under Secretary for Technology and the Assistant Secretary for Technology Policy. TA's other former operating units, NIST and the National Technical Information Service (NTIS), continue to perform their important missions.

The National Telecommunications and Information Administration (NTIA) continued its key activities in radio spectrum management and in implementing programs under the Digital Television Transition and Public Safety Fund. These included the successful coordination of the Spectrum Reform Initiative implementation plan, as well as the issuance of regulations and the award of a contract to administer the Digital Television Transition Coupon Program.

Environmental Stewardship

The National Oceanic and Atmospheric Administration (NOAA) achieved a noteworthy performance record for FY 2007, meeting 29 of its 30 performance targets. However, reducing the error in sea surface temperature measurement continued to be a key challenge. Sea surface temperature is one of the most important variables for understanding and predicting global climate change, and is a key input to weather and climate forecast models. NOAA is working to significantly improve the accuracy of sea surface temperature measurements over the next five years by filling in gaps of the current ocean surface observing system of buoys and ships.

Recognizing the dangers of excessive heat conditions, in May 2007, NOAA implemented two Heat Health Watch/Warning Systems (HHWS) in San Francisco/San Jose, California and Houston, Texas. National Weather Service (NWS) forecasters will use these systems to help predict severe heat conditions that adversely affect human health and endanger life.

NOAA funded and conducted a number of activities aimed at helping Gulf Coast fisheries recover from the devastating impacts of Hurricanes Katrina, Rita, and Wilma, which struck the Gulf Coast in 2005. Through two cooperative agreements with the Gulf States Marine Fisheries Commission (GSMFC), NOAA awarded the Gulf Coast states \$85 million in emergency supplemental funds for fishery-related hurricane recovery activities in FY 2007 and \$128 million in FY 2006. The states are using these funds to restore and rehabilitate oyster, shrimp, and other marine fishery habitats damaged or destroyed by hurricane events, and to conduct cooperative research and monitoring and other activities designed to recover and rebuild Gulf of Mexico fisheries and fishing communities. The Census Bureau supported these efforts by providing the first official set of population estimates that reflected the impacts of Hurricanes Katrina and Rita.

Despite delays caused by Hurricane Katrina, NOAA is on schedule to complete the first phase of an 800-acre barrier island project in Louisiana's Plaquemines Parish. In the largest island restoration project ever done by NOAA, workers are dredging and performing major earth-moving activities on Chaland Island to create beach and marsh habitat. Over the years, the shoreline has eroded severely due to human and natural factors, and recent storms breached the shoreline and segmented the 2.6-mile island into three smaller fragments. Left unaddressed, these breaches threaten the integrity of several major natural gas pipelines. Rebuilding and maintaining the extensive system of wetlands historically nourished by the Mississippi Delta are essential for the future health of estuarine-dependent fish populations. Maintaining the region's barrier islands is critical, as they are the first line of defense for marshes against coastal storms. The Chaland Island project was recently named one of America's "Top Restored Beaches" by the American Shore and Beach Preservation Association. The restored habitat will help protect Louisiana's coastal communities from the devastating effects of wind, waves, and flooding associated with these types of storms.



Program Data, Department-wide Management, and Financial Performance

The financial data and performance results described in this report enable us to administer our programs, gauge their success, and make adjustments necessary to improve program quality and service to the public. Bureaus continue to take specific steps to eliminate ineffective or ambiguous performance measures. Performance measures are a key element of Office of Management and Budget (OMB) program reviews using the Program Assessment Rating Tool (PART). I am very pleased that six Department programs underwent successful PART reviews during FY 2007: Decennial Census, ITA's Market Access and Compliance (MAC) and Import Administration programs, MBDA, and NOAA's National Marine Fisheries and Hydrology programs.

In response to the Reports Consolidation Act of 2000, we are reporting that the financial and performance data presented are substantially complete and reliable, in accordance with OMB Circulars A-136 and A-11. Details, including any specific data limitations, are discussed in the body of the report. Our financial management systems are in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). For the ninth year in a row, our financial statements have received an unqualified ("clean") opinion by independent auditors.

The Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific performance measures for review each quarter, requiring that the bureaus provide all of the data used for determining results, reviewing the measures for validity, and then developing recommendations for improving them.

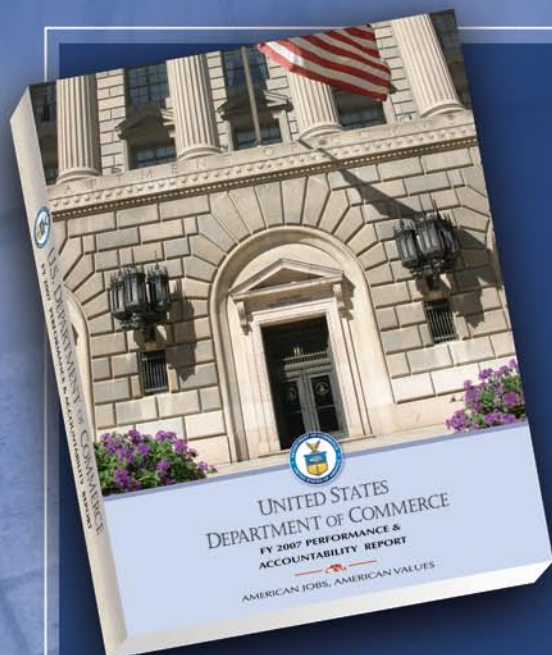
We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123. Continual evaluation of our operations through a variety of internal and external studies enables us to determine whether our systems and management controls comply with the FMFIA. Based on these reviews for the programs, organizations, and functions covered by the FMFIA, the Department's systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved with the exception of one material weakness. Although we made significant progress on information technology security during FY 2007, some aspects of this material weakness have not been fully resolved. Further information can be found in the Management Discussion and Analysis section of this report.

In our efforts to make our programs more efficient, effective, and results-oriented, we continue to be guided by the President's Management Agenda (PMA). We have made significant progress in implementing the core government-wide initiatives: strategic management of human capital, competitive sourcing, improved financial performance, electronic government, and improved program performance. The Department remains engaged in activities that support effective research and development investments as well as faith-based and community initiatives, two of the PMA initiatives for selected departments. Additionally, we are committed to ensuring the cost-effective use of public resources by increasing the Department's percentage of performance-based contracts.

In Conclusion

Again, I am proud to submit this report on FY 2007 performance results for the Department of Commerce. I hope the report will provide a useful look at the activities of the Department and its 39,000 employees, whose work continues to result in improvements in the Nation's economic situation, and in scientific progress and environmental stewardship that benefit people around the globe. I look forward in the year ahead to strengthening our focus on these critical activities and furthering our mission and management objectives.

Carlos M. Gutierrez
Secretary of Commerce
November 15, 2007



HOW TO USE THIS REPORT

This Performance and Accountability Report (PAR) for FY 2007 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. 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 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, highlights of the Department's most important performance goals and results, current status of systems and internal control weaknesses and other pertinent information, such as the progress being made by the Department in implementing the President's Management Agenda (PMA) and the key management challenges identified by the Office of Inspector General (OIG).

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 2007. For each service and major office, the results are presented by each performance goal within the four Department strategic goals.

FINANCIAL SECTION

This section contains the details of the Department's finances in FY 2007. 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 a discussion of the data sources used in this report, summary chart of performance information, description of changes to performance goals and measures from the FY 2006 PAR, performance measures definitions, financial information, and a glossary of acronyms.



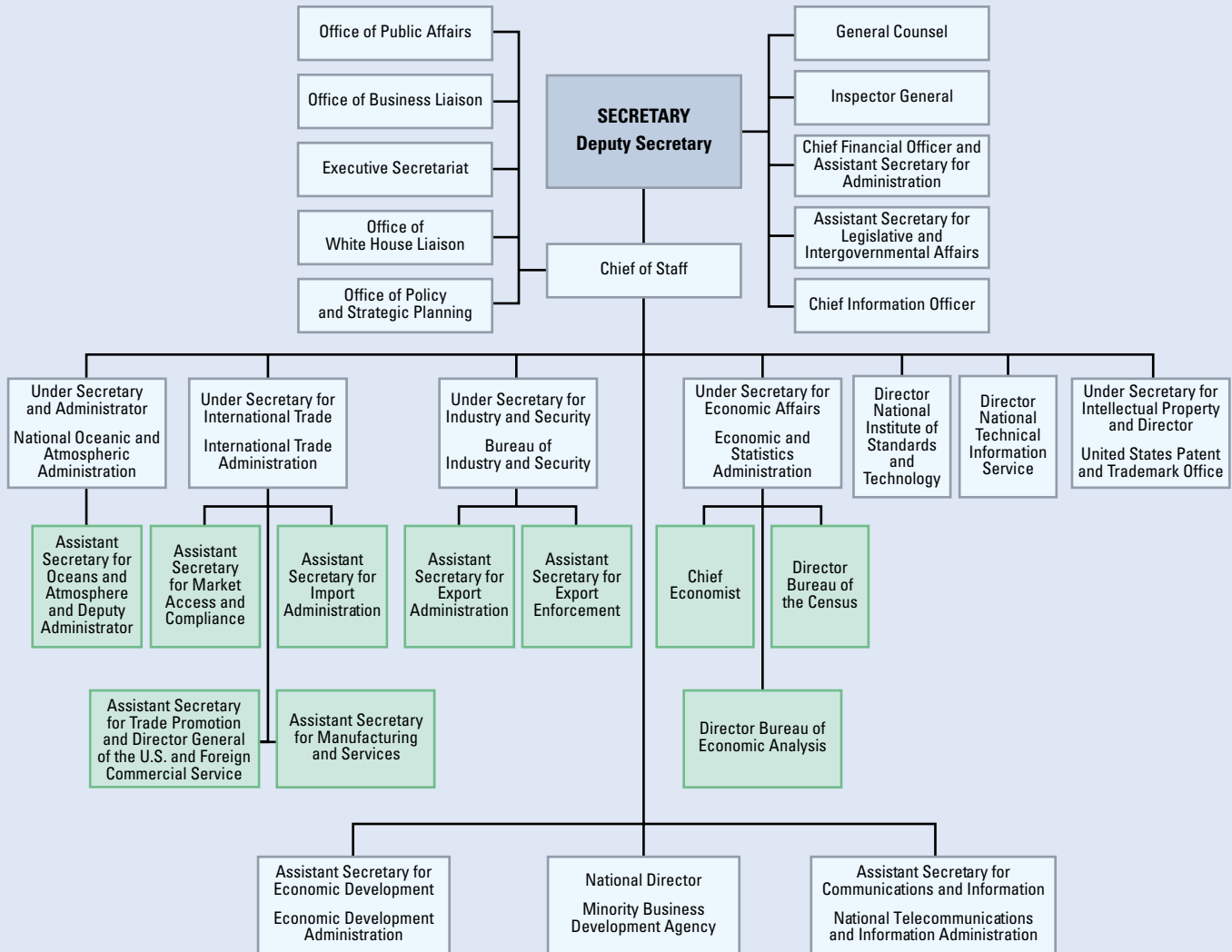
MANAGEMENT DISCUSSION & ANALYSIS

MISSION AND ORGANIZATION

MISSION

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

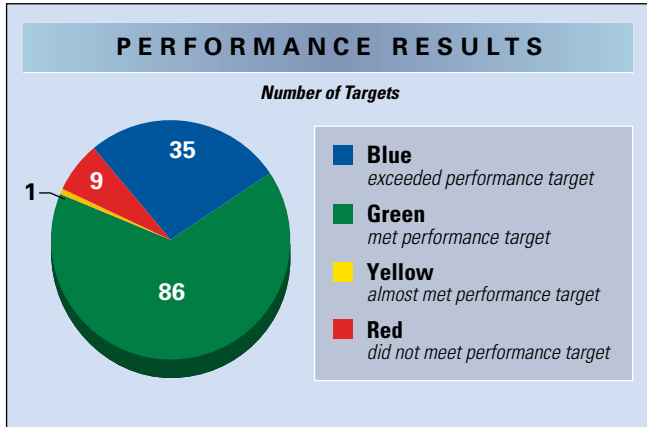
U.S. DEPARTMENT OF COMMERCE



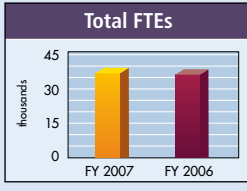
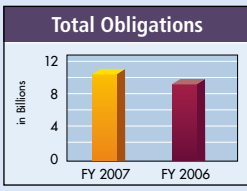
FY 2007 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 131 performance targets, 92 percent were at or above target, one percent slightly below target, and seven percent not on target. These results are better than last year, when 86 percent were at or above target. Below are the performance results by strategic goal and financial highlights. Achieving results in each of the strategic goals furthers the Department's mission. This summary provides a snapshot of the targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each performance goal.



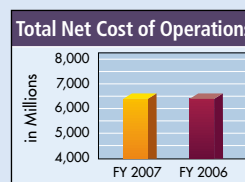
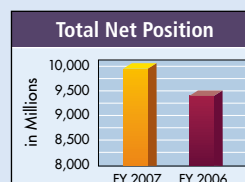
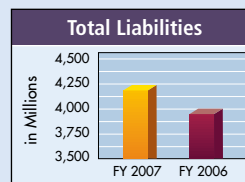
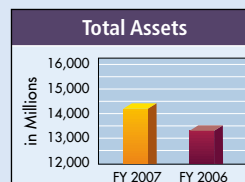
(Dollars In Millions) ¹	Percentage Change	FY 2007	FY 2006
For the Years Ended September 30, 2006 and 2005			
Obligations by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	-1.3%	\$ 1970.9	\$ 1,997.0
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+39.9%	3,803.5	2,719.5
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	-4.1%	4,321.2	4,507.3
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+0.6%	72.2	71.8
TOTAL OBLIGATIONS	+9.4%	\$10,167.8	\$ 9,295.6
Full Time Equivalents (FTEs) by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	-9.8%	10,963	12,156
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+8.1%	11,457	10,590
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	-7.5%	11,933	12,896
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	-0.3%	294	295
TOTAL FTEs	-3.6%	34,647	35,937



¹Performance obligations may differ from obligations shown in financial reports because they do not include one-time funds for unexpected events (e.g., Katrina) or reimbursable work that cannot be planned. In these cases, these obligations are not factored into bureau performance amounts.

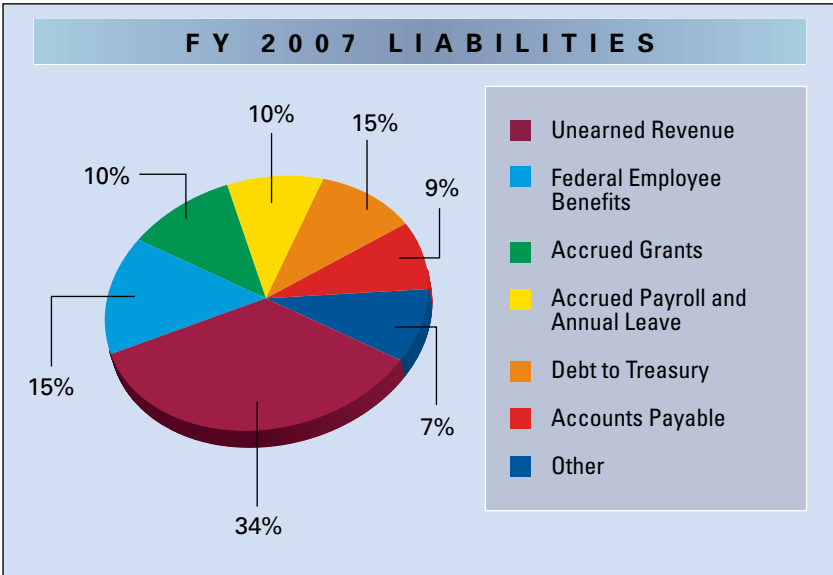
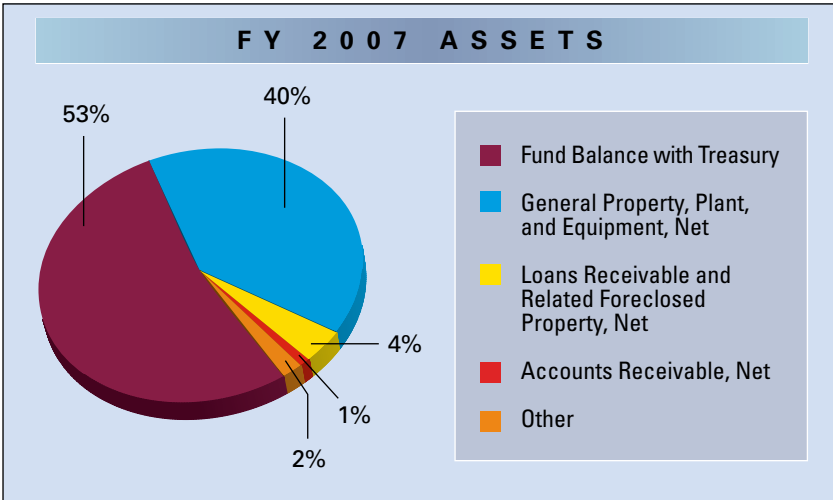
FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	Percentage Change	FY 2007	FY 2006
As of September 30, 2007 and 2006			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	+5%	\$ 7,596,655	\$ 7,231,997
General Property, Plant, and Equipment, Net	+8%	5,729,764	5,299,093
Loans Receivable and Related Foreclosed Property, Net	+11%	519,854	467,985
Accounts Receivable, Net	-30%	102,340	145,906
Other	+17%	252,110	215,437
TOTAL ASSETS	+6%	\$14,200,723	\$13,360,418
LIABILITIES:			
Unearned Revenue	+3%	\$ 1,427,165	\$ 1,390,284
Federal Employee Benefits	+6%	625,816	589,964
Accounts Payable	+19%	432,194	364,250
Accrued Grants	-4%	404,939	420,588
Debt to Treasury	+53%	645,997	422,071
Accrued Payroll and Annual Leave	+7%	396,444	370,240
Other	-11%	295,541	333,519
TOTAL LIABILITIES	+9%	\$ 4,228,096	\$ 3,890,916
NET POSITION:			
Unexpended Appropriations	+5%	\$ 4,528,905	\$ 4,306,421
Cumulative Results of Operations	+5%	5,443,722	5,163,081
TOTAL NET POSITION	+5%	\$ 9,972,627	\$ 9,469,502
TOTAL LIABILITIES AND NET POSITION	+6%	\$14,200,723	\$13,360,418
For the Years Ended September 30, 2007 and 2006			
Condensed Statements of Net Cost:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+1%	\$ 1,834,941	\$ 1,816,282
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+15%	814,164	707,220
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	-3%	3,785,802	3,893,386
TOTAL NET COST OF OPERATIONS	0%	\$ 6,434,907	\$ 6,416,888
Total Gross Costs	+2%	\$ 8,977,486	\$ 8,824,389
Total Earned Revenue	+6%	(2,542,579)	(2,407,501)
Total Net Cost Of Operations	0%	\$ 6,434,907	\$ 6,416,888





REVIEW OF FINANCIAL POSITION AND RESULTS



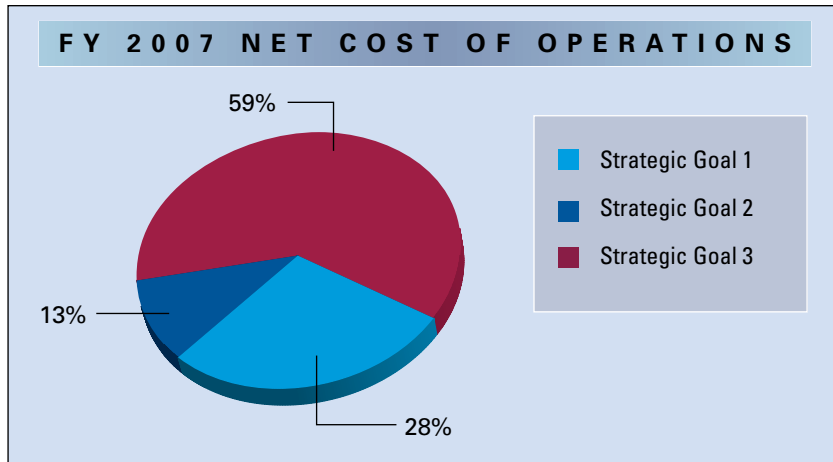
Assets

The Department had total assets of \$14.2 billion as of September 30, 2007. This represents an increase of \$840 million (six percent) over the previous year's total assets of \$13.4 billion. The increase is primarily the result of Fund Balance with Treasury increasing by \$365 million, which primarily resulted from an increase of \$368 million in obligated balance not yet disbursed; and General Property, Plant, and Equipment, Net increased by \$431 million, which is primarily due to an increase of \$302 million in the National Oceanic and Atmospheric Administration's (NOAA) Satellites/Weather Systems Personal Property, Net.; Loans Receivable and Related Foreclosed Property, Net increased by \$52 million, which is primarily due to NOAA's Fisheries Finance Traditional Loans, and Bering Sea and Aleutian Islands Non-Pollock Buyback Loans.

Liabilities

The Department had total liabilities of \$4.2 billion as of September 30, 2007. This represents an increase of \$337 million (eight percent) over the previous year's total liabilities of \$3.9 billion. The

increase is primarily the result of Debt to Treasury increased \$224 million, which is mainly due to net borrowings increase of \$164 million in the National Telecommunications and Information Administration's (NTIA) grant programs and \$63 million for NOAA's direct loan programs; Accounts Payable increased \$68 million, primarily related to NOAA's program support activities and transactions with the National Aeronautics and Space Administration (NASA); Unearned Revenue increased \$37 million, primarily due to increased unearned revenue from patent and trademark application and user fees that are pending action.



Net Cost of Operations

In FY 2007, Net Cost of Operations amounted to \$6.4 billion, which consists of Gross Costs of \$8.9 billion less Earned Revenue of \$2.5 billion. Strategic Goal 1 includes Gross Costs of \$2.1 billion related to providing information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers. Strategic Goal 2 includes Gross Costs of \$2.8 billion related to fostering science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science. Strategic Goal 3 includes Gross Costs of \$4.0 billion related to observing, protecting, and managing the Earth's resources to promote environmental stewardship.



THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

Management Strategic Framework, Performance Planning, and Reporting at a Glance

Performance Management Process

An overall performance management process ensures that performance feedback, accountability, performance results, corrective action, and performance planning occur.



The Department's Strategic Plan provides a comprehensive vision for fostering the conditions that create jobs; increasing the productivity of the U.S. economy; encouraging the economic growth that benefits all U.S. industries, workers, and consumers; enhancing technological leadership and environmental stewardship; and supporting market growth strategies. The plan puts forth broad objectives, targets specific outcomes, and identifies key challenges. The Department issued its strategic plan for FY 2007 – FY 2012 in June 2007. It can be found at: <http://www.osec.doc.gov/bmi/budget/07strplan/DOC07strplan.pdf>. Changes that appear in the new Strategic Plan regarding the structure and wording of strategic goals, objectives, performance outcomes, and measures do not appear in this PAR, however, they will appear in the FY 2008 PAR.

The Department's goal structure has three levels. Strategic goals describe outcomes that emerge from the Department's mission. Each of these goals in turn has outcome goals or objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve more than one Department bureau. Within each strategic objective are performance goals tied to specific bureaus that support each outcome goal and provide program-level clarity of purpose. Each has associated indicators and targets to measure the Department's impact on a continuous basis.

The Strategic Plan and Bureau Annual Performance Plans (APP) provide the Department's bureau-specific performance goals and measures that align with the Department's strategic goals and objectives. These performance goals are linked 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. Bureau FY 2008 APPs can be found at: <http://www.osec.doc.gov/bmi/budget/>.



MANAGEMENT DISCUSSION AND ANALYSIS

This Performance and Accountability Report (PAR) provides a public accounting of the Department's FY 2007 performance results and completes the Department's performance management process. The Web address of the FY 2007 PAR is: <http://www.osec.doc.gov/bmi/budget/>. The appendices of the FY 2007 PAR provide details of the Department's performance and explanatory materials supporting the program results.

How the Department Selects Its Performance Goals and Measures

Performance goals articulated in the introductory material for each goal in the Strategic Plan and APP are aimed at achieving one or more strategic outcomes, and 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 2007 PAR depicts a top-level, integrated system for managing for results within the Department, and is not an exhaustive treatment of all Department programs and activities. This report must also be read with each Department bureau's own performance results to gain a comprehensive picture of the Department's accomplishments in FY 2007. More in-depth performance results for FY 2007 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 back cover of this report and provides a good foundation for researching additional information. Descriptions of each measure can be found in the Commerce FY 2007 APP, available at: www.osec.doc.gov/bmi/budget/FY2007APP.htm. This Web site provides all measure descriptions for each bureau as part of the FY 2007 annual budgets for each bureau incorporated as Exhibit 3A (APP) of each bureau's budget submission.

Performance Validation and Verification

The Department uses a broad range of performance goals 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 2007 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: www.osec.doc.gov/bmi/budget/FY2007APP.htm.

Currently, the Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific performance measures for review each quarter, requiring that the bureaus provide all the data used for determining these measures, reviewing the measures for validity, and then developing recommendations for improving the measures.



Performance Controls and Procedures

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 (National Oceanic and Atmospheric Administration [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 FY 2007 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 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.

Performance Reviews: The Department also conducts quarterly performance reviews. During these reviews, bureau heads report to the Deputy Secretary on the current status of bureau performance, including PART results and efforts on the President's Management Agenda, and progress towards GPRA measures that will appear at the end of the year in this report.

MOST IMPORTANT RESULTS

The Department focuses on three different, yet inter-related aspects of economic growth and opportunity—business, innovation, and environment—with each aspect reflected in each of the Department’s strategic goals. A fourth goal—management integration—is linked to all three goals, focusing on various aspects of improving the management of the Department. This structure is shown below.

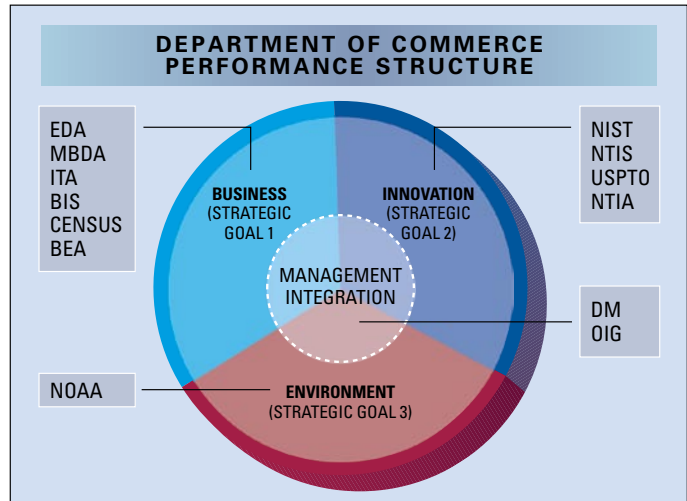
The Department promotes business by developing partnerships with state, local, private, and non-profit enterprise so as to encourage economic growth and development (objective 1.1). The Department also encourages trade by promoting U.S. exports (objective 1.1) while at the same time monitoring those exports to prevent any export of goods that could be used for any activities against the United States (objective 1.2). The Department also develops and publishes the economic statistics and indicators (e.g., gross domestic product [GDP]) that are essential to U.S. business (objective 1.3).

The Department promotes innovation through research and the development of new applications of research (e.g., quantum mechanics) to assist the private sector (objective 2.1). The Department also encourages the development of new technology and the protection of intellectual property (IP) through the issuance of patents and trademarks (objective 2.2). Finally, the Department advances the telecommunication sector by making certain that the allocation of the radio spectrum provides the greatest benefit to all people as well as promoting new sources of advanced telecommunications (objective 2.3).

The Department promotes the use of the environment that both assists the American people while maintaining U.S. natural resources. The Department provides daily weather reports and warnings while also researching long-term effects of climate change (objective 3.1). The Department also encourages trade and shipping by providing essential navigation maps to the private sector (objective 3.2). Finally, the Department monitors the fishing industry and U.S. marine habitats to prevent overfishing and maintain and preserve U.S. natural marine habitats (objective 3.2). The Department also provides mission support activities (e.g., satellites) that support the other two objectives within Strategic Goal 3.

Management Integration promotes greater efficiency within all three strategic goals of the Department through various information technology (IT) activities, financial management oversight and administration, and periodic reviews of programs.

In terms of funding, no strategic goal dominates the other with occasional fluctuations occurring that change the respective percentages. For example, in FY 2007 the National Telecommunications and Information Administration (NTIA) received an authorization of \$2.136 billion for Digital Conversion. Likewise as 2010 approaches, Census Bureau funding will increase to where it alone will represent approximately half the Department’s budget.





MANAGEMENT DISCUSSION AND ANALYSIS

Within each strategic goal is a set of performance objectives which cut across bureau programs, and within each objective are performance outcomes unique to each bureau. Because the National Oceanic and Atmospheric Administration (NOAA) comprises an entire strategic goal, the structure does not go below the performance objective level. Likewise, for the Management Integration goal, because it is so small (representing less than one percent of the budget), the structure only goes to the performance objective level. In previous years, these objectives/outcomes were noted as performance goals. Under Office of Management and Budget (OMB) guidance and in an effort to establish a more outcome orientation to its performance, the Department has to a certain extent modified these outcomes and therefore changed the wording.

The following 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). After this list is a discussion of the Department's most important results, challenges, and action plans by strategic goal.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE MEASURES			
STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	STATUS*
Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers	Strategic Objective 1.1: Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Private investment leveraged (EDA)	●
		Jobs created/retained (EDA)	●
		Number of export successes made as a result of ITA involvement (ITA)	●
		Dollar value of contract awards obtained (MBDA)	●
		Dollar value of financial awards obtained (MBDA)	●
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Number of market access and compliance cases resolved (ITA)	●
		Percent of licenses requiring interagency referral referred within nine days (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)	●
	Strategic Objective 1.3: Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	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 (Census)	●
		Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (Census)	●
		Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (BEA)	●
		Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale) (BEA)	●
		Accuracy: Percent of GDP estimates correct (BEA)	●

* ● = EXCEEDED ● = MET ● = SLIGHTLY BELOW ● = NOT MET

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE MEASURES (CONTINUED)			
STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	STATUS*
Strategic Goal 2: Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science	Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Qualitative assessment and review of technical quality and merit using peer review (NIST)	●
		Customer satisfaction (NTIS)	●
	Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Patent allowance compliance rate (USPTO)	●
		Patent first action pendency (USPTO)	●
		Patent final action pendency (USPTO)	●
		Trademark final action compliance rate (USPTO)	●
		Trademark final action pendency rate (USPTO)	●
	Strategic Objective 2.3: Advance the development of global e-commerce and enhanced telecommunications and information services	Number of instances which External Affairs (EA) experts review intellectual property (IP) policies/standards (USPTO)	●
		Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings in which Administration views are advocated (NTIA)	●
Strategic Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship	Strategic Objective 3.1: Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs	Severe weather warnings for tornadoes (county based) – Lead time (minutes) (NOAA)	●
		Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	●
		Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations (NOAA)	●
		Reduce the error in global measurement of sea surface temperature (NOAA)	●
	Strategic Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs	Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)	●
		Reduce the 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)	●
Management Integration Goal: Achieve organizational and management excellence		Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	●
		Improve the management of information technology (DM)	●
		Percentage of OIG recommendations accepted by departmental and bureau management (OIG)	●

* ● = EXCEEDED ● = MET ● = SLIGHTLY BELOW ● = NOT MET

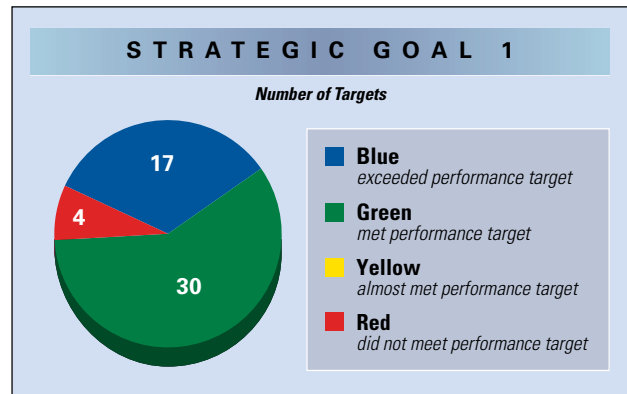
STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Most Important Results

In FY 2007, the Department met 92 percent of the targets it had set for the year. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

Through programs within the Economic Development Administration (EDA), the Department generated by FY 2006 approximately \$2.3 billion in private investment and 50,000 jobs as a result of approximately \$300 million in investments made in FY 1997, a 7 to 1 benefit-to-cost ratio, and a cost of \$6,000 per job. EDA data indicate that investments made in FY 2004, FY 2001, and FY 1998 (three, six, and nine years prior to FY 2007) generated \$4.9 billion in private investment and created or retained 139,641 jobs. EDA anticipates that investments of approximately \$200 million made in FY 2007 will recoup the original amount by 2010, generating \$258 million, and then continue to increase to \$646 million by FY 2013, and \$1,293 million by FY 2016. EDA expects that those same investments will create or retain 6,628 jobs by 2010, 16,570 jobs by FY 2013, and 33,141 jobs by FY 2016.



Likewise, an investment of \$30 million in the area of minority development generated \$1.1 billion in terms of the dollar value of contract awards and \$500 million in financial awards as well as created approximately 4,000 new job opportunities.

The Department played a leading role in the expansion of U.S. trade, including efforts to strengthen trade promotion by leveraging strategic partnerships, advancing free trade agreements (FTA) to promote U.S. exports in strategic and emerging markets, and advancing transformational commercial diplomacy. These priorities reinforce the Department’s desire to broaden and deepen the export base.

The Department through the International Trade Administration (ITA) began to engage with strategic partners (e.g., express delivery companies, banks, and Web-based marketplaces) in targeted marketing strategies to assist other U.S. companies wanting to export more or export better. For example, FedEx is helping identify and inform U.S. exporters to Mexico of opportunities about new business opportunities in Central America, which has come about as a result of the recent Central American FTA (CAFTA).

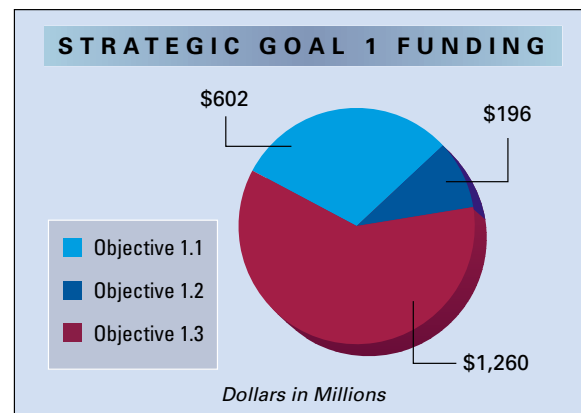
ITA, along with other trade policy agencies, has continued to lower trade barriers through FTAs during FY 2007. Since 2001, the United States has signed over a dozen FTAs and has also sought to improve already existing FTAs, such as the North American FTA (NAFTA). Although countries that the United States has FTAs with only represent 7.1 percent of world GDP, they represent more than 42 percent of U.S. trade. ITA has also maintained a concerted effort to open up large, developing markets like China and India. Exports to both of these markets are significant. During this past year, China has become the third largest export market for the United States and exports to India grew at more than 30 percent last year. These two countries have been designated as high priority markets and ITA led significant trade missions to both countries during this past year.



MANAGEMENT DISCUSSION AND ANALYSIS

Often companies encounter difficult hurdles when trying to do business in even far less challenging places than India and China. In the past, the efforts of ITA's Commercial Service have been measured primarily by "export successes" tied to specific export transactions of client companies. More importantly, overseas posts also devote time and resources to working behind the scenes to resolve problems, reduce trade barriers, and cut red tape, i.e., "commercial diplomacy." Commercial diplomacy benefits not only current ITA clients, but also all U.S. exporters by opening doors and creating paths to success for other exporters to follow. For example, in Bulgaria, ITA's Commercial Service succeeded in having a packaging waste penalty removed that was costing U.S. companies like Coca-Cola, Kraft, and Proctor & Gamble millions of dollars per year. Similar efforts helped to get Bulgarian legislation passed to better protect intellectual property rights (IPR).

While the Department seeks to encourage trade, it is balanced by the need to control exports, specifically those "dual-use" exports which have both civilian and military applications. In June 2007, the Department published an export policy rule in the Federal Register that will facilitate U.S. exports to civilian enterprises in China while ensuring that sensitive U.S. technologies do not increase Chinese military capabilities. The rule achieves two important and complementary objectives: supporting U.S. companies in competing in the vast Chinese market for civilian technology while preventing the export of technologies that contribute to China's military modernization. It creates the Validated End-User program, which lifts the burden of individual export licenses from trusted customers in China with a demonstrated record of appropriate use of licensed U.S. items.

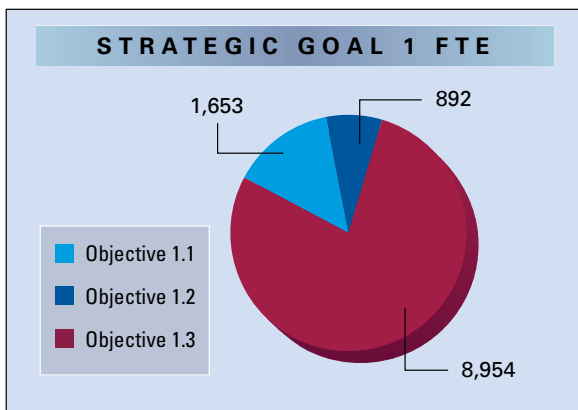


The Department also held a meeting of the U.S.-India High Technology Cooperation Group which identified additional ways to facilitate U.S. high technology exports to India. In addition, the Department prepared to extend the benefits of the Validated End-User program to trusted customers in India.

In an effort to further streamline the dual-use export control system, the Department launched a review of the Commerce Control List of items controlled for export. In addition, the Department announced the results of a study of the sensors and imaging industry which has formed the basis for proposals to update controls of night vision items consistent with technological and market developments in the industry.

The Department has, perhaps, no greater influence over business than in the area of statistics. The Department, through the Census Bureau and the Bureau of Economic Analysis (BEA), provides vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects of public and private sectors, including the distribution of funds to various geographic districts. The Decennial Census, mandated by the Constitution, affects the political makeup of every state in the union and reflects the shifting political power among the states.

In FY 2007, the Census Bureau released more than 400 economic reports, including 124 principal economic indicators, providing information on retail and wholesale trade and selected service industries, construction activity, quantity and value of industrial output, capital expenditure information, e-commerce sales, foreign trade, and state and local government activities. In addition, during FY 2007, the Census Bureau completed critical preparations for the 2007 Economic Census data collection and processing, which began in October 2007 and will continue throughout FY 2008. Key accomplishments for FY 2007 focused on four areas: Collection Instrument Preparation, Business Outreach, Frame Preparation, and Processing System Preparation.



The Department's BEA, a partner agency with the Census Bureau within the Economics and Statistics Administration (ESA), continued to help the world to understand the differences among the economic measures produced by the federal statistical system through its publication, The Survey of Current Business. As businesses, governments, and households are provided with better, easier-to-understand economic data, their ability to make key investment decisions that move the U.S. economy forward are significantly improved.

The Department continued to meet the demands of users for more current and timely economic statistics. In the past year, the Department accelerated the release of advance sector-level GDP

by state estimates by four months and personal income for metropolitan areas by an additional month, and produced prototype GDP estimates by metropolitan area. In 2007, BEA provided more comprehensive data on foreign direct investment in the United States that show investment transactions by state, and by which industries are making the investments. New data are being collected to show a more complete picture of the services other countries are purchasing from the United States and who is buying these services. BEA now publishes economic data on financial services purchased from foreign banks every year, up from twice a decade.

With the release of the benchmarked industry economics accounts this year, BEA provided estimates that better reflect consumer spending in the economy, providing greater detail on the services that the U.S. public has been purchasing. Particular attention was paid to spending on air travel, food and beverages, and telephone and Internet services. BEA has also expanded and improved its measures of the expenses that businesses incur to generate the goods and services they produce. These enhanced estimates provide U.S. businesses with the tools they need to help guide their investment decisions and remain competitive in the economy. The release of the industry economics benchmark accounts was accelerated by three months over the previous release.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 1.1: Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Increase private investment and job creation in economically distressed communities (EDA)	6 of 6
	Improve community capacity to achieve and sustain economic growth (EDA)	6 of 6
	Enhance U.S. competitiveness in domestic and international markets (ITA)	2 of 4
	Broaden and deepen U.S. exporter base (ITA)	5 of 6
	Increase access to the marketplace and financing for minority-owned businesses (MBDA)	5 of 5

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Identify and resolve unfair trade practices (ITA)	5 of 6
	Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	5 of 5
	Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	1 of 1
	Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
Strategic Objective 1.3: Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)	5 of 6
	Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)	6 of 6

For Strategic Goal 1, in terms of performance, not only did the Department provide significant benefits to the U.S. public, it also met nearly all of its targets in FY 2007. EDA exceeded its targets for increasing private investment and creation of jobs for programs that were funded either in 1998, 2001, or 2004 (EDA tracks progress on a three, six and nine-year basis). These programs focused on economically distressed communities. EDA met all the targets it set for the second outcome. For its outcome, "Increase access to the marketplace and financing for minority-owned businesses," MBDA met all of its targets. Furthermore, historically, the targets appear to be stable or aggressive.

ITA had three performance outcomes that applied to Strategic Goal 1: "Enhance U.S. competitiveness," "Broaden and deepen the U.S. exporter base," and "Identify and resolve unfair trade practices." For the "Enhance U.S. competitiveness" outcome, ITA missed two of four targets, while in each of the remaining two outcomes, ITA missed only one of six targets.

For "Enhance U.S. competitiveness," ITA missed the target for "Percent reduction in per unit of data distribution" and "Percent of industry-specific trade barrier milestones completed," an important metric for this outcome and one that ITA missed by a wide margin (54 percent for actual, 85 percent for target). Performance slipped from 81 percent in FY 2006. It should be noted, however, that ITA did not meet this target because foreign counterparts were not able to or willing to move as fast as U.S. negotiators sought towards removing trade barriers.

For the "Broaden and deepen the U.S. exporter base" outcome, the target that ITA missed was the "Number of new-to-market export successes." This target was a sub-element of an overall target, "Number of export successes made as a result of ITA involvement," that ITA met. ITA missed this sub-element because ITA moved resources to meet another sub-element they felt was more critical and had not been met for several years, "Number of new-to-export successes."

For its third outcome, "Identify and resolve unfair trade practices," ITA met or exceeded the targets for five of six measures that address MAC cases. The lone exception was for the "Percentage of market access and compliance cases initiated on behalf of small and medium-sized businesses." ITA is still investigating why the actual for this measure dropped from 28 percent to 22 percent. The Department believes that supporting small and medium-sized businesses is important, and ITA will reinforce its efforts to achieve and measure progress in this area.

One of the Bureau of Industry and Security's (BIS) key tasks is to either prevent illegal exports or to charge export violators. To that end, a key performance measure for BIS is the "Number of actions that results in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge." BIS has consistently met its targets while raising the targets from year to year. BIS has also consistently maintained an effective export control system, a key to which is the processing of export licenses and the timely issuance of regulations regarding export activity. BIS has consistently met its targets in these areas. As noted earlier, BIS published an export policy rule involving China that will facilitate U.S. exports to civilian enterprises in China while ensuring that sensitive U.S. technologies do not increase Chinese military capabilities.

Both the Census Bureau and BEA consistently provide statistical data to the U.S. public in a timely manner. The Census Bureau rarely misses deadlines (it didn't this year) for producing data and is currently on track to complete a re-engineered short-form only census in 2010. Likewise, for the past six years, BEA has not missed a release date for various economic data, a total of 314 scheduled releases over that period. BEA has also accurately predicted the GDP estimates over the past eight years. For a more detailed description of this measure see www.osec.doc.gov/bmi/budget/08CJB/esa.pdf. As a measure of customer satisfaction, the Census Bureau strives to meet or exceed the aggregate federal score on the American Customer Satisfaction Index (ACSI). Since 1999, the Bureau has been below the aggregate score only twice (2000 and 2001). Each year BEA conducts a customer satisfaction survey with a goal of achieving greater than a 4.0 (on a five point scale). BEA has consistently exceeded that goal, most recently achieving a 4.3.

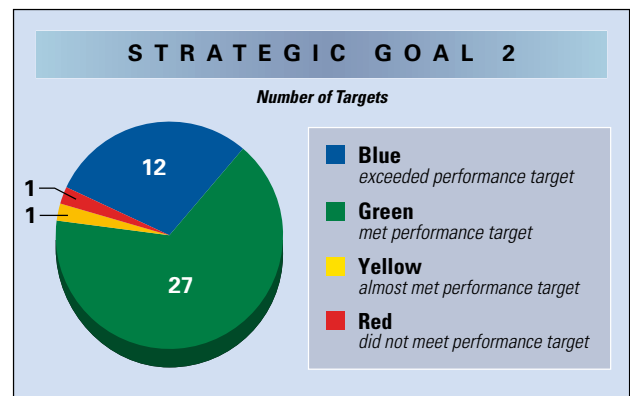
STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science

Most Important Results

In FY 2007, the Department met or exceeded 95 percent of the targets it had set for the year. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

The National Institute of Standards and Technology (NIST) Standard Reference Materials (SRM) are among the most widely distributed and used products from NIST. The Agency prepares, analyzes and distributes well over a thousand different materials that are used throughout the world to check the accuracy of instruments and test procedures used in manufacturing, clinical chemistry, environmental monitoring, electronics, criminal forensics, and dozens of other fields.



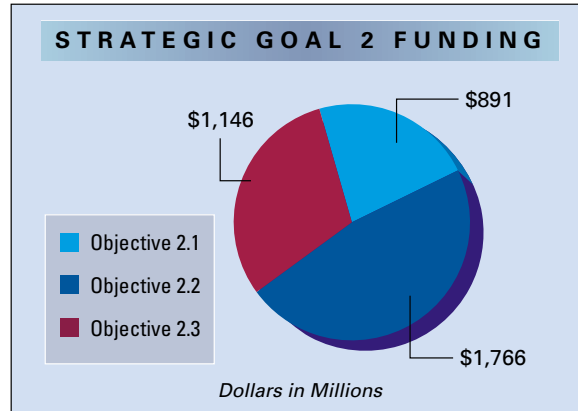
Each year the National Research Council (NRC) evaluates approximately half of the NIST laboratory programs, including making recommendations for improvements while citing excellent performance. Typically, NIST laboratory programs have consistently done well in these reports. The NRC issued their FY 2007 assessment reports of the Electronics and Electrical Engineering Laboratory, the Chemical Sciences and Technology Laboratory, the Information Technology Laboratory and the NIST Center for Neutron Research. Their assessments attest to NIST's high quality programs, relevance of work to national priorities and impressive technical merit.



MANAGEMENT DISCUSSION AND ANALYSIS

The NIST Advanced Technology Program (ATP) and Hollings Manufacturing Extension Partnership (MEP) provide resources to further technological advances within the private sector.

In FY 2007, the National Technical Information Service (NTIS) partnered with the Government Printing Office (GPO) to provide the Federal Depository Libraries with access to many of its electronically-stored documents. NTIS and GPO began conducting a beta test pilot project with 29 Federal Depository Libraries using a new interface NTIS developed to support the program implementation. The project included access to approximately 240,000 full text publications dating from 1964 to 2000 that were available for downloading, at no charge. The results of the beta test were very positive and program participation is now offered to all 1,262 Depository Libraries. There are currently over 340 Depository Libraries participating in the program, and that number is expected to continue to grow making invaluable research results more readily available to the U.S. public.

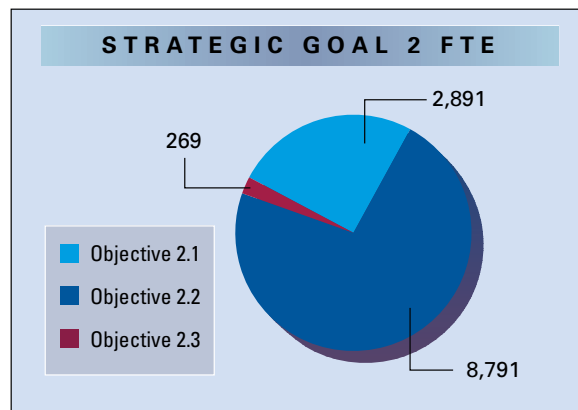


NTIS has successfully contributed to the White House initiative prompting improved early childhood development programs for U.S. children, through the storage and distribution of the materials developed by the Departments of Health and Human Services (HHS), Education, and Agriculture (USDA). The "Healthy Start, Grow Smart" program provides easily understood information booklets to parents and caregivers about best practices in early childhood development. The information is published in English, Spanish, Vietnamese, and Chinese providing valuable age-appropriate information about health, safety, nutritional needs, and early cognitive development. NTIS manages the storage and distribution of over 10 million booklets annually, and anticipates increased dissemination in the future.

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.

Through the U.S. Patent and Trademark Office (USPTO), the Department provides the examination of patent and trademark applications and dissemination of patent and trademark information. By issuing patents the Department 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 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.

Telecommunications plays a key role in U.S. society as the economy expands into the digital age. The Department, through NTIA is at the forefront of this expansion. In FY 2007, NTIA examined an



MANAGEMENT DISCUSSION AND ANALYSIS

array of spectrum management policy issues dealing with innovative approaches to spectrum management and the effectiveness of current processes. NTIA coordinated with federal agencies the Spectrum Reform Initiative implementation plan with 54 milestones to be completed by FY 2010. This initiative will fundamentally change the business of spectrum management over the next five years. The purpose of the initiative is to promote the development and implementation of a U.S. spectrum policy that will foster economic growth; ensure U.S. national and homeland security; maintain U.S. global leadership in communications technology development and services; and satisfy other vital U.S. needs in areas, such as public safety, scientific research, federal transportation infrastructure, and law enforcement.

In FY 2007, the Federal Communications Commission (FCC) and NTIA continued to assist coordination in the 1710-1755 MHz band, to facilitate the transition of this band from federal government use to non-federal use. Specifically, guidance was provided to assist Advanced Wireless Service (AWS) licensees in this band to begin implementing service during the transition of federal operations from the band while providing interference protection to incumbent federal government operations until they have been relocated to other frequency bands or technologies.

On July 18, 2007, U.S. Secretary of Commerce Carlos M. Gutierrez and U.S. Secretary of Homeland Security (DHS) Michael Chertoff announced the availability of \$968 million in Public Safety Interoperable Communications (PSIC) Grants to help state and local first responders improve public safety communications during a natural or man-made disaster for all 50 states, the District of Columbia, and the U.S. Territories. Grants were awarded by September 30, 2007, and grant projects will be completed in FY 2010.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Provide technical leadership for the Nation's measurement and standards infrastructure and assure the availability and efficient transfer of measurement and standards capabilities essential to established industries (NIST)	6 of 6
	Raise the productivity and competitiveness of small manufacturers (NIST /MEP)	4 of 4
	Accelerate private investment in and development of high-risk, broad-impact technologies (NIST /ATP)	2 of 3
	Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Optimize patent quality and timeliness (USPTO)	6 of 7
	Optimize trademark quality and timeliness (USPTO)	8 of 8
	Improve intellectual property and enforcement domestically and abroad (USPTO)	3 of 3
Strategic Objective 2.3: Advance the development of global e-commerce and enhanced telecommunications and information services	Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
	Promote the availability and support new sources of advanced telecommunications and information services (NTIA)	2 of 2



MANAGEMENT DISCUSSION AND ANALYSIS

For Strategic Goal 2, the Department met nearly all of its targets while providing essential services to the U.S. public. As in previous years, NIST did well in the NRC review, performing up to the past standards it has set. SRMs, publications, datasets, and calibrations are a few of the knowledge transfer mechanisms that provide the technical infrastructure in support of the American Competitiveness Initiative (ACI). NIST met all of their targets for the measures reflecting these mechanisms.

NIST also did well in the MEP investment outcome, exceeding the targets for all four measures. NIST's ATP, which supported development of high-risk technologies, was repealed by the America COMPETES Act in August 2007. The program met its targets for commercialization and publications, though it slightly missed its target for patents (1,507 for actual, 1,510 for target).

One other area of technological innovation involves the distribution of scientific and technical information. NTIS serves as a clearinghouse for this information to the public, private, and non-profit sectors. NTIS exceeded all of their 2007 targets, making more than 600,000 new items available, and disseminating more than 27 million information products.

One way that the Department advances technology and business is through the issuance of patents and trademarks thereby protecting IP that serves as a motive to innovate. In this regard, compliance rates (quality) and pendency (timeliness) play a key role in evaluating performance. USPTO met nearly all their targets for their three outcomes. USPTO had the highest production, highest hiring, highest usage of electronic filing and electronic processing, and highest number of examiners working from home in its history. Patents and trademarks continued to maintain its high quality compliance rates. Trademark first action pendency times have decreased since FY 2004, and final action trademark pendency times since FY 2002. Despite these significant efforts and successes, reducing the length of time for action on patent applications continued to be a key challenge. While the rate of increase for total pendency time slowed in FY 2007, the rate of increase for first action pendency did not. USPTO missed the target for "Patent average first action pendency," a key measure of timeliness. The number of patent applications filed increased by 73 percent between 1995 and 2005, and this trend is expected to continue, reflecting the Nation's strong participation in global business growth and innovation.

Enhancing telecommunications services is a key to advancing technology in the Nation. The radio frequency spectrum is used in a variety of ways, including transportation control and law enforcement. NTIA satisfies the frequency assignment needs of the 63 federal agencies allowing them to operate radio communications that provide the public with national and homeland security, law enforcement, transportation control, natural resource management, and other public safety services during peacetime and emergencies. A key to this is making the assignments available as soon as possible after an agency requests a frequency. In FY 2005, NTIA sought to reduce this time to 12 business days or less. By 2007, NTIA reduced this time to nine business days. NTIA's long-term goal is to improve spectrum management processes throughout the federal government so that time for spectrum assignments can be reduced from more than 15 days to three days or fewer, and ultimately to near instantaneously, supporting long-term goals for efficiency and effectiveness of spectrum use.

NTIA has also promoted new sources of advanced telecommunications services. In FY 2007, NTIA met the targets for this goal and began extensive preparations for the administration of other programs established by the Digital Television Transition and Public Safety Fund, created by the Deficit Reduction Act of 2005. This fund receives offsetting receipts from the auction of electromagnetic spectrum recovered from discontinued analog television signals, and provides funding for several programs from these receipts. These other programs include the New York City 9/11 Digital Transition, Assistance to Low-Power Television Stations, National Alert and Tsunami Warning Program, and Enhanced 9-1-1 Service Support.

STRATEGIC GOAL 3

Observe, protect, and manage the Earth's resources to promote environmental stewardship

Most Important Results

In FY 2007, the Department met or exceeded 97 percent of the targets it had set for the year. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

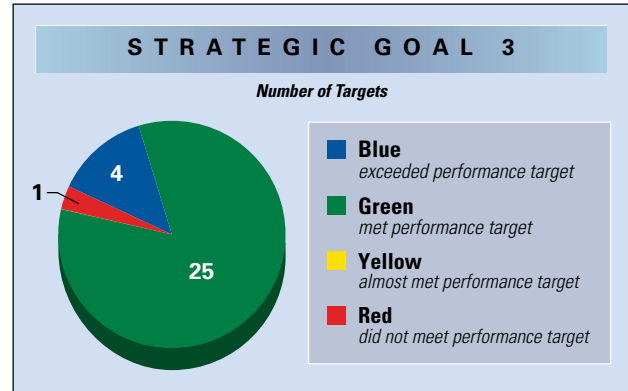
Through NOAA, the Department impacts all Americans. From the development and protection of fisheries to the prediction of severe storms such as hurricanes and tornadoes, all of the United States depends on NOAA programs.

MetOp-A was launched from the Baikonur Space Cosmodrome in Kazakhstan on October 19. The European polar-orbiting satellite, MetOp-A, is being heralded as a major milestone in the U.S.-European Initial Joint Polar System (IJPS). The agreement between NOAA and the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT) coordinates respective polar satellite launches to improve coverage of weather and climate conditions. On October 25, 2006, the NOAA Advanced Very High Resolution Radiometer (AVHRRR) was successfully switched on and the first images sent to Earth. The global data collected are used extensively in NOAA's weather and climate prediction numerical models. The primary purpose of AVHRR is to provide global cloud imagery for meteorological purposes, although many other applications have developed around the use of this versatile instrument previously flown on NOAA satellites, such as mapping of sea ice and sea surface temperatures, vegetation mapping, and land surface analysis. The AVHRR instrument is provided to EUMETSAT by NOAA.

"The NOAA-EUMETSAT partnership is absolutely crucial to the continuous flow of environmental data captured from space," said Greg Withee, assistant administrator for the NOAA Satellite and Information Service. "Launching MetOp-A is a milestone for NOAA and the United States because of the value and applications of data it will provide for monitoring sea-surface temperatures, drought, and other climate conditions." Lars Prahm, director-general of EUMETSAT, said, "The agreed partnership between the United States and Europe will jointly ensure a continuous flow of vital data from polar orbit."

On May 15, MetOp-A was formally declared operational, enabling users in Europe and beyond to benefit from the satellite's unique capabilities. MetOp-A instruments provided by NOAA include the Advanced Microwave Sounding Unit (AMSU-A1 & A2); High Resolution Infrared Sounder (HIRS/4); AVHRRR/3; and Space Environment Monitor (SEM-2). The MetOp satellite series consists of three spacecraft, including MetOp-A, which are designed to provide operational data until 2020.

One of NOAA's central missions is to promote public safety and preparedness. Since Hurricanes Katrina and Rita, NOAA has responded to requests from the U.S. Army Corps of Engineers and U.S. Coast Guard and has surveyed 677.92 square nautical miles and utilized contractors to locate potential dangers to marine navigation along the Gulf Coast. New elevations were published for more than 340 benchmarks and the values will provide official elevations in 27 parishes across the southern part of Louisiana that experienced damage from the storms. To improve communication, NOAA has developed a Web site (<http://gulfofmexico.marinedebris.noaa.gov/>) that will allow stakeholders to stay abreast of meetings, projects, and outreach events. Plans are currently underway to establish a Gulf of Mexico Disaster Response Center in Mobile, AL.





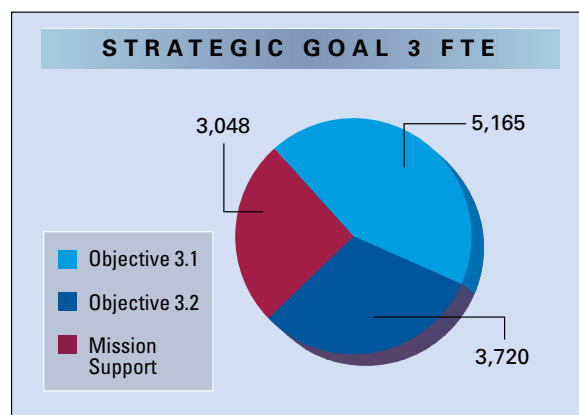
NOAA National Weather Service (NWS) Office of Hydrologic Development (OHD) completed the first successful demonstrations of pilot components of the new CHPS at the Northwest River Forecast Center (RFC) in Portland, OR during April 2007 and at the California-Nevada RFC in Sacramento, CA during July 2007. CHPS is a new modern software infrastructure, built on standard software packages and protocols and open data modeling standards to provide the basis from which new and existing hydraulic and hydrologic models and data can be shared within a broader hydrologic community. Developed using a service oriented architecture, an emerging standard for large-scale system design, CHPS enables scientists and programmers to work together and rapidly transition new innovative analyses and forecast techniques, for example new water quality models, from the drawing board to operational deployment efficiently. CHPS provides a new business model in which members of the hydrologic community, including other agency and academic collaborators, can operate more collaboratively through the sharing and infusion of advances in science and new data.



The Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006, signed on January 12, 2007, contains a requirement to establish an annual catch limit (ACL) for each fishery, for the first time creating a mandate with a timetable to end overfishing. Other significant new provisions include promoting market-based approaches to fisheries management; improving the science used in fisheries management; improving recreational data collection; enhancing international cooperation in fisheries management; and addressing illegal, unreported, and unregulated fishing as well as bycatch of protected living marine resources. The act included over 100 requirements for reports, studies, Secretarial determinations, and other activities to be completed by specific dates. NOAA has made important progress on many of these, such as establishing a Web site devoted to the reauthorized act, forming an implementation team, meeting with Regional Fishery Management Councils and State Marine Fisheries Directors, holding public meetings on ACL guidelines and the environmental review processes, and holding a roundtable with conservation organizations and a workshop on ACL data needs.

The National Integrated Drought Information System (NIDIS) Implementation Plan: A Pathway for National Resilience was released in hardcopy in June. NIDIS will enable users to determine the risks associated with drought and provide supporting data and tools to inform drought mitigation. NOAA led the process for creating the plan in response to a request from the Western Governor's Association.

The plan describes how an accessible and usable drought information system will be developed, deployed, and operated to facilitate informed decision-making by resource managers and others. In addition, it outlines the governance structure, priorities, and operational requirements needed to meet objectives for NIDIS. The plan was created by a NIDIS Program Implementation Team composed of federal agency, state, association, academic, and private sector participants. Critical to the success of this plan is the continued cooperation with partners at all levels of government, academia, and the private sector. The plan is responsive to the Western Governor's Association, June 2004 document on "Creating a Drought Early Warning System for the 21st Century," and the NIDIS Act (Public Law 109-430) signed into law on December 20, 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

Changes in the ocean from sea level rise and coastal flooding to harmful algal blooms and dead zones are impacting U.S. society. To prepare for and help manage these changes, NOAA's U.S. Integrated Ocean Observing System (IOOS) Program dedicated a full-time senior director to advance data integration and support regional IOOS development within the long-term goals of improving the Nation's understanding of climate change, safety and efficiency of marine operations, mitigation of natural hazards, and protection and restoration of marine ecosystems.

Ocean observations are more and more important to scientists who characterize, understand, predict, and monitor changes in coastal and ocean environments and ecosystems. Integration of data from ocean observations is also critical to commercial fisheries incorporating climate forecasts into management and harvest decisions. Ocean observation networks can improve NOAA's storm surge forecasts that allow emergency managers to make better decisions about evacuation plans.

Specifically, the IOOS Program created baselines for data flows and conditions for four thematic focus areas, completed five interoperability tests to understand and document issues with making data from disparate systems work together, and identified a realistic standards process. NOAA announced an IOOS merit-based competition to support regional IOOS development as an opportunity for FY 2008. The IOOS Program published the first version of the National High Frequency radar plan, representing needs of federal and state governments and established a formal requirement for this system within NOAA. Working with interagency partners, NOAA published a national near-shore waves plan which documents a national requirement for wave measurement that will define type and location of systems, applicable standards, and data products.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 3.1: Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs	Serve society's needs for weather and water information (NOAA)	10 of 10
	Understand climate variability and change to enhance society's ability to plan and respond (NOAA)	5 of 6
Strategic Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs	Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)	8 of 8
	Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)	6 of 6
Mission Support:	Provide critical support for NOAA's mission (NOAA)	N/A

For Strategic Goal 3, based upon the key benefits the Department provides to the U.S. public, and with meeting its performance targets, NOAA did remarkably well. Of the 30 performance measures for this strategic goal, NOAA missed only one target, that being the sea surface temperature error (in the climate variability outcome). That measure is a key measure for the climate outcome, as it impacts much of NOAA's long-term work in the climate area, particularly with regard to predicting serious events such as hurricanes. Still NOAA did meet or exceed the targets for the other five measures related to this outcome. Furthermore, for the other three outcomes, NOAA met or exceeded all of the targets and showed steady improvement over the years.

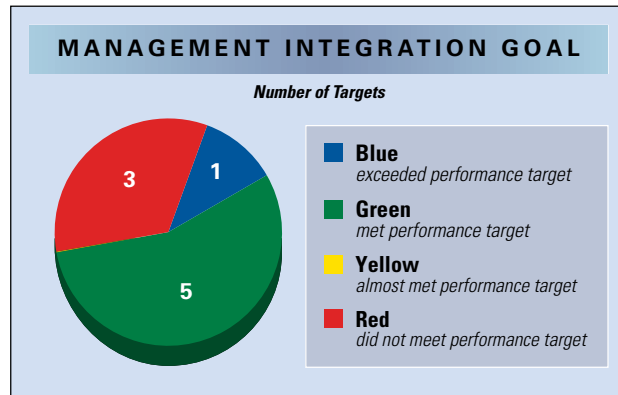
MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

Most Important Results

Two organizations are involved in the Management Integration goal: Departmental Management (DM) and the Office of Inspector General (OIG). Within DM, most of the performance accomplishments are reflected in the President’s Management Agenda (PMA) section of this PAR. Key areas that this goal does address include: financial management, contracting, competitive sourcing, and human resource management. In FY 2007, the Department met 67 percent of the targets it had set for the year.

The Department received an unqualified audit opinion for the ninth consecutive year, and obligated 44 percent of its contracting resources to small businesses. In the field of human resources, it conducted leadership training for almost 1,500 employees to close targeted competency gaps, and consulted with scores of individual managers regarding tools and techniques for making better hiring decisions.



Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Management Integration Goal: Achieve organizational and management excellence	Identify and effectively manage human and material resources critical to the success of the Department’s strategic goals (DM)	3 of 6
	Promote improvements to Commerce 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)	3 of 3

For the Management Integration goal, the primary goal/target was to eliminate the Significant Deficiency in information technology controls, which impacted the Financial Management measure. DM was not able to fully complete this task in FY 2007. DM also did not meet targets for the percent of performance-based contracts and the percent of contracts obligated to small businesses. The OIG met or exceeded all its targets including substantially exceeding for “Dollar value of financial benefits identified,” with an actual of \$51.7 million, the target being \$29.6 million.

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. Commerce 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 ¹	
Export controls	Federal Emergency Management Agency/Homeland Security	Federal Reserve Board
Improvements to highways and railroads	Department of Defense	Bureau of Justice Statistics
Improvements to the environment	Department of Energy	Agency for Health Care Research and Quality
Economic distress and recovery efforts	Department of Justice	Bureau of Transportation Statistics
Tracking the U.S. economy through GDP and other statistics	Department of State	Department of Health and Human Services
Market access/improvements	Department of Treasury	Federal Aviation Administration
Research	Environmental Protection Agency	Food and Drug Administration
Telecommunications	Department of Labor	National Institutes of Health
Technology transfer	Department of Housing and Urban Development	Federal Communications Commission
Trade policies	Department of Agriculture	National Science Foundation
Environmental programs	Delta Regional Authority	Department of Homeland Security
Homeland security	Indian Tribes	European Patent Office
Patents and trademarks and intellectual property	Department of Transportation	States
Defense industrial base activities	Small Business Administration	Other Countries and Organizations
Chemical Weapons Convention compliance	Agency for International Development	U.S. Coast Guard
Economic development	Department of Education	U.S. Postal Service
Minority-owned business development	Customs/Border and Transportation Security/ Homeland Security	Central Intelligence Agency
Measurements and standards		Bureau of Immigration
		Federal Bureau of Investigation

¹ Note: This is not an all-inclusive listing.



THE PRESIDENT'S MANAGEMENT AGENDA

It is the Department's stated mission to promote job creation and improve living standards for all Americans by fostering economic growth, technological competitiveness, and sustainable development. The Department fully appreciates the importance of sound management practices in helping to meet this obligation to the U.S. taxpayer, and is intent on applying them in all aspects of its work.

Through focusing on major management areas—strategic management of human capital, competitive sourcing, improved financial performance, electronic government, and budget and performance integration—Department employees provide comprehensive oversight of the resources with which the Department has been entrusted. This stewardship facilitates continual improvement in the Department's programs.

The President's Management Agenda (PMA) guides these improvements, and the President's Management Scorecard provides a way of keeping track of how agencies are doing in the management of public programs and public funds. Each quarter, federal agencies set goals and establish timeframes for meeting their objectives in the major management areas that are the focus of the PMA, and each quarter the Office of Management and Budget (OMB) rates the agencies' status and progress in those areas. Green indicates success, yellow means mixed results, and red is unsatisfactory. Progress ratings for each category reflect how the Department is doing in achieving success in that category, and whether it is following through on planned actions. Status ratings indicate the degree to which the Department succeeded in reaching its ultimate goals for each management area.

The table below shows the Department's most recently published progress and status ratings for government-wide initiatives. The sections that follow provide a look at what the Department has accomplished.

DEPARTMENT OF COMMERCE RATINGS		
INITIATIVE	STATUS RATINGS AS OF 9/30/07	PROGRESS RATINGS AS OF 9/30/07
Strategic Management of Human Capital	●	●
Competitive Sourcing	●	●
Improved Financial Performance	●	●
Electronic Government	●	●
Improved Program Performance	●	●

WHAT RATINGS INDICATES: OMB assesses agency "progress" on a case by case basis against the deliverables and time lines established for the five initiatives that are agreed upon with each agency as follows:

- GREEN Implementation is proceeding according to plans agreed upon with the agencies;
- YELLOW Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and
- RED Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.

STATUS ●

Strategic Management of Human Capital

● PROGRESS

As part of its ongoing effort to ensure that it has the right people in the right jobs at the right time, the Department has:

- ◆ Expanded implementation of a multi-tier performance appraisal system; 90 percent of the Department's full-time equivalent (FTE) employees are now on multi-tier systems across 60 percent of Department FTEs.
- ◆ Trained human resources (HR) staff and managers in category rating and implemented a pilot program to improve hiring processes.
- ◆ Implemented a new Human Capital Strategic Plan.
- ◆ Created and began implementing an action plan addressing 2006 Federal Human Capital Survey results.
- ◆ Received full Office of Personnel Management (OPM) and OMB certification for the Senior Executive Service (SES) Performance Appraisal System for FY 2007-FY 2008.
- ◆ Identified and reported positions via the Career Patterns Initiative in order to attract and recruit talent.
- ◆ Conducted, in conjunction with OPM, all six of the accountability audits scheduled for FY 2007 to identify areas for improvement and application of best practices.

STATUS ●

Competitive Sourcing

● PROGRESS

More than half of the Department's budget is used for contracts, grants, and interagency agreements. Therefore, it is imperative that it continues to look at its operations to determine who can best do its commercial work—its own employees or other sources. The Department has examined this issue extensively, and it is working on developing the best approach for making such decisions. Throughout the year, it selects certain activities and conducts public-private competitions to identify the most cost-effective method for getting the job done. Over the past year, the Department:

- ◆ Developed and implemented policies for a contract review board and standard file organization to help ensure acquisition quality and effectiveness within the Office of the Secretary.
- ◆ Continued the Acquisition Review Board, which met six times in FY 2007 and reviewed 13 cases with an estimated value of \$1.6 billion.
- ◆ Revised the Acquisition Career Management Program to incorporate training and certification requirements of the Federal Acquisition Certification Program.
- ◆ Continued training of contracting and purchasing professionals in the required competency areas in order to close competency gaps.
- ◆ Redesigned the Enterprise Acquisition Reporting System to make it more user-friendly and developed reports used as a tool to support data accuracy efforts.
- ◆ Participated in the government-wide task force to implement the Federal Funding Accountability and Transparency Act. Developed alternatives and recommendations for implementation of the act.
- ◆ Implemented the financial and acquisition systems interface.
- ◆ Began development of a new risk management initiative to address the major investment review process.



STATUS



Improved Financial Performance



PROGRESS

The Department continues to make itself accountable to the taxpayer for how it spends public funds. Readily available financial information helps managers make well-informed operational, policy, and budget decisions. The timeliness and reliability of such information are essential aspects of this effort. Here is what the Department has accomplished in the past year:

- ◆ Maintained a green status in "Improving Financial Management" on the President's Management Scorecard.
- ◆ Submitted quarterly financial statements and accompanying information to OMB.
- ◆ In FY 2007, the Department enhanced the A-123 program by developing a three-year rotational testing plan to incorporate a three-year, risk-based approach based on FY 2006 assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing; low/moderate-risk cycles are tested every three years, with selected test procedures at specific locations or on specific sub-processes performed as often as needed based specifically identified risks; a limited controls review assessment survey is utilized for cycles that are not being tested in a given year. The Department's A-123 Appendix A review and assessment included the following:
 - The Department utilized the Senior Management Council (SMC) to implement, direct, and oversee the assessment process; and the Senior Assessment Team (SAT) to develop A-123 planning documentation, administer internal control test plans, and monitor and review the test work.
 - Updated Department-wide testing templates for selected key processes/sub-processes and modified Departmental sampling plan to ensure consistency including the use of a statistical sample size generator for attributes sampling.
 - Utilized a contractor's expertise in support of smaller bureaus' testing and review of the Department-wide testing results and workpapers.
 - Utilized a contractor's expertise to review Department-wide internal control documentation to assess the structure, breadth, and depth of the bureau-level documentation. The review encompassed comparing documentation practices among bureaus, providing comments on consistency, and whether the cycle documentation contained the expected cycle components.
 - Analyzed the results of the overall effort to assess and document the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).
- ◆ On its FY 2007 financial statements, the Department received an unqualified audit opinion for the ninth consecutive year.
- ◆ Completed accounts payable business process re-engineering review and developed recommendations for standardization.
- ◆ Completed migration of the code for the Commerce Business System (CBS) to Oracle Web-based technology. Bureaus have agreed to implement the migrated code in early FY 2008.
- ◆ Completed the implementation of the interface between the acquisition system and the financial management system.
- ◆ Continued the implementation of the conversion of the International Trade Administration (ITA) to the CBS/CFS (Core Financial System), with conversion completion in October 2007. This will move ITA from its current system, which has become non-compliant, to a compliant system.

STATUS



Electronic Government



PROGRESS

The Department has long recognized the advantages afforded by e-government to support its responsibilities in delivering scientific, technical, and statistical information to the public. The Office of the Chief Information Officer (OCIO) works with the Department operating units to pursue opportunities to make transactions with its customers and the public Web-based and fully electronic.

The Department also continues to work with other federal agencies to provide the public with easy-to-find, single points of access to government services; to reduce reporting burdens on businesses; to share information more quickly and conveniently among different levels of government; and to automate internal processes to save money.

Some of the Department's activities and accomplishments in the area of information technology (IT) are listed below:

- ◆ Continued implementation of the OMB mandated Information System Security Line of Business Federal Information Security Management Act (FISMA) tool to automate certification and accreditation (C&A) standards and security reporting.
- ◆ Implemented Department-wide e-mail system consolidation.
- ◆ Ensured all Department business cases for major IT investments are managed wisely and are considered acceptable by OMB.
- ◆ The Department's major IT investments were, on average, within five percent of cost, schedule, and performance targets.
- ◆ Developed IT C&A compliance and oversight controls based on OMB requirements, National Institute of Standards and Technology (NIST) standards, and past Office of Inspector General (OIG) recommendations. This issue will receive heightened attention in FY 2008.
- ◆ Developed a FY 2007 security awareness training plan, including milestones, for authorizing officials and system owners.
- ◆ Installed a Herbert C. Hoover Building network intrusion prevention system for monitoring and reporting IT security violations.
- ◆ Implemented full-disk encryption on computer laptops at all operating units.

STATUS



Improved Program Performance



PROGRESS

To ensure taxpayers an appropriate return on investment, the Department looks carefully at how its programs are performing and how much they cost. In FY 2007, the Department:

- ◆ Maintained a green status in "Improved Program Performance" on the President's Management Agenda Scorecard.
- ◆ Issued the FY 2007-FY 2012 Department strategic plan.
- ◆ Ensured that improvement plans in PARTWeb are aggressive with the responsible managers identified.
- ◆ Underwent six successful Program Assessment Rating Tool (PART) assessments during FY 2007, two of which raised "Results Not Demonstrated" ratings from prior years.
- ◆ Revised annual performance plans—to be released with the President's FY 2009 Budget—to be more useful and consistent.
- ◆ Held quarterly performance reviews with the Deputy Secretary and the head of each bureau.



MANAGEMENT CONTROLS

The Department of Commerce's senior leaders are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Department is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness as discussed below.

The Department conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, as of September 30, 2007, the Department identified one material weakness in internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This material weakness involves information technology security issues and the need to improve the quality of certification and accreditation processes and documentation for information technology systems. Other than this exception, the internal controls were operating effectively, and no other material weakness was found.

In addition, 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 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, 2007, 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, 2007 and September 30, 2007.

Carlos M. Gutierrez
Secretary of Commerce
November 15, 2007

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

During FY 2007, the Department reviewed its management control system in accordance with the requirements of FMFIA, and Office of Management and Budget (OMB) and Departmental guidelines. 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.

Section 2 of the FMFIA – Internal Management Controls

Section 2 of the 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), and specifically requested studies.

The diverse reviews that took place during FY 2007 relative to nonfinancial controls provide assurance that the Department's systems and management controls comply with standards established under FMFIA, with the exception of one material weakness. As discussed in detail below, this material weakness involves information technology (IT) security issues and the need to improve the quality of certification and accreditation (C&A) processes and documentation for IT systems. See Appendix D for summary of material weaknesses reported under Section 2 of FMFIA.

Department-wide Enhancements to IT Security Continue

Given the continuing significant focus across the federal government, in general, and the Department, specifically, on the need for effective cyber security and the protection of sensitive information, the Department continued working assiduously to enhance its IT security program during FY 2007.

In addition to other improvements made in recent years, the Department has adopted a comprehensive approach to IT security by utilizing enterprise architecture and governance to address security matters from the earliest stages of an IT investment's lifecycle. By fully considering IT security needs and building on the collective strength of its operating units, the Department has implemented an IT risk management model that combines centralized and decentralized processes in a way that ensures an appropriate level of standardization, but not at the expense of innovation. This cohesive and coordinated approach is critical to overcoming IT security deficiencies that have burdened the Department for the last several years.

Consistent and vocal support from senior leadership has enabled the Department and its bureaus to work as a team in addressing IT security issues. The Department's Chief Information Officers (CIO) Council has implemented controls to improve the integrity, availability, and confidentiality of IT systems throughout the Agency. Furthermore, the Department's CIO incorporated IT security in performance plans for operating unit CIOs, and instituted effective mechanisms that have allowed successful communication and collaboration across organizational boundaries.

The result, thus far, has been a stronger and highly visible IT security program that continuously weighs the risks of technology against operational necessity to bring about a security posture that facilitates mission accomplishment.

To ensure that the Department effectively manages ongoing IT security concerns, the Office of the CIO (OCIO) has adjusted its strategy to include reviewing and updating relevant policies and procedures as needed as well as exercising C&A compliance oversight based on Federal Information Security Management Act (FISMA) requirements, OMB policy, National Institute of Standards and Technology (NIST) standards and guidelines, and previous OIG recommendations. As a result of this year's Department-wide C&A improvement effort, 96 percent of the Department's 302 IT systems have been certified and accredited. OCIO determined that all of the C&A packages it reviewed follow the Department's IT security policy and NIST guidance on risk management framework. The highlights of the Department's IT security accomplishments are described below.



Personally Identifiable Information (PII): The Department aggressively pursues the OMB mandate for protecting and monitoring sensitive information. Since issuance of OMB Memorandum M-06-16, *Protection of Sensitive Agency Information*, in June 2006, the Department has developed and implemented the policies and standards needed to protect such information.

- ◆ To remain compliant with OMB Memoranda M-06-16 and M-06-19, the Department's Computer Incident Response Teams (CIRT) have taken the lead in reporting to the U.S. Computer Emergency Readiness Team (US-CERT) and to Departmental management the state and management of PII. The Department's executive management receives weekly reports.
- ◆ The Office of the Secretary has established an Identify Theft Task Force that coordinates with other Departmental offices to ensure that appropriate risk-based responses to data breaches are developed and implemented. In addition, the Identify Theft Task Force has been tasked with working closely with other federal agencies, offices, and teams which influence or oversee programmatic issues involved in particular breaches or losses.
- ◆ An OMB-mandated breach notification plan was prepared, vetted, and, shortly after the end of the reporting period, distributed throughout the Department. The plan identifies appropriate senior management officials within the Department to oversee the management of security breaches. The plan also specifies the responsibilities of the Identity Theft Task Force in providing advance planning, guidance, in-depth analysis, and recommended courses of action in response to data breaches.

Encryption: The Department has taken assertive steps in safeguarding sensitive information such as encrypting any PII contained on mobile devices. The Department has successfully installed full-disk encryption on 100 percent of its laptop computers using Safeboot Federal Information Processing Standards (FIPS) 140-2-compliant software.

Two-Factor Authentication: A Department-wide standard for two-factor authentication was selected that will strengthen access control by substantially reducing the threat from reusable passwords.

IT Security Governance: OCIO has revitalized the IT Security Coordinating Committee (ITSCC) to improve the Department's IT security program's strategic alignment with Departmental policy. Regularly scheduled sessions were held to discuss pressing issues, to define and resolve technical IT security problems, and to make recommendations concerning IT security to the CIO Council.

IT Security Training: Targeted training was provided to the core group of personnel that are responsible for carrying out the C&A process as well as for interpreting and determining the acceptability of C&A results. OCIO has provided or has plans to provide role-based training to all stakeholders involved in the C&A process. Additionally, IT security training was provided for FISMA database automation, risk management process, management of plans of action and milestones (POA&M), and C&A quality improvement. Because of the significance of addressing IT security awareness at the Department, it has experienced an unprecedented participation in training efforts.

Certification and Accreditation (C&A) Quality and Process: The Department transformed C&A compliance reviews into a dynamic and collaborative process, interacting with stakeholders through an exhaustive review of past OIG findings as well as OMB and NIST guidance. Emphasis was placed on better documentation and risk acceptance awareness by authorizing officials. Subsequently, eight high quality packages were delivered to the OIG for its review. These CIO-conducted C&A reviews were generally received positively by the operating units and the results are being incorporated in their quality assurance processes. The CIO Council has selected for implementation in early FY 2008 a software solution—the Cyber Security Assessment and Management tool—to assist with FISMA reporting.

Internal Control Review: The Department conducted an internal control review for all 14 of its operating units that combined FISMA and FMFIA requirements. The review assessed the effectiveness of IT security controls, PII management, C&A, IT security training, contractor system oversight, and usage of a newly instituted Information Security Acquisitions Checklist. In addition to reviewing the operating units, two program level functions were reviewed—the IT security and the identity theft protection programs. OCIO found that the internal controls that were examined were generally effective.

Plans to Further Strengthen IT Security in FY 2008

Notwithstanding these achievements, the Department believes that further enhancements are possible in implementing and managing secure system configurations, and in sustaining improvements in the C&A process to ensure quality work products for managing system security. To ensure consistent and repeatable processes, the following activities will continue to foster effective oversight of Department-wide IT security program implementation:

- ◆ The Department CIO will continue to provide input to the rating official for each operating unit CIO on their performance, a significant portion of which will relate to IT security.
- ◆ The Department CIO will remain actively involved in the review of proposed IT budget initiatives to ensure that IT security is adequately addressed and funded, and to assure sufficient planning for continuity of operations (COOP).
- ◆ The Commerce IT Review Board, chaired by the Department CIO and co-chaired by the Department's Chief Financial Officer/ Assistant Secretary for Administration (CFO/ASA), will continue to evaluate proposed security plans for every IT project under consideration, including new initiatives and continuing IT projects. These reviews include examining the adequacy of IT security management and funding, and the involvement of IT project managers in spotlighting IT security concerns for their projects as a key part of their work.
- ◆ The Department CIO will continue conducting annual internal control reviews as needed to ensure FISMA and FMFIA compliance.

Automated FISMA Tool: The Department has developed an implementation plan for an automated FISMA tool, which will enhance its integrity in managing IT risks, corrective action plans (CAP), and OMB reporting.

Secure Configurations: Secure system configurations are an essential element in an IT security program and the Department has made it a critical element of its C&A quality improvement process. In the OIG's FY 2007 FISMA evaluation, four of the six C&A packages that were submitted for their review had inadequate secure configuration settings. As a result, secure configurations will be stressed and incorporated as a critical process in the Department's C&A Smart Spot-Checks. OCIO has also coordinated with the Department's Office of Acquisition Management to ensure that the appropriate security clause is used to obtain secure operating systems upon the purchase of any Microsoft Windows or Intel-based system. To support the operating units' schedules for the use of secure configurations in early FY 2008 for all Vista and XP devices, OCIO has begun to explore how it can assist with consistency and standardization across the Department. Selection is imminent of a lead operating unit to help guide this effort and reduce redundancy for the implementation of configurations for Windows, as well as other key operating systems and applications.



Perimeter Protection, Critical Infrastructure, and Continuity of Operations (COOP): The Department's IT infrastructure is comprised of a heterogeneous network of networks. To effectively manage its IT assets, the Department utilizes a Defense-in-Depth strategy, which involves people, process, and technology. The Department has implemented a baseline IT security policy and conducted oversight reviews to ensure sufficient security awareness training for employees and contractors with security responsibilities. From a technology perspective, the Department, through a federation of CIRTs, communicates and protects its network perimeters from malicious threats. The Department's CIRT uses state of the art technologies—including forensic analysis tools, intrusion detection and protection devices, incident alert software, and log analysis tools—to protect the Department's networks and users from cyber incidents. As incidents occur and are investigated, the Department's CIRT coordinates efforts with the Department of Homeland Security, US-CERT, OIG, and the Department federation of CIRTs. The Department responded to and reported 533 incidents in FY 2007.

The Department has selected an E-Team emergency management system to provide alert notification and task tracking capability throughout the organization. Several exercises have been conducted thus far with personnel trained on the use of the system. The Department also participated in the government-wide FY 2007 Pinnacle exercise in which OCIO responded to several incidents and tested communications capabilities between the normal operating location and alternate operating facilities. The Department conducts monthly COOP working group meetings to share information and to coordinate appropriate maintenance of COOP support plans. OCIO recently conducted situational awareness, and roles and responsibilities refresher training for all personnel in its organization. Personnel were updated on the tasks to be performed in the event of COOP activation, as well as the importance of personnel availability and sustainability to ensure the Department's essential functions continue regardless of the nature of any event.

Other Internal Control Enhancement Activities Continue

The Department's comprehensive effort to enhance management of internal controls under OMB Circular A-123 continued during FY 2007. Progress made in implementing Appendix A to OMB Circular A-123, which relates to financial internal controls, included the following:

- ◆ A three-year, risk-based rotational testing plan was developed based on the FY 2006 assessment of the key processes and results of previous audits. Under this approach, high-risk cycles will be tested annually and low to moderate-risk cycles will be tested every three years. Selected test procedures at certain locations or on certain sub-processes will be performed as often as needed based on specifically identified risks; and a limited controls review assessment survey will be utilized for cycles that are not tested in any given year.
- ◆ The Senior Management Council (SMC) continued to oversee, direct, and implement the assessment process, and the Senior Assessment Team (SAT) continued to develop planning documentation, administer internal control test plans, and monitor and review test work.
- ◆ Department-wide testing templates for selected key processes and sub-processes were updated, and the Departmental sampling plan was modified to ensure consistency, including the use of a statistical sample size generator.
- ◆ Department-wide testing results and work papers were reviewed and the structure, breadth, and depth of bureau-level documentation were assessed to ensure consistency and completeness.



MANAGEMENT DISCUSSION AND ANALYSIS

The Department also continued its focus on management of nonfinancial internal controls under OMB Circular A-123. Through the SAT, the operating units were tasked with identifying and conducting assessments of programmatic and administrative activities meriting review in FY 2007. A wide range of programs and functions were assessed within individual operating units. Department-wide, principal focus was given to enhancing internal controls relating to the management of personal property.

Late in FY 2006, it became evident through press reports and Congressional inquiries that oversight of laptop computers and the data that they contain required evaluation across government. In addition to the overall efforts of OCIO in the area of IT security, the Office of the CFO/ASA undertook a comprehensive initiative to assess how the Department and its operating units manage not only laptop computers, but personal property, in general. The Department's multi-prong approach included:

- ◆ Conducting a complete inventory and reconciliation of personal property owned by the Department;
- ◆ Providing refresher training and certifying employees with direct property management responsibilities;
- ◆ Impaneling of Property Boards of Review to evaluate and resolve all incidents of missing property;
- ◆ Consolidating pre-existing personal property systems into one centralized automated system;
- ◆ Establishing bureau-specific procedures as necessary to ensure full employee accountability for property with which they are entrusted;
- ◆ Amending performance plans for property managers, custodians, and accountability officers to include a critical element relating to property management;
- ◆ Reviewing management practices involving mobile devices such as cell phones, removable memory storage devices, and personal digital assistants (PDA); and
- ◆ Conducting a Department-wide review of internal controls used for managing personal property.

This year-long initiative has provided assurance that adequate controls are in place across the Department, employees are properly trained and accountable for their responsibilities, and that any losses are appropriately identified and resolved, as necessary.

The Department's assessments reflect a system of nonfinancial and financial controls that is operating effectively. No material weaknesses relative to financial controls were identified for the period July 1, 2006 through June 30, 2007, 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, 2007 and September 30, 2007. As a result of its FY 2007 activities, the Department identified only one material weakness in its internal controls, which, as described above, relates to IT security.

Section 4 of the FMFIA – Internal Controls over Financial Management Systems

Based on reviews conducted by the Department and its operating units for FY 2007, the financial systems in the Department are compliant with GAO principles and standards and requirements of the CFOs Act and OMB. The Department had no material weaknesses under Section 4 of FMFIA. See Appendix D for summary of material weaknesses reported under Section 4 of FMFIA.



FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

Under the Federal Financial Management Improvement Act (FFMIA) of 1996, 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 2007, the Department remained in compliance with FFMIA.

REPORT ON AUDIT FOLLOW-UP

The 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, 2006, through May 31, 2007.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2006 THROUGH MAY 31, 2007

	DISALLOWED COSTS ¹		FUNDS TO BE PUT TO BETTER USE ²		NONMONETARY REPORTS ³	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	54	\$ 13,359,832	19	\$ 25,266,418	19	92
New Reports	30	2,145,069	19	4,215,765	15	64
Total Reports	84	15,504,901	38	29,482,183	34	156
Reports Closed	(29)	(6,712,154)	(19)	(19,095,372)	(23)	(71)
Ending Balance	55	\$ 8,792,747	19	\$ 10,386,811	11	85

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

OMB 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, the Department noted that all bureaus, except for one bureau receiving an exemption from Circular A-25, adjusted their fees to meet the Circular A-25 requirement of full-cost recovery for user charges.

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002

Narrative Summary of Departmental Efforts for FY 2007

IPIA was enacted to provide for estimates and reports of improper payments by federal agencies. The Act 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 the 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. The following are some examples of the internal control procedures used by the payment offices:

- ◆ Prepayment and post-payment audit analyses are performed;
- ◆ Controlled/limited access to financial system screens, and approval authority for changes to information in the vendor table have been implemented to prevent unauthorized diversion of funds;
- ◆ Funds control in financial systems provides reasonable assurance against overpayments or improper payments;
- ◆ Edit reports in financial systems are programmed to identify potential items that may result in improper or duplicate payments;
- ◆ All documents submitted for payment are required to have previously gone through an approval process at several levels, including initial request, subsequent budget approval, voucher examination, and electronic certification system review.

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 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.

The Department continued its reporting procedures that required quarterly reporting to the Department, by the payment offices, on any improper payments, identifying the nature and magnitude of the improper payments along with any necessary control enhancements to prevent further occurrences of the type of improper payments identified. The Department's analysis of the data collected from the payment offices shows that Department-wide improper payments were below one-tenth of one percent in FY 2007, as was the case in FY 2006. As a separate effort during FY 2007, the Department conducted a systematic sampling process to draw and review random samples of disbursements from the Department-wide universe, covering the period from October 1, 2006 through June 30, 2007. Results of the review revealed no significant improper payments or internal control deficiencies. The same results were achieved following a similar review in FY 2006. Overall, the Department's assessments demonstrate that the Department has strong internal controls over the disbursement processes, the amounts of improper payments by the Department are immaterial, and the risk of improper payments is low.

For FY 2008 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.



THE INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT CHALLENGES

We are providing the management challenges for the Department of Commerce in accordance with the provisions of the Reports Consolidation Act of 2000 (PL 106-531). Detailed information about our work is available on our Web site at: <http://www.oig.doc.gov/>

*Acting Inspector General
Elizabeth T. Barlow*

The order of the management challenges changed in FY 2006. This comparison chart shows the new order for FY 2007. A description of the challenges and bureau responses to them follows this crosswalk.

2007 MANAGEMENT CHALLENGE CROSSWALK		
2006 CHALLENGES	CHALLENGE NUMBER	2007 CHALLENGES
Strengthen Department-wide information security	1	Control the cost and improve the accuracy of the decennial census [Moved up from 5]
Effectively manage Departmental and bureau acquisition processes	2	Strengthen Department-wide information security [Moved down from 1]
Strengthen internal controls over financial, programmatic, and business processes	3	Effectively manage Departmental and bureau acquisition processes [Moved down from 2]
Ensure that the U.S. Patent and Trademark Office (USPTO) uses its authorities and flexibilities as a performance-based organization to achieve better results	4	Strengthen internal controls over financial, programmatic, and business processes [Moved down from 3]
Control the cost and improve the accuracy of the decennial census	5	Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results [Moved down from 4]
Effectively manage the development and acquisition of environmental satellites	6	Effectively manage the development and acquisition of environmental satellites
Promote fair competition in international trade	7	Promote fair competition in international trade
Effectively manage the National Oceanic and Atmospheric Administration's (NOAA) stewardship of ocean and living marine resources	8	Effectively manage NOAA's stewardship of ocean and living marine resources
Aggressively monitor emergency preparedness, safety, and security responsibilities	9	Aggressively monitor emergency preparedness, safety, and security responsibilities
Enhance export controls for dual-use commodities	10	Enhance export controls for dual-use commodities

Challenge 1: Control the Cost and Improve the Accuracy of the Decennial Census

At an estimated cost of \$11.3 billion, the 2010 census will be the country's most expensive decennial ever, both per capita and overall. The Census Bureau's redesigned decennial plan, established after the 2000 census, is heavily dependent on automating critical field operations to accurately count the Nation's population within budget. The Bureau has established an ambitious testing schedule to monitor development and implementation of the strategy, identify problems, and incorporate solutions in time for 2010. During the past year, the Bureau reviewed various aspects of the its 2006 test held in Travis County, TX, and the Cheyenne River Reservation and Off-Reservation Trust Land in South Dakota.

The Cheyenne River Reservation was an effort designed to reduce the historic undercount of American Indians living on reservations. Update/enumerate is used in communities where residents are less likely to return a completed questionnaire, so enumerators go door to door to collect census information in person and update the address lists and maps. The Office of Inspector General's (OIG) extensive field observations and data analysis revealed a host of problems that prevented the Bureau from completing update/enumerate in the allotted timeframe. Among the most serious were the poor maps and incorrect address lists generated during address canvassing and supplied to update/enumerate staff, which made it nearly impossible for enumerators to find all housing units and for quality control staff to conduct their follow-up checks. This finding underscores the deficiencies the Bureau noted in last year's evaluation of the address canvassing test. The OIG also found that changes to the questionnaire designed to identify and count all household members yielded a negligible increase in enumerations, and, given that the Bureau did little to test alternative enumeration methods, the OIG questions whether the Bureau devoted adequate time and attention to the test.

The Bureau has one final opportunity to test and improve its decennial design and methods before conducting the 2010 census—the 2008 dress rehearsal. Slated for Stockton, CA and Fayetteville, NC and the surrounding nine counties, the dress rehearsal will execute nearly all planned operations and procedures under conditions as close to those of the actual decennial as possible. This is a huge and critical undertaking, and key to the success of 2010.

Challenge 2: Strengthen Department-Wide Information Security

Since enactment of the Federal Information Security Management Act (FISMA) in 2002, agencies have spent millions of dollars to improve the security of information stored on their computer systems and shared via the Internet. Yet weaknesses persist and breaches continue. At the Department, information technology (IT) security has been a material weakness since 2001.

The Department's certification and accreditation (C&A) process is the reason for the material weakness. According to guidance from the National Institute of Standards and Technology (NIST), authorizing officials must have complete, accurate, and trustworthy information on a system's security status in order to make timely, credible, risk-based decisions on whether to authorize its operation. This information is produced by the system security certification process. OIG reviews of the Department's C&A packages continue to find a C&A process that does not adequately identify and assess needed management, operational, and technical security controls. As a result, authorizing officials do not have the information they need to make sound accreditation decisions.

In addition to C&A issues, other IT security concerns came to forefront in FY 2007. In September 2006, the Department reported that 1,138 laptop computers had been lost or stolen over the past five years, and more than 20 percent contained sensitive personal data. In October it reported that 297 instances of compromise had occurred since 2003, involving laptops, handheld devices, and thumb drives. Publicized breaches in the security of personally identifiable information have prompted new Office of Management and Budget (OMB) requirements for protecting this information and a new policy at the Department. OMB requires that all mobile computing devices encrypt sensitive data and that agencies report related security breaches to the U.S. Computer Emergency Readiness Team (US-CERT) within one hour of discovering them. Under the Department's new policy, only laptops



equipped with approved encryption software may store personally identifiable information. Carrying this information on thumb drives, CDs, and similar devices is prohibited.

Challenge 3: Effectively Manage Departmental and Bureau Acquisition Processes

With the Department spending nearly \$2 billion a year on goods and services, the potential for waste, fraud, or abuse looms large within the Department. The OIG continues to closely monitor procurement processes in the bureaus and at the departmental level. Recent OIG audits and evaluations have identified the need for improvements in acquisition planning, to include accurate independent cost estimates, effective market research, and full and open competition whenever possible.

To enhance oversight of the Department's acquisition activities, the OIG has established a new contract audits division. The division will audit individual contracts and look at crosscutting acquisition issues to identify opportunities to improve departmental and bureau procurement policies and to minimize the likelihood of fraud, waste, and abuse. It will also look for and report on best practices and innovative approaches that can be adopted Department-wide. The division's initial area of emphasis is the Census Bureau's procurement of products and services to support the 2010 decennial census. The Bureau estimates that 17 percent (\$1.9 billion) of its 2010 budget will be spent on contracts for IT systems, advertising, and leases for local office space. Contract audits staff is currently monitoring the Bureau's efforts to procure advertising and other communications services. These are considered essential to the Bureau's efforts to lower operational costs by obtaining a high return rate for mailed questionnaires and thereby minimizing the number of households that require nonresponse follow-up.

The Census Bureau awarded another major contract in September 2007 for communications services. The 2010 communications contractor will be responsible for developing an integrated communications plan that will be implemented with the Census Bureau in support of the 2010 Census communication goals.

The Census Bureau issued a request for proposals for communications services in January 2007 and plans to award a single indefinite delivery/indefinite quantity contract, with maximum costs capped at \$300 million, in the fall of 2007. The OIG is monitoring the progress of this procurement, and plans to pay close attention to its management at every phase. Among other things, the OIG will focus on how the Bureau measures the contractor's performance and whether it uses award fees appropriately. Other contracts of interest to the OIG include one issued by the National Oceanic and Atmospheric Administration's (NOAA) National Data Buoy Center (NDBC), a part of the National Weather Service (NWS) that designs, develops, operates, and maintains a network of data collecting buoys and coastal stations. In 2005 the center awarded a 10-year contract worth up to \$500 million for technical services support for its marine observation network. The OIG plans to review NOAA's management of this contract, as well as its oversight of the associated tasks performed to maintain and repair data buoys and other observation platforms for marine weather forecasting.

Challenge 4: Strengthen Internal Controls Over Financial, Programmatic, and Business Practices

Internal controls are the steps agencies take to make sure their operations are effective, efficient, and in compliance with laws and regulations. Internal controls also ensure that financial reporting is reliable and assets are safeguarded from waste, loss, or misappropriation. Under OMB's revised Circular A-123, agencies in FY 2006 began implementing new internal accounting controls and since FY 2005 have had to issue audited financial statements within 45 days of the fiscal year's close. The Department has met this deadline both years, and has continued to receive a clean opinion on its consolidated statements.

The next step is government-wide integration. In 2006, under an initiative known as Financial Management Line of Business (FMLoB), OMB began requiring all agencies to consolidate their core financial operations (accounting, payments, and recording) with those of other agencies. The goals of the initiative are to standardize systems, promote seamless data exchange, improve



MANAGEMENT DISCUSSION AND ANALYSIS

the quality and efficiency of financial operations, reduce costs, and eliminate redundancy. Agencies have until 2015 to move to or become shared services providers. They must begin reporting in June 2007 how well their financial services perform as part of the FMLoB, using metrics OMB published March 30, 2007. These evaluations will serve as blueprints for identifying needed internal control improvements and the steps required to migrate to shared services.

The Digital Television Transition and Public Safety Act of 2005 requires the FCC to auction recovered analog spectrum and deposit the proceeds into a special fund. Under the act, the National Telecommunications and Information Administration (NTIA), one of the Department's smaller agencies, is slated to manage up to nine new programs, two of which have potential combined budgets totaling \$2.5 billion. Successfully implementing these new programs is a significant management challenge for the Department. The OIG recently examined certain aspects of the accounting system and financial records of a broadcasting consortium slated to receive a \$30 million grant under the act. The OIG provided Agency management with information it could use to ensure the grantee's accounting structure complied with federal requirements and supported appropriate use of federal funds prior to the funds' disbursement. The OIG is also monitoring the Agency's implementation of the converter box program and the interoperable communications grant program.

The Department also needs to strengthen internal controls for select programs and administrative operations. A review of the Department's Federal Employees Compensation Act (FECA) program found a variety of problems caused by poor internal controls, including people who were overpaid or who remained on workers' compensation rolls for years without medical justification. During FY 2007, the OIG audits of the Economic Development Administration's (EDA) revolving loan fund (RLF) program and the Department's management of premium-class travel revealed numerous deficiencies in program controls. The OIG also began looking at the Census Bureau's property management policies and practices, in light of the loss of several hundred laptops. Because the design and implementation of program and property controls can significantly impact the effectiveness of departmental operations, the OIG expects that this area will remain an important aspect of the OIG's audit and inspection work.

Challenge 5: Ensure that USPTO Uses Its Authorities and Flexibilities as a Performance-Based Organization to Achieve Better Results

The U.S. Patent and Trademark Office's (USPTO) operations and practices have been a strong focus of the OIG's work since March 2000, when the Patent and Trademark Office Efficiency Act transformed the Agency into a performance-based organization that operates like a private corporation. The OIG has issued nearly a dozen reports since that time, examining a host of administrative, program, and operational issues. One particularly troubling area has been human resources (HR): OIG reviews of the Agency's HR office have identified some questionable practices and the need for improved management controls and policies.

Strong HR operations are essential at an agency hiring hundreds of new patent examiners each year to reduce a backlog of unexamined patent applications that has reached historic proportions, and pursuing alternative work arrangements to enhance productivity and improve staff retention. These initiatives raise other areas of concern. For example, USPTO continues to expand its telework program, allowing hundreds of patent examiners to use laptops to work at offsite locations. The findings of lost laptops and data security problems at other Department bureaus underscore the need for strong policies, procedures, and controls at USPTO to avoid similar problems and the potential compromise of sensitive patent information.

The long-standing and growing backlog highlights other issues for USPTO and OIG attention: the need to expedite a fully electronic patent examination process and to carefully monitor the Agency's billion-dollar investment in high-risk time and materials and award fee contracts for related IT services. The OIG has reviewed USPTO's procurement process to learn whether the Agency's acquisition criteria have changed since the Patent and Trademark Office Efficiency Act took effect. The OIG noted several areas that could benefit from improved guidance, particularly with regard to applying the *Patent and Trademark Office Acquisition Guidelines*. The OIG also found data input errors that could have been prevented with better controls.



Challenge 6: Effectively Manage the Development and Acquisition of Environmental Satellites

Over the next five years, NOAA will spend several billion dollars in contracts for the purchase, construction, and modernization of environmental satellites. These systems, operated by the National Environmental Satellite, Data, and Information Service (NESDIS), collect data to provide short and long-range weather forecasts and a variety of other critical environmental and climate information.

The Department OIG's oversight work involves looking at the Department and NOAA's efforts to establish effective monitoring organizations, policies, and procedures and the mechanisms NOAA will use to leverage the National Aeronautics and Space Administration's (NASA) oversight expertise. The OIG also examines whether program staff report significant issues to senior Department and NOAA oversight officials in a timely fashion and whether those officials take appropriate action. The OIG's acquisition focus is on the program office's overall approach to procuring key satellite instruments, identifying potential risks, and implementing associated mitigation strategies. The OIG is also assessing the acquisition contracts' award fee plans to determine whether they are structured to promote excellent performance.

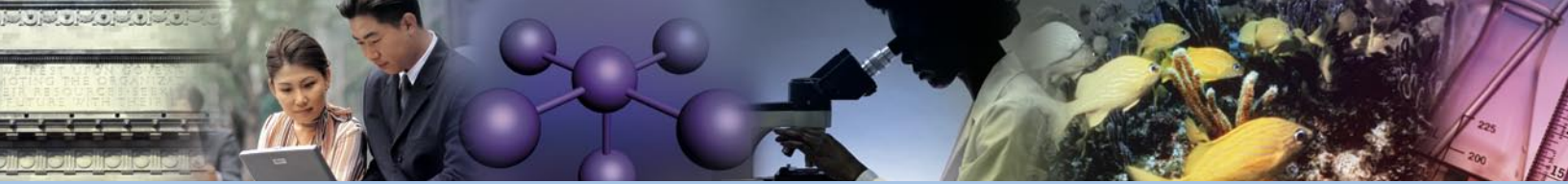
The OIG's September 2006 *Semiannual Report* detailed the findings of the OIG's audit of the National Polar-orbiting Operational Environmental Satellite System (NPOESS). The OIG's findings revealed how far afield satellite procurement projects can run when management oversight slides. This has put new pressure on Agency officials and program planners to have strong mechanisms in place for tracking every phase of the program to contain costs and promptly mitigate problems.

NPOESS—a joint project of NOAA, NASA, and the Department of Defense (DOD)—will be a critical element in the Nation's ability to provide continuous weather and environmental data for civilian and military needs through the coming two decades. In November 2005, DOD reported that NPOESS costs had grown by 25 percent over original estimates—triggering Congressional recertification of the program under the Nunn-McCurdy provision of the FY 1982 National Defense Authorization Act (NDAA). In addition to the staggering cost increases, the program was running 17 months behind schedule yet the contractor had received \$123 million in incentive payments. The OIG's audit uncovered two overarching management and contract weaknesses that contributed to the unchecked cost and schedule overruns: first, the NPOESS executive committee—top leaders from the three agencies charged with overseeing the project—never challenged optimistic assessments of the impact of technological problems. Second, the contractor received excessive award fees despite problems.

In June 2006, the House Science Committee accepted a triagency proposal to continue the program, but with four satellites instead of six. The first satellite will launch in 2013 rather than 2010, as proposed in the original program. Total acquisition costs were revised from the original estimate of \$6.4 billion to \$11.5 billion to support NPOESS satellite coverage through 2026. As a result of the OIG's audit, NOAA agreed to institute regular internal program reviews as well as annual and ad hoc independent program assessments, revise the award fee plan to better link award fees with desired outcomes, and assign responsibility for determining fee award to an official who does not directly manage the NPOESS program.

Challenge 7: Promote Fair Competition in International Trade

The Department accomplishes its goals of promoting trade, opening overseas markets to U.S. firms, and protecting U.S. industry from unfair trade practices primarily through the work of the International Trade Administration (ITA). ITA also works with USPTO and NIST to assist U.S. companies with intellectual property rights (IPR) and standards. Over the past several years, the OIG has focused a number of reviews on the Department's efforts to increase U.S. market opportunities, provide assistance to U.S. exporters, and overcome trade barriers in difficult foreign markets.



MANAGEMENT DISCUSSION AND ANALYSIS

In response to a request from members of the U.S. House of Representatives, the OIG reviewed various aspects of the Department's trade promotion efforts and the coordination of those efforts among various offices within the Department and with other federal and state agencies and other trade partners. The OIG found effective collaboration on trade promotion in many instances but also identified areas where the Department and members of the interagency Trade Promotion Coordinating Committee (TPCC) could enhance their cooperation on specific trade promotion activities, such as trade finance assistance. In addition, the OIG's review of Department Internet resources for exporters found that the Department could better organize its online content and consolidate information from other agencies to provide a one-stop source of U.S. government trade leads and other export assistance.

Recent OIG inspections focused on the management, program operations, and financial and administrative practices of three South American posts. The OIG's review of Commercial Service operations in Brazil found the post provides valuable assistance to U.S. companies in the complex Brazilian business environment and collaborates well with other trade promotion agencies, including key U.S. government offices and nongovernmental organizations (NGO). The report discussed challenges posed by the post's management structure and allocation of office resources, and the need to develop measurable long-term goals for the standards and IP attachés recently posted to Brazil. The OIG found that the post responded to budget cuts by adjusting its programmatic priorities and was concerned that they may impact Commercial Service Brazil's overall performance and delivery of products and services. In general, the OIG found the post's financial and administrative operations were sound but also identified some discrepancies in ITA and Commercial Service post accounting reports and some administrative policies not being followed. The OIG also found some questionable export success claims that did not appear to contribute to Commercial Service's mission to promote U.S. exports.

The OIG also received an action plan on its report about Commercial Service posts in Argentina and Uruguay. (About half of the recommendations the OIG made have been satisfied. Only seven remain open, and the OIG asked for a follow-up status report.) Significant export opportunities are opening in these countries as Brazil's large economy continues its steady growth, Argentina recovers from its 2001-2002 economic crisis, and Uruguay pursues closer trade relations with the United States.

Challenge 8: Effectively Manage NOAA's Stewardship of Ocean and Living Marine Resources

NOAA is charged with monitoring the health of the Nation's ocean, coastal, and Great Lakes resources; administering civilian ocean programs; and protecting and preserving the Nation's living marine resources through scientific research, fisheries management, enforcement, and habitat conservation. NOAA spends billions of dollars each year supporting a vast array of programs designed to protect and enhance these resources that "are critical to the very existence and well being of the Nation and its people." These are programs that require long-term commitments and years of funding to show their full effect.

The OIG recently wrapped up a series of reviews of one such program, the NOAA-funded salmon recovery project operating in the Pacific Northwest. The OIG conducted a follow-up review of the administrator of a five-year, \$27.4 million grant to fund the projects in Washington State. The OIG assessed whether the administrator had implemented recommendations from an earlier audit that were intended to improve the award and management of salmon recovery project subgrants. The OIG's review revealed that the recipient had improved some processes, but serious deficiencies remain, particularly in the area of fund administration.

NOAA awards millions of dollars in grants and loans each year to support its mission. The OIG plans to initiate additional audits of NOAA financial assistance programs and grant recipients and is preparing to initiate reviews of programs in three other stewardship areas: the National Marine Sanctuaries Program, the Consultation Process, and the Fisheries Finance Loan Program. Managing the marine sanctuaries presents significant challenges to NOAA, as it must balance commercial interests with conservation and research activities, and coordinate its efforts with the Coast Guard, the Department of Interior (DOI), and other agencies.



NOAA's National Marine Fisheries Service (NMFS) operates a loan program that provides financing for the purchase or reconstruction of used fishing vessels that will not add capacity to regulated fisheries. The OIG is starting an audit during the next semiannual period to evaluate NMFS management of the loan program and assess whether the program advances the complementary goals of ending over-fishing and rebuilding fisheries.

Challenge 9: Aggressively Monitor Emergency Preparedness, Safety, and Security Responsibilities

The Department has approximately 39,000 employees and hundreds of facilities it must keep safe. As a cabinet-level department, it also has a number of programs critical to national preparedness and recovery efforts, and it must support U.S. efforts to prepare for, respond to, and promote recovery from major disasters. The OIG continues to monitor the Department's progress in resolving departmental emergency preparedness and security weaknesses. As of February 2007, the Department had addressed virtually all of the outstanding recommendations from the OIG's 2002 and 2005 reviews of its 12 emergency preparedness efforts. Despite this progress, a dynamic security environment will continue to challenge the Department as it seeks to maintain effective oversight of emergency programs and plans, identify and mitigate security vulnerabilities, and protect critical assets.

During FY 2007, the OIG examined NWS actions in connection with a powerful tornado in Rogers, MN that killed a child and injured six other people in September 2006. The OIG was asked to evaluate the Agency's policies and technological capabilities for forewarning the public. The review concluded that the Chanhassen Weather Forecasting Office, the NWS Central Region Office, and the Storm Prediction Center generally followed Agency policies for handling severe weather events, and all have what is considered to be the best available technology for reading weather conditions. However, the OIG also noted several factors that may have adversely impacted Chanhassen's handling of the situation and that warrant close management attention.

Challenge 10: Enhance Export Controls for Dual-Use Commodities

Protecting U.S. national and economic security through export controls is a challenge that grows constantly more complex for federal agencies such as the Department's Bureau of Industry and Security (BIS). BIS is responsible for the federal government's export licensing and enforcement system for goods and technologies with both civilian and military uses. During FY 2007, the OIG completed BIS's final NDAA review, this time looking at the effectiveness of U.S. controls on dual use exports to India—a country that presents unique challenges for U.S. commercial interests and export control policy. Although India is recognized as a democratic partner in the fight against terrorism and as a counterbalance to China, U.S. nonproliferation specialists are concerned about its nuclear capabilities and intentions. As current U.S. policy moves toward full civil nuclear cooperation with India, it is essential that the U.S. government have effective export controls.

The OIG's 2007 review assessed (1) whether BIS's export control policies, practices, and procedures for India are clear, documented, and designed to achieve the desired goals; (2) whether BIS personnel were following the prescribed policies, practices, and procedures relating to India; and (3) how effective BIS was in detecting and preventing the diversion of sensitive commodities to weapons of mass destruction-related (WMD) programs within or outside India. While the license application review process was working adequately, the OIG identified a number of weaknesses in BIS administration of export controls for India and recommended a series of actions to resolve them. Although this review concluded the statutory reporting requirements under NDAA, the OIG will continue to monitor BIS efforts to implement and enforce dual-use export controls, follow up on previous NDAA recommendations, and report on the Bureau's progress in implementing them.

ACTIONS TAKEN TO ADDRESS THE MANAGEMENT CHALLENGES

Each year, the Department's Office of Inspector General (OIG) reviews the Department's and its component bureaus' program activities to ensure that the management, financial, and operational activities are sound and meet the requirements of the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA).

The emphasis by the President, the Office of Management and Budget (OMB), and Congress on improved government accountability underscores the Department's resolve to enhance transparency within the Department while promoting improved efficiency and effectiveness. Progress in these endeavors requires strong commitment from the Department's senior leadership and staff at all levels.

The following is the Department's description of its actions to address the management challenges identified by the Inspector General (IG).

2007 MANAGEMENT CHALLENGES	
CHALLENGE	RESPONSE
<p>1. Control the cost and improve the accuracy of the decennial census</p>	<ul style="list-style-type: none"> ◆ The Economics and Statistics Administration (ESA) will continue to provide important oversight to the U.S. Census Bureau's implementation of the 2010 Decennial Census. Over the past year, ESA's oversight of the Census Bureau has led to the adoption of improved policies for managing the Bureau's personal property and to an important course correction for the Survey of Income and Program Participation (SIPP). ESA has reviewed implementation plans for the Decennial Census, worked successfully with the Department to secure additional funding in the FY 2007 full-year Continuing Resolution to avoid a disruption in implementing the re-engineering plan for the 2010 Decennial Census, and continues to review life-cycle costs to ensure that an accurate and cost-effective census is implemented in 2010. ◆ The 2010 Decennial Census program continues to be the highest priority of the Census Bureau. In the FY 2006 Performance and Accountability Report (PAR), the Bureau noted that in 2001 a multi-year effort to completely modernize and re-engineer the 2010 Census of Population and Housing was developed, and stated the four goals of the effort and the three integrated components of the re-engineered 2010 Census program. With respect to the OIG's specific observations concerning the Address Canvassing operation for the 2006 Census Test, the Census Bureau has sent a formal response to the OIG which includes in depth comments on many of the observations. Since that report was issued, the Census Bureau conducted the automated Address Canvassing operation for the 2008 Census Dress Rehearsal. While the Bureau's full evaluation is not yet complete, initial indications point to successful use of the handheld computers for all aspects of the Address Canvassing operation. ◆ With respect to the OIG's specific observations concerning the counting of American Indians on reservations, the IG recently issued the final report. The Bureau provided its comments on the draft report.

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MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
<p>2. Strengthen Department-wide information security</p>	<ul style="list-style-type: none"> ◆ Developed a set of information technology (IT) certification and accreditation (C&A) compliance and oversight controls based on OMB requirements, National Institution of Standards and Technology (NIST) standards, and past OIG recommendations. ◆ Focusing on quality instead of quantity, selected a representative set of eight C&A packages for FY 2007 Federal Information Security Management Act (FISMA) evaluation review. Those packages include: Census Bureau (2), U.S. Patents and Trademark Office (USPTO) (2), National Oceanic and Atmospheric Administration (NOAA) (1), International Trade Administration (ITA) (2), and Bureau of Economic Analysis (BEA) (1). ◆ Ensuring compliance, the Office of the Chief Information Officer (OCIO) security conducted independent reviews of operating unit C&A process and C&A packages. Review results demonstrated overall improvements in component level testing, security assessments, test plan and evaluations and configuration management. System owners are more engaged and authorizing officials are better informed with regard to the remaining vulnerabilities. ◆ Demonstrated accountability by hiring experienced and qualified cyber security managers to complete FISMA improvement process. ◆ Developed a FY 2007 security awareness training plan, including milestones, for authorizing officials and system owners. ◆ Conducted quarterly vulnerability assessment scans for all Herbert C. Hoover Building (HCHB) and connected networks. Shared results with respective agencies for inclusion in system and program level plan of action and milestones. ◆ Coordinated Department-wide personal identifiable information loss reporting and briefed Department CIO. Results were used to update Executive Management, e.g., Deputy Secretary and the Executive Management Team, including all Department Agency Undersecretaries. ◆ Coordinated Federation of Computer Incident Response Team alerts and notifications received from the Department of Homeland Security (DHS), US-CERT (U.S. Computer Emergency Readiness Team), and GFIRST (Government Forum of Incident Response and Security Teams). ◆ Installed a HCHB network intrusion prevention system for monitoring and reporting IT security violations. ◆ Instituted a policy that only laptops equipped with approved encryption software may store personally identifiable information. Carrying this information on thumb drives, CDs, and similar devices is prohibited.

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MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>2. Strengthen Department-wide information security <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ Began a Department-wide project to encrypt all laptops as quickly as possible in January. By mid-March, four operating units (including the OIG) had encrypted their entire inventory of laptops, two had requested waivers, and the remaining agencies had various completion dates. For example, all of the Economic Development Administration's (EDA) laptop computers were encrypted on schedule; IT users have received written policies about and training on the storage of personally identifiable information, and how to report its loss or theft; and EDA has participated in the Department's identification of a two-factor authentication solution. ◆ Instituted procedures for reporting security incidents involving sensitive data to US-CERT within a one-hour deadline. ◆ Implementing the OMB mandated Information System Security Line of Business (ISSLoB) FISMA tool to automate C&A standards and security reporting. ◆ Coordinating with DHS National Cyber Security Division on the inclusion of Project Einstein to monitor and alert on cyber events affecting HCHB network. ◆ EDA is on target to meet the goals of its C&A Improvement Schedule. EDA staff met with OIG staff to discuss the identified weaknesses in the C&A controls testing. To help mitigate those weaknesses, EDA has purchased and is in the process of implementing a proactive vulnerability and security event management solution. Systems access protection was improved by the implementation of common secure standards in FY 2007.
<p>3. Effectively manage Departmental and bureau acquisition processes</p>	<ul style="list-style-type: none"> ◆ Continued contracting officer representative (COR) training in the four required areas of expertise: business/industry; general management; project management, and procurement knowledge. For individuals who spend more than 20 percent of their time working on contracts, ensured that the COR element is included in their performance plan. ◆ Continued to refine the database to track the education and training of the acquisition workforce, including the CORs. ◆ Sponsored a joint Acquisition and COR Conference in December 2006 with 490 attendees. This training was offered at no cost to the attendees and provided guidance on critical acquisition issues. ◆ Revised the Acquisition Career Management Program to incorporate training and certification requirements of the Federal Acquisition Certification Program. ◆ Continued training of contracting and purchasing professionals in the required competency areas in order to close competency gaps. ◆ The bureaus continue to utilize the Direct Hire authority obtained in January 2006. It is being used to bring contract specialists on board quickly.

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MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
<p>3. Effectively manage Departmental and bureau acquisition processes <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ Developed and implemented policies for a contract review board and standard file organization to help ensure acquisition quality and effectiveness within the Office of the Secretary. ◆ Continued the Acquisition Review Board which met six times this fiscal year and reviewed 13 cases with an estimated value of \$1.6 billion (as of June 30, 2007). ◆ Began the development of a new risk management initiative which will address the major investment review process. ◆ Met monthly with the Commerce Acquisition Council to keep the bureaus informed on issues and concerns which impact the acquisition community. Under the leadership of the new Procurement Executive (PE) the council evaluated the purpose of the council and established a framework for progress for the remainder of FY 2007. ◆ Began planning to successfully accomplish the FY 2007 Balanced Scorecard surveys of acquisition employees and customers and reporting of performance metrics. ◆ In coordination with the Office of Small and Disadvantaged Business Utilization (OSDBU) developed a Data Accuracy Quality Control Plan to improve the quality and timeliness of Department Federal Procurement Data System-Next Generation (FPDS-NG) data entry. ◆ Redesigned the Enterprise Acquisition Reporting System to make it more user friendly and developed reports that are used as a tool to support data accuracy efforts. ◆ Incorporated a requirement in the Acquisition Career Management Program that, beginning in FY 2008, requires an element be incorporated into the performance plans of all contracting professionals which requires FPDS-NG data be entered accurately and in a timely way. ◆ Participated in the government-wide task force to implement the Federal Funding Accountability and Transparency Act (FFATA). Led the Department Tiger Team to develop alternatives and recommendations for implementation of FFATA within the Department. ◆ Participated in monthly Commerce Information Technology Review Board, as well as the monthly Geostationary Operational Environmental Satellite (GOES-R) and Decennial Program Management Reviews. ◆ Implemented the financial and acquisition systems interface; the acquisition and financial partners are changing the requisition process. The Office of Acquisition Management and Financial Assistance (OAMFA) is leading the deployment program, and designed and implemented training modules to support these efforts. ◆ The Census Bureau awarded another major contract in September 2007 for communications services. The 2010 communications contractor will be responsible for developing an integrated communications plan that will be implemented with the Census Bureau in support of the 2010 Census communication goals.

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MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>3. Effectively manage Departmental and bureau acquisition processes <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ The OIG recommends improvement in acquisition planning, to include accurate independent cost estimates, effective market research, and full and open competition whenever possible. In July 2007, EDA prepared an acquisition plan for FY 2008. In FY 2007, EDA trained several staff members in structured project management and acquisitions procedures. This training, along with subsequent refresher training, provides more knowledgeable contractor officer representatives who can assist the contracting professionals in the early stages of acquisition planning, cost estimates and market research. EDA will continue to train staff who are involved in the procurement processes.
<p>4. Strengthen internal controls over financial, programmatic, and business processes</p>	<ul style="list-style-type: none"> ◆ In 2007, the Department received an unqualified opinion on the financial statements for the ninth consecutive year. The Department met the various financial statement submission deadlines. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One significant deficiency cited relating to deficiencies in general IT controls remained from the prior years. A corrective action plan (CAP) was developed and is being implemented and monitored for this significant deficiency. Further, the Department requires and monitors CAPs for Management Letter Comments to address issues before they are raised to the level of significant deficiency. ◆ The Department continues to participate in the government-wide initiative to strengthen internal controls. While revisions to the government-wide guidance contained in OMB Circular A-123 focus on financial controls, efforts are under way to enhance both financial and non-financial controls. Within the Department, this activity is being coordinated between the Office of the CFO/ASA (Assistant Secretary for Administration), bureau CFOs, and the OIG. The Department successfully implemented the requirements under OMB Circular A-123, <i>Management's Responsibility for Internal Control Appendix A</i>, during FY 2006, including documentation of the internal controls over financial reporting and an assessment of the effectiveness of the internal controls. 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 under A-123 Appendix A was incorporated into management's overall assurance statement provided under the requirements of the Federal Manager's Financial Integrity Act (FMFIA). Actions taken during FY 2007 include the following: <ul style="list-style-type: none"> ● Modified the Department-wide testing approach by incorporating cyclical testing. High risk cycles were selected for annual testing while low/moderate risk cycles will be tested every three years with selected test procedures at specific locations or on specific sub-processes. Controls not fully tested annually will have a limited controls review assessment survey. The bureaus began testing key controls during the third quarter and will complete testing by the end of the fourth quarter. ● Engaged a contractor to analyze quality and consistency of all bureaus' documentation, and to recommend ways to standardize the documentation.

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MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>4. Strengthen internal controls over financial, programmatic, and business processes <i>(continued)</i></p>	<ul style="list-style-type: none"> ● Workpaper review was conducted by a contractor after the completion of A-123 Appendix A Phase I testing. A selective verification of sample testing was also performed. ● Review of the testing results and determination of the significance of any deficiencies (i.e., whether they constitute an internal control deficiency, reportable condition, or material weakness) by the SMC and SAT. Bureaus will develop CAPs as needed to address any deficiencies and they will be monitored and tracked throughout the year at the Departmental level. ● Evaluation of the results and documentation of the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary. ● Engaged contractor to conduct a programmatic review of internal controls over convenience checks. ◆ In response to OIG recommendations, NIST has taken the following actions: <ul style="list-style-type: none"> ● The NIST Administrative Manual Subchapter for Precious Metals was completed on 8/31/2007. NIST staff will train Precious Metal Custodians on the new policy. This will give the Precious Metal Custodians a foundation and understanding of their responsibilities to improve the use, and management of Precious Metals. Scheduled to be completed on 12/31/2007. NIST rewrote the Administrative Manual Subchapter governing Shipping and Receiving. ● Temporary corrections are in place to safeguard the precious metals awaiting final action of the end user to move to a permanent solution. Scheduled to be completed on 12/31/2007. ● NIST intends to fill all remaining vacancies in the Logistics Group by the end of the year. ● NIST is identifying further training to Logistics Group staff on the chemicals and gases they handle, to be conducted on site for Administrative Services Division (ASD) and other participants. Regarding bankcard purchases, currently, there is only one Bank Card holder in Logistics. All purchases are made to maintain on shelf stock for the NIST staff. NIST is developing a new blanket order contract which will allow authorized individuals to order through it on an agreed line by line cost. This will minimize the number of Bank Card purchases being made. Additionally, a new position was assigned to Logistics for a store manager. This new person will be able to better manage on hand supplies and minimize the need for last minute purchases. In addition, better management controls are in place to insure all Bank Card procedures will be followed.

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MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>4. Strengthen internal controls over financial, programmatic, and business processes <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ In June 2007, agencies were required to start reporting how well their financial services perform as part of the Financial Management Line of Business (FMLoB) using metrics OMB published March 30, 2007. These metrics are for the performance of financial systems and are not applicable to EDA. EDA's financial systems are provided by NIST and NOAA, and accordingly, these organizations are providing input to the Department. ◆ In FY 2007, EDA participated in the Department internal control review of the property management program within the Department. EDA will revise its internal control procedures to reflect any findings discovered during the internal control review or new guidance issued by the Department. ◆ Following the publication of OIG Report No. OA-18200-7-001, <i>Aggressive Economic Development Administration (EDA) Leadership and Oversight Needed to Correct Persistent Problems in RLF Program</i>, EDA has taken numerous steps to improve the management and oversight of its revolving loan fund (RLF) portfolio, including: <ul style="list-style-type: none"> ● Conducting an on-site internal controls review of five of EDA's Regional Office's RLF records. ● Issuing program and procedural guidance to standardize and enhance internal controls over EDA's management of its RLF portfolio. The guidance addressed all of the deficiencies identified in the OIG report and has been fully implemented by all Regional Offices. ● Creating a Statement of Work for an automated RLF reporting, tracking, and data analysis system. Contract was awarded in August, 2007, and full system implementation is expected by September 2008.
<p>5. Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results</p>	<ul style="list-style-type: none"> ◆ USPTO is continuing the transformation to a performance-based organization and to its credit, the Agency reports it accomplished 94 percent of its key performance measures in FY 2007. USPTO has also had a clean audit opinion for 15 consecutive years. ◆ USPTO faces numerous challenges, such as continuing workload increases, hiring and training over 1,200 patent examiners, and continuing a transition to an electronic processing environment. USPTO must fully utilize its expanded authority over personnel decisions and processes, procurement, and IT operations. The OIG has assessed systemic human resources and program issues, and has examined USPTO's computer systems security. A recent evaluation found that while most USPTO contracts include information security clauses, important requirements are not implemented properly or enforced. USPTO has taken decisive action to address problems the OIG identified.

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MANAGEMENT CHALLENGES (continued)

CHALLENGE	RESPONSE
<p>6. Effectively manage the development and acquisition of environmental satellites</p>	<ul style="list-style-type: none"> ◆ Over the next five years, NOAA will spend several billion dollars in contracts for the purchase, construction, and modernization of environmental satellites. These systems, operated by the National Environmental Satellite, Data, and Information Service (NESDIS), collect data to provide short and long-range weather forecasts and a variety of other critical environmental and climate information. ◆ The National Polar-orbiting Operational Environmental Satellite System (NPOESS) will replace the current generation of civilian and military weather satellites as they reach the end of their useful lives. The OIG's September 2006 <i>Semiannual Report</i> detailed the findings of the OIG's audit of the NPOESS. First, the OIG found that while the sensor problems were communicated to the program executive committee, the committee did not effectively challenge the NPOESS program office's optimistic assessment of their impact. Second, the NPOESS experience shows that the incentive structure used to reward contractors does not always result in top performance. The OIG found that the prime contractor was awarded nearly the maximum fee amounts even though both program costs and delays were increasing. Since the OIG's report was released, the Department Deputy Under Secretary has stressed the importance of NPOESS to the Department's mission and national responsibilities and has noted that he now receive monthly NPOESS progress reports from NOAA. ◆ In 2007, the NPOESS program has made significant strides following the Nunn McCurdy process that led to a decision to restructure the program. In addition to providing monthly progress reports to the Deputy Under Secretary, the following management and acquisition strategies have been implemented: established a Program Executive Officer (PEO) to provide program oversight; implemented a Program Control Office to integrate cost and schedule control with earned value management oversight and reporting; established a Program Management Council (PMC) chaired by the Deputy Under Secretary and attended by senior NOAA and National Aeronautics and Space Administration (NASA) personnel who meet monthly to review NOAA's major satellite acquisition programs; and provided the Department quarterly briefings on the NPOESS and GOES-R program progress and ad hoc briefings on specific high priority issues. ◆ On July 30, 2007, the government's tri-agency integrated program office completed the restructure of NPOESS. This restructure represents a rigorous year-long effort to re-plan virtually every aspect of the NPOESS program following its certification and restructuring through the Nunn McCurdy process in 2006. The plan details the development and delivery of the system through initial production in the next decade. ◆ The GOES-R series is the next generation of geostationary satellites that will replace existing GOES satellites in the next decade. In 2006, the OIG initiated a joint review of the GOES-R program with NASA's OIG. OIG's acquisition focus has been in the program office's overall approach to procuring key satellite instruments, identifying potential risks, and implementing associated mitigation strategies. The OIG also assessed the acquisition contracts' award fee plans to determine whether they are structured to promote excellent performance.

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MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>6. Effectively manage the development and acquisition of environmental satellites <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ The GOES-R program is applying lessons learned from the NPOESS program and other recent reviews of space systems and is currently implementing these lessons into management and acquisition strategies. There have also been significant changes to the GOES-R program management and oversight based on direction from Congress, reviews from the Government Accountability Office (GAO) and the Department's IG, the recent NPOESS Nunn-McCurdy certification process, independent review teams, and GOES-R internal program reviews. In addition to the strategies identified above, additional activities have been successfully implemented by the GOES-R Program Office to include: <ul style="list-style-type: none"> ● Meeting regularly with the NOAA satellite data users, who developed the initial requirements for GOES-R, to assess the extent to which the program remains responsive to their requirements ● Engaging a team of independent satellite experts to conduct independent reviews and address specific concerns raised by NOAA senior leadership. ● Locating the GOES-R Program Office at the NASA Goddard Space Flight Center to better leverage the full capabilities and processes at NASA, including access to NASA's processes for independent technical and engineering reviews. The program reports monthly at the NASA monthly status review chaired by the Goddard Deputy Director. ● Increasing staff to support robust systems engineering and oversight of the contractors, including on-site representatives at the prime contractors and at major subcontractors. ● Having conducted an Independent Cost Estimate (ICE) on the GOES-R program and reconciled the ICE with the GOES-R Program Office estimate to ensure sufficient management reserves for added confidence in projected cost and schedule estimates.
<p>7. Promote fair competition in international trade</p>	<ul style="list-style-type: none"> ◆ ITA recognizes the significance of the management challenges regarding program operations to "Promote Fair Competition in International Trade." ITA works closely with its U.S. and Foreign Commercial Service (US&FCS) program to implement export success verification. ITA supports IG findings in China and India questioning export success numbers. Commercial Service should improve documentation of export successes and adherence to the export success guidelines for Commercial Service Brazil. ◆ ITA recently instituted an independent ongoing export success verification process in the domestic field and overseas posts. An annual random sample is drawn and each office or post undergoes interviews, sampling, and certification to assess the integrity of their export success controls. During FY 2007, five domestic offices and seven overseas posts went through this process. ◆ ITA concurs that the IG raised substantial issues in the Brazil report as well as several previous inspection reports regarding the export success metrics and the collection/reporting process. ITA senior management concluded that ITA will include the conduct of a detailed program evaluation of export successes and the export success business processes as part of the next Program Assessment Rating Tool (PART) review.

(continued)



MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>7. Promote fair competition in international trade <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ ITA worked to ensure all China and India related activities are properly planned and coordinated among ITA programs and other U.S. government agencies. ITA executed a memorandum of understanding (MOU) with the Department of State to delineate Commercial Service's and State's responsibilities in the partnership post program. ITA improved its Internet resources and consolidated other agencies' trade leads into export.gov. ITA developed actions to address IG concerns related to multilateral banks. ITA is working with ESA to identify approaches that improve their coordination in identifying trade leads. ◆ IG inspections in Brazil, Paraguay, Uruguay, and Argentina helped ITA address gaps in clarifying roles and responsibilities of senior staff at these locations and identifying deficiencies in export success controls. ◆ The IG noted where improvements could be made in financial and accounting practices. ITA's Commercial Service must enhance communication and implementation of ITA financial controls at several overseas posts, including Brazil, Argentina, Paraguay, and Uruguay based on IG inspections at these sites. ITA's CFO works with Commercial Service to ensure that ITA's policies on overseas financial management are (1) communicated to Commercial Service headquarters and overseas personnel, (2) reflected in the Commercial Service operations manual, and (3) incorporated into relevant training materials for Commercial Service officers and administrative staff. The CFO continues to work with Commercial Service to improve communications during the development and issuance of financial management policies. The CFO also works with Commercial Service and the Department of State to resolve issues on user fees and to establish procedures for fees at partnership posts.
<p>8. Effectively manage NOAA's stewardship of ocean and living marine resources</p>	<ul style="list-style-type: none"> ◆ In July 2005, the OIG issued a report finding that National Marine and Fisheries Service (NMFS) deviated from its procedures for conducting interagency consultation (Section 7) pursuant to the Endangered Species Act in developing its biological opinion on the Long-Term Central Valley and State Water Project Operations Criteria Plan (OCAP). ◆ In response to the OIG's recommendations to address the deficiencies, NOAA issued a new Delegation of Authority for the conduct of consultations and a Section 7 improvement plan that requires annual review of consultation documents be prepared by the Regional Offices. The 2006 annual review of consultation documents demonstrated that each region is complying with the new Delegation of Authority, however minor recommendations for improvements were provided to the Northwest Regional Office and the Alaska Regional Office. In response to the recommendations, the Northwest Region revised its quality assurance plan on November 22, 2006. The Alaska region also revised its quality assurance plan on February 8, 2007. Follow up review by the Assistant Administrator found that the recommendations have been fully addressed. ◆ Also in response to the OIG's recommendations, NMFS sought independent peer review of its Section 7 interagency consultations in developing its biological opinion on the OCAP, to evaluate whether the scientific information used in the biological opinion was the best available. The peer review reports made specific recommendations on the conduct of ESA interagency consultations.

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>8. Effectively manage NOAA's stewardship of ocean and living marine resources <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ NMFS created a committee to evaluate the scientific recommendations and found that future large-scale salmon Section 7 consultations could be improved by including a better-developed conceptual framework for analyzing the impacts of large-scale actions. In response to the findings of the scientific reviews, the Bureau of Reclamation (BOR) has reinitiated the Section 7 consultations on the OCAP biological opinions. NMFS expects to receive a biological assessment from the BOR in the fall of 2007, and expects to issue a biological opinion in the summer of 2008. ◆ In response to the OIG audit of pacific salmon recovery efforts of the Northwest Indian Fisheries Commission in the Skokomish River Basin, NOAA is requiring the commission as part of its FY 2007 grant and existing MOU to: <ul style="list-style-type: none"> ● Document its internal controls for managing all phases of the subgrant process, including ensuring the sub-recipient's costs submitted for reimbursement are allowable, reasonable, and allocable. ● Convey in writing all applicable grant terms and conditions to the sub-recipients to include the applicable OMB A-87 and A-133 Circulars, Departmental Financial Assistance Standard Terms and Conditions, 15 CFR 24, and the MOU between NOAA and the Northwest Indian Fisheries Commission. ● Fund proposals based on their merits. ● Monitor projects to ensure that the tribes comply with federal guidelines.
<p>9. Aggressively monitor emergency preparedness, safety, and security responsibilities</p>	<ul style="list-style-type: none"> ◆ Focused on optimizing security at the Department, the Office of Security (OSY) has aggressively worked to monitor the emergency preparedness, safety, and security responsibilities of the Department. <ul style="list-style-type: none"> ● Conducted quarterly Department Security Council meetings with key personnel from each bureau to discuss current and ongoing security issues. ● Developed enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 738 facilities, thus far completing 333 in the current four-year cycle. ● Developed and implemented an annual self-assessment program for all Department facilities in order to complement the review of facility OEPs. ● Tracked implementation of recommended countermeasures designed to mitigate risks identified in the 445 anti-terrorism risk assessments (based on criticality, threat, and vulnerability) that have been conducted thus far in the current four-year cycle for the Department's 738 facilities. ● Coordinated closely with the US&FCS and the Department of State's Diplomatic Security Service to conduct reviews of overseas facilities and to ensure appropriate action was taken to correct deficiencies identified in risk assessments of key overseas locations.

(continued)



MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>9. Aggressively monitor emergency preparedness, safety, and security responsibilities <i>(continued)</i></p>	<ul style="list-style-type: none"> ● Steered bureau declassification activities and met the automatic declassification deadline of the Department's 25-year-old or older classified permanent records. ● Strengthened access control measures with random screening of employees and upgraded screening of contractors at Department headquarters. ● Developed and implemented Foreign National Visitor (FNV) and Guest Risk Assessment tool designed to ensure on-site compliance with current FNV policy and procedures. ● Conducted nationwide OSY after-hours inspections to assure that appropriate safeguards are in place in order to protect sensitive information. ● Advised and assisted Department bureaus in providing 664 pre-travel counterintelligence briefings for select Department travelers going overseas.
<p>10. Enhance export controls for dual-use commodities</p>	<ul style="list-style-type: none"> ◆ An IG report in 2006 urged clarification of U.S. export control policy toward China. ◆ On June 19, 2007, the Bureau of Industry Security (BIS) published a rule clarifying policy, adding new controls on items that could contribute to China's military modernization, and establishing the Validated End-User Program for trusted customers in China.

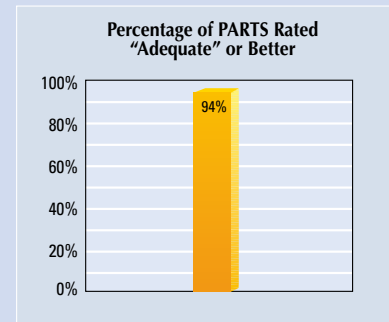
PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Program Assessment Rating Tool (PART) is a component of the President's Management Agenda (PMA) that the Office of Management and Budget (OMB) developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform management decisions aimed at making the program more effective.

OMB conducted the following PART reviews during 2006 and FY 2007 with results reported in 2007. The results of previous PART reviews were reported in the FY 2004, FY 2005, and FY 2006 Performance and Accountability Reports (PAR). The results of PART reviews are used to inform the participants in the planning and budgeting process and are published in the annual President's Budget submitted to Congress.

TABLE 1: RESULTS OF THE OMB PART PROCESS¹

RATING	RESULTS
Effective	5
Moderately Effective	15
Adequate	9
Results Not Demonstrated	2
Totals	31*



* Amount reflects the total number of Department programs reviewed to date. If OMB reviewed a program a second time, only the score of the second review was included.

PART RATINGS AND SCORES BY PROGRAM - 2006

PROGRAM	RATING AND SCORE
Manufacturing and Services (ITA)	Adequate – 67%
Marine and Aviation (NOAA)	Moderately Effective – 72%
Navigation Services (NOAA) – second review	Moderately Effective – 84%
Pacific Coastal Salmon Recovery Fund (NOAA) – second review	Moderately Effective – 77%

PART RATINGS AND SCORES BY PROGRAM - 2007

PROGRAM	RATING AND SCORE
Decennial Census (Census) – second review	Moderately Effective – 83%
Import Administration (ITA) – second review	Adequate – 52%
Market Access and Compliance (ITA) – second review	Moderately Effective – 72%
Minority Business Development Agency (MBDA) (entire bureau) – second review	Adequate – 60%
Hydrology (NOAA)	Moderately Effective – 74%
National Marine Fisheries Service (NOAA) – second review	Moderately Effective – 72%

¹ Source: Office of Management and Budget – <http://www.results.gov>



TABLE 2: PART SUMMARIES BY STRATEGIC GOAL

STRATEGIC GOAL 1: PROVIDE THE INFORMATION AND TOOLS TO MAXIMIZE U.S. COMPETITIVENESS AND ENABLE ECONOMIC GROWTH FOR AMERICAN INDUSTRIES, WORKERS, AND CONSUMERS

PROGRAM NAME	MANUFACTURING AND SERVICES (MAS)
Year	◆ 2006
Score and Rating	◆ Adequate – 67%
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Resources are often not effectively targeted towards their best use. MAS researches policies that affect U.S. competitiveness and makes recommendations that support trade negotiations. However, MAS should continue to assess its structure and resource use to ensure they are effective in a dynamic economy. ◆ MAS has not been rigorously evaluated. No independent program evaluation has been completed that focuses on whether the program is accomplishing its mission and meeting long-term goals. ◆ Overall, MAS is achieving its performance goals to a small extent.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Undertaking a rigorous assessment of MAS's current structure to make sure that it matches today's economy and will yield the best results for U.S. industry's competitiveness. ◆ Implementing an independent review board that will review and evaluate the work produced by MAS. ◆ Developing and implementing an activity-based cost accounting system to better link budget requests to accomplishments.
PROGRAM NAME	DECENNIAL CENSUS
Year	◆ 2007
Score and Rating	◆ Moderately Effective – 83%
Lead Bureau	◆ Census Bureau
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ For Census 2000, all operations were completed on time while achieving the lowest net coverage error rate ever. However, the life cycle costs of the census have risen significantly over time. These increases outpace the increase in number of households within the United States and are driven, in part, by demographic challenges and the difficulty of achieving a highly accurate count. ◆ The Bureau is in the midst of a multi-year strategic effort to re-engineer the 2010 Census. This will include a short-form only census, a second mailing of questionnaires, and the use of hand-held computers for data collection. ◆ The Bureau is on track to implement a re-engineered census in 2010. In 2006, the American Community Survey (ACS) was fully implemented as a replacement for the decennial long-form, and census tests were conducted in 2003, 2004, 2005, and 2006, culminating in a 2008 Dress Rehearsal.

(continued)

STRATEGIC GOAL 1: (continued)	
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ The Census Bureau is examining all key cost factors to identify potential areas for additional savings. ◆ The Census Bureau is ensuring there is adequate oversight of contractors developing critical 2010 information technology (IT) systems.
PROGRAM NAME	IMPORT ADMINISTRATION (IA)
Year	◆ 2007
Score and Rating	◆ Adequate – 52%
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ IA has developed long-term measures that show the reduction in trade distorting practices in foreign countries and the percent of IA decisions overturned by U.S. courts. Reducing trade distorting practices overseas will produce freer markets for U.S. companies, while measuring the percent of IA decisions overturned promotes more accurate decisions. ◆ IA has had process evaluations that have complimented aspects of the program's administration, but it has not had an impact evaluation assessing achievement of program mission and goals. The program is taking steps to perform an impact evaluation, and that and the relatively new performance measures will make determining actual program impact and performance better. ◆ IA has more characteristics of transparency and impartiality that exceed World Trade Organization (WTO) standards when compared to other countries' antidumping and countervailing duty programs.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ ITA will complete an impact evaluation that assesses achievement of the program's mission and goals. ◆ ITA will implement a financial system to better track resource allocation across goals and activities.
PROGRAM NAME	MARKET ACCESS AND COMPLIANCE (MAC)
Year	◆ 2007
Score and Rating	◆ Moderately Effective – 72%
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ In 2006, MAC successfully concluded 47 percent of cases, which was 27 percent higher than the target for the year. MAC also beat the number of cases initiated target by 19 percent. ◆ MAC and other trade compliance agencies lack an interagency strategy for assessing resource needs. GAO recommended that MAC and other trade compliance agencies develop a strategy to plan for resource needs to monitor and enforce trade agreements. Developing a strategy could improve efficiency and coordination, while streamlining trade compliance efforts. ◆ In 2006, MAC's average cost-per-case concluded was \$6000 lower than the target. Also, the average cost-per-case in 2006 was much lower than the average cost-per-case concluded in 2005.

(continued)



STRATEGIC GOAL 1: (continued)	
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ ITA is developing a plan for resource needs with other trade compliance agencies to streamline the government's market access and trade compliance efforts. ◆ ITA is completing an evaluation that assesses the impact MAC has on identifying and removing trade barriers.
PROGRAM NAME	MINORITY BUSINESS DEVELOPMENT AGENCY (MBDA) (ENTIRE BUREAU)
Year	◆ 2007
Score and Rating	◆ Adequate – 60%
Lead Bureau	◆ Minority Business Development Agency (MBDA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program has developed appropriate annual and long-term measures that focus on the direct impact of its assistance on business clients. However, more research and evaluation needs to be conducted on the long-term impact of MBDA assistance. ◆ The program has strong management. It awards grants on a competitive process, and provides sufficient oversight of grant activities, including tracking of progress towards meeting performance goals. ◆ While MBDA is focused on minority small businesses, there are many other sources of business assistance and support at the federal, state, and local level. At the federal level, the Small Business Administration (SBA) provides similar assistance through its entrepreneurial development programs.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ MBDA is investigating the feasibility of additional long-term measures, including the survival rate of MBDA-assisted small businesses. ◆ MBDA is seeking additional efficiencies to reduce the cost per client assisted. ◆ MBDA is exploring the feasibility of contracting with an independent organization to conduct an evaluation on the long-term impacts MBDA's assistance has on minority businesses.

STRATEGIC GOAL 3: OBSERVE, PROTECT, AND MANAGE THE EARTH'S ENVIRONMENT TO PROMOTE ENVIRONMENTAL STEWARDSHIP

PROGRAM NAME	MARINE AND AVIATION
Year	◆ 2006
Score and Rating	◆ Moderately Effective – 72%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ NOAA's Office of Marine and Aviation Operations provides safe operation of NOAA's fleet of ships and aircraft which are uniquely configured and staffed to meet the at-sea and airborne data collection requirements of all NOAA programs. ◆ To address platform capability and reliability, NOAA has routinely developed Fleet Modernization Plans which have led to improvements in the fleet's capabilities. NOAA is investigating the potential use of emerging technologies for at-sea and airborne data collection. ◆ This program has shown mixed results for performance. Targets have been met for most performance measures. Areas where the program is performing well include acquisition milestones and provision of ship days-at-sea and aircraft flight hours. However, historical trends are not available for some measures and targets have not been met for customer satisfaction and lost-time accident rates.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Implementing efficiency measures to guide program management. ◆ Performing thorough analyses of capital acquisition alternatives to ensure that investments represent the best value to the government and taxpayers. ◆ Linking program managers' personal performance evaluations to program performance results.
PROGRAM NAME	NAVIGATION SERVICES
Year	◆ 2006
Score and Rating	◆ Moderately Effective – 84%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program is achieving results in providing accurate positioning and navigation products to ensure safe navigation. The program has met most of its targets for long-term and annual performance measures. ◆ The program uses state-of-the-art technology to collect and disseminate navigation data. NOAA continues to develop electronic navigational charts (ENC) to support mariners who now navigate with electronic systems. ◆ The program partners with private industry to meet mapping and charting requirements, while maintaining core expertise for effective oversight. However, the program is not yet able to demonstrate that it employs the optimal mix of in-house versus private-sector capabilities.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Performing a rigorous analysis of the hydrographic surveying component of the program to ensure that NOAA uses the most effective approach to addressing hydrographic survey requirements. ◆ Proposing funding for state-of-the-art technology including ENCs.

(continued)



STRATEGIC GOAL 3: <i>(continued)</i>	
PROGRAM NAME	PACIFIC COASTAL SALMON RECOVERY FUND (PCSRF)
Year	◆ 2006
Score and Rating	◆ Moderately Effective – 77%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The PCSRF has developed performance metrics and has shown progress in salmon recovery efforts. All targets have been met, though progress towards actual recovery of salmon populations through PCSRF continues to be slow. ◆ The PCSRF has not been able to allocate funds based on priority needs of salmon listed as threatened or endangered. However, states select projects based on the state-established priorities and some states provide matching funds. NOAA has proposed a matching requirement and allowing the Department to develop guidelines for targeting funding toward restoration of at-risk populations. ◆ The program has implemented and adhered to strong financial and management practices and addressed deficiencies when they have arisen.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Proposing in the President's Budget to allocate funds based on recovery goals for salmon stocks that are listed as threatened or endangered. ◆ Proposing in the President's Budget that all states be required to provide a 33 percent match for federal funds. ◆ Making an explicit link between resources and performance in future budget requests.
PROGRAM NAME	HYDROLOGY
Year	◆ 2007
Score and Rating	◆ Moderately Effective – 74%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program has made progress on meeting its long-term and annual program goals. Still, the program will have to develop and implement a community hydrologic modeling infrastructure to increase efficiencies. The program will work to expand its collaboration with other federal agencies, state and local government, the private sector, and academia. ◆ The program is moderately effective with its production and delivery of water forecast information. However, the program must deliver an expanded suite of water resource management information for use by the hydrologic community.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ NOAA is developing and delivering the infrastructure and external communication procedures needed for community hydrologic modeling to increase efficiencies. ◆ NOAA is providing new water resource forecast information in an Internet-accessible digital format suitable for use by decision support assistance systems.

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC GOAL 3: (continued)	
PROGRAM NAME	NATIONAL MARINE FISHERIES SERVICE (NMFS)
Year	◆ 2007
Score and Rating	◆ Moderately Effective – 72%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program is well designed, but needs to increase efforts to ensure partners commit to achieving program goals. Establishment of accountability measures and annual catch limits (ACL), as required by the reauthorized Magnuson-Stevens Fishery Conservation and Management Act, will provide a mechanism to ensure Agency and partner commitment to ending overfishing and promoting sustainable fisheries. ◆ Independent evaluations have found that the program is moderately effective and compares favorably with similar programs in other nations. In response to evaluation recommendations the program is increasing the number of market-based, Limited Access Privilege (LAP) programs to improve at-sea safety, reduce overcapitalization, create incentives for conservation, and enhance economic performance. ◆ The program’s relatively new performance measures show some progress toward the intended outcome of sustainable fisheries management. The reauthorized Magnuson-Stevens Fishery Conservation and Management Act sets an ambitious schedule to end overfishing and establish ACLs for all stocks by 2011. Achievement of these goals will be reflected in the program’s performance measures.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ NOAA is addressing overfishing through the establishment and implementation of sustainable ACLs for all managed fish stocks. ◆ NOAA is increasing the number of fisheries managed through market-based approaches, which can lead to longer and safer fishing seasons and provide incentives for conservation.



PERFORMANCE SECTION

INTRODUCTION TO THE PERFORMANCE SECTION

In fiscal year (FY) 2007, the Department accomplished its mission through three strategic goals and an overarching management integration goal that articulate long-term outcomes, as well as performance goals that represent shorter-term outcomes and priorities. Performance outcomes include specific targets designed to achieve specific performance results within a given fiscal year.

The Performance Section of the report comprises subsections for each of the strategic goals and is organized in the following manner:

SUBSECTION	PURPOSE
Strategic Goal	Overall summary of the strategic goal.
Strategic Objective	Overall summary of outcomes, program obligations, and performance outcomes that fall under each objective. The information contained in the objective provides the performance outcomes and the activities associated with them. At the end of the performance outcome, discussions of the Strategies and Future Plans, Challenges for the Future for the strategic objective conclude the section.
Performance Outcome	Performance Outcome Description, Achievements, and Program Evaluations. The information contained in each performance outcome is designed to provide the reader with the overall achievements of the performance outcome.

Within each Strategic Goal section there are summary charts that provide the historical trend data for financial obligations and full-time equivalents (FTE) resources, and overall performance results. At the beginning of each strategic goal section and each objective section is a table summarizing the performance outcomes. In the description of each performance outcome is a performance chart that is a summary of the status of the performance measures associated with that outcome. The charts are color coded: red to indicate performance was not met, yellow to indicate that performance was slightly below target (95 to 99 percent of target), green to indicate that performance was met (100 to 124 percent of target), and blue to indicate that performance was exceeded (more than 125 percent of target). The numbers under the colors indicate the number of performance measures (or results) associated with the outcome.

Details on each performance result are located in Appendix A, which provides individual measurement results and descriptions of actions to be taken if the measure does not achieve positive results. It includes explanations and strategies to address performance deficiencies.



STRATEGIC GOAL 1

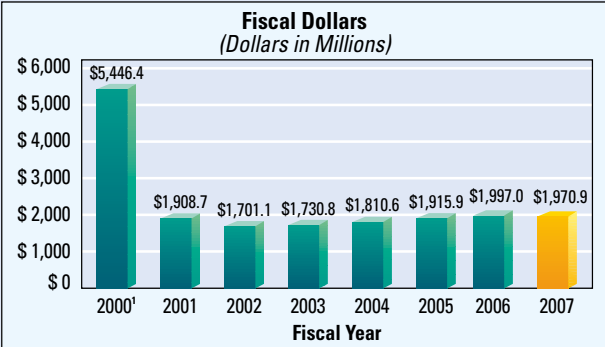
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Increase private enterprise and job creation in economically distressed communities (EDA)	6 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	6 of 6
Enhance U.S. competitiveness in domestic and international markets (ITA)	2 of 4
Broaden and deepen U.S. exporter base (ITA)	5 of 6
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	5 of 5
Identify and resolve unfair trade practices (ITA)	5 of 6
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	5 of 5
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	1 of 1
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)	5 of 5
Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)	6 of 6



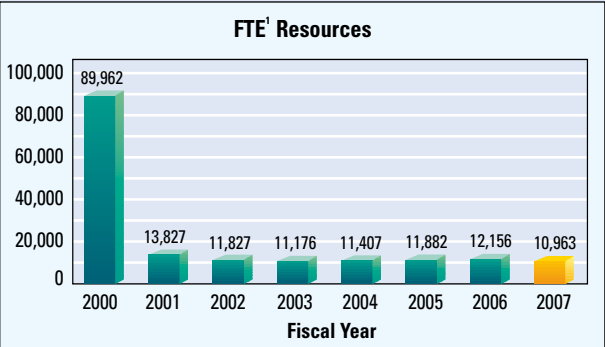
STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC GOAL 1 TOTAL RESOURCES



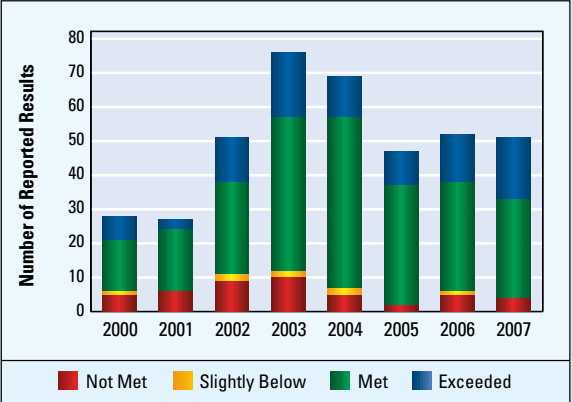
¹ Funding increased dramatically in FY 2000 due to the decennial Census.



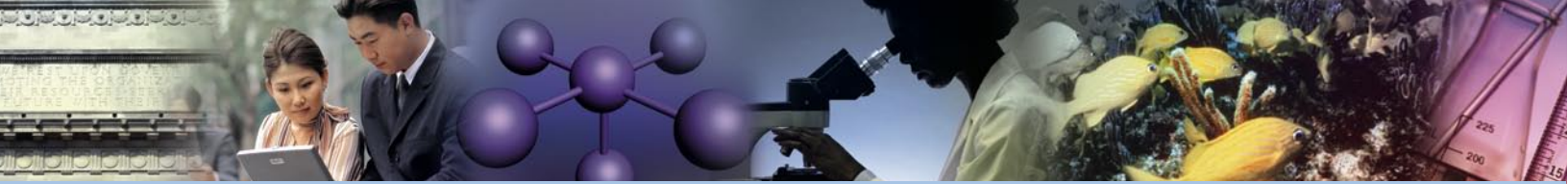
¹FTE — Full-Time Equivalent

The Department is committed to opening and expanding foreign markets for U.S. goods and services and improving the Nation's export performance. The Department, through the International Trade Administration (ITA), will promote U.S. export growth through the implementation of the Trade Promotion Coordinating Committee's (TPCC) National Export Strategy, ensuring that policies and priorities are consistent with national security and U.S. foreign policy objectives. The Department enhances cooperation with its partnership organizations so that U.S. businesses can benefit from global business through free market trade negotiations and through identified priority markets. The Department continues to focus on fostering a level playing field for U.S. firms through development of trade policy positions, advancement of negotiating positions, and through effective execution of U.S. trade laws intended to curb and combat predatory trading practices.

STRATEGIC GOAL 1 PERFORMANCE RESULTS



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



PERFORMANCE SECTION * STRATEGIC GOAL 1

The Department, through the Bureau of Industry and Security (BIS), ensures that export controls do not unduly disadvantage U.S. firms in world markets by eliminating outdated controls and streamlining the process for obtaining export licenses for products that remain under export controls. These continual improvements are being made while being mindful of the dual-use nature of some commercial technologies and the national security implications of those technologies.

The Department, through the Economics and Statistics Administration (ESA), provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population. The Department is at the forefront of national efforts to continually improve these statistics. Through the Census Bureau, the Department is planning a re-engineered Decennial Census, which will use technology and automation to increase the accuracy and reduce the risk of this core constitutional responsibility. 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. Through investments in the improvement of the accuracy of gross domestic product (GDP) and international trade in goods and services measures by the Bureau of Economic Analysis (BEA), the Department can supply the economic statistics essential to sound business forecasting and monetary policy.

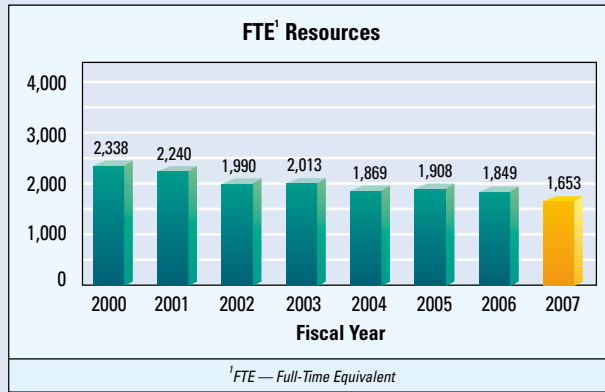
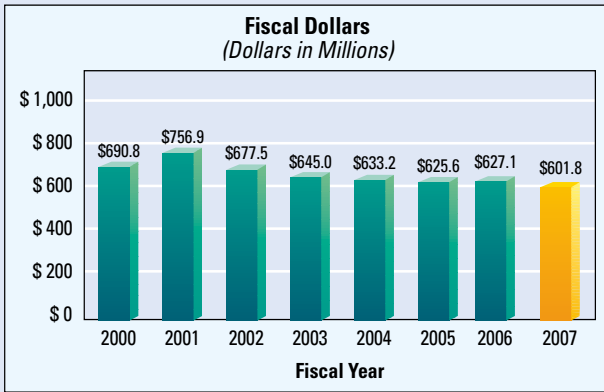
In support of disadvantaged individuals and communities, the Department, through the Economic Development Administration (EDA), promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment. Likewise, the Department, through the Minority Business Development Agency (MBDA), promotes private enterprise and investment within minority communities.

The Department successfully moved this strategic goal forward in FY 2007. Bureaus with programs supporting this strategic goal are EDA, ITA, MBDA, BIS, and ESA's Census Bureau and BEA.

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and non-governmental organizations

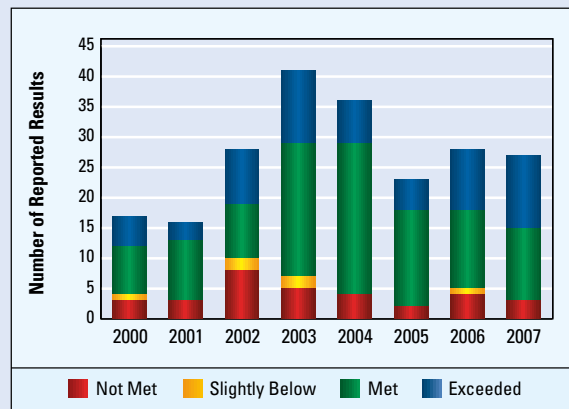
STRATEGIC OBJECTIVE 1.1 TOTAL RESOURCES



This objective focuses on increasing private enterprise and job creation in economically distressed communities and regions, improving community capacity to achieve and sustain economic growth, increasing trade opportunities for U.S. firms to advance U.S. international commercial and strategic interests, expanding the U.S. exporter base, improving the U.S. competitive advantage through global e-commerce, and increasing opportunities and access for minority-owned businesses to the marketplace and financing.

EDA provided a \$1.2 million investment to the Moultrie-Colquitt County Development Authority in Moultrie, GA. This partnership investment with the City of Moultrie provided the wastewater sewer improvement infrastructure to support

STRATEGIC OBJECTIVE 1.1 PERFORMANCE RESULTS



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

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Increase private enterprise and job creation in economically distressed communities (EDA)	6 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	6 of 6
Enhance U.S. competitiveness in domestic and international markets (ITA)	2 of 4
Broaden and deepen U.S. exporter base (ITA)	5 of 6
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	5 of 5

a high-tech poultry processing plant and assisted in the diversification of the local agriculturally-based economy. The private investment exceeded the original forecasted private investment of \$80 million. This investment also addressed the region's Comprehensive Economic Development Strategy (CEDS) through state and local collaborations, and focused on enhancing the regional agribusiness cluster to diversify the local economies of rural southwest Georgia. Part of the project supported a partnership between Moultrie and Valdosta Technical Colleges and the poultry processing plant to train the plant workers and contract growers to handle state-of-the-art technology.

An EDA investment in the city of Hornell, NY assisted in the expansion of the South Yard Industrial Park and consisted of the construction of a 400-foot access road and a 15,000 square foot manufacturing building. An initial estimate indicates it has exceeded its private investment and job creation forecasts of \$13.2 million and 115 jobs respectively, and was consistent with the region's CEDS. Most importantly, the investment addressed EDA's investment funding priorities by promoting regionalism and entrepreneurship. It leveraged the area's transit car construction/refurbishing cluster, was tailored to the existing skills of the local workforce, and is now home to a start-up company.

Another EDA investment in Joplin, MO aided in the purchase and renovation of an 11,000 square foot building for reuse as a small business incubator, the Joseph Newman Innovation Center (JNIC). Since its opening, nine companies have rented space in the center. The center currently houses six companies and is reviewing four other companies. The center was constructed as part of a 2001 Joplin Chamber of Commerce plan to attract firms based on the area's information technology-driven and entrepreneurial culture. It is estimated that at least 400 jobs will be created as a result of the JNIC and approximately \$13.5 million in private investment will be leveraged.

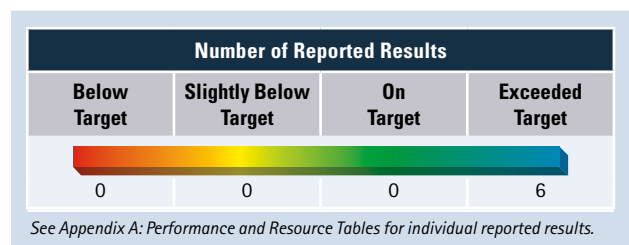


Performance Outcome: Increase private enterprise and job creation in economically distressed communities (EDA)

Working with economically distressed communities and regions to create jobs and expand the economy.

Preliminary data collected through the Government Performance and Results Act (GPRA) process for investments made in FY 1998, FY 2001, and FY 2004 indicate that these EDA investments have helped generate more than \$48 billion in private sector investment and create and retain 139,600 jobs.

EDA tracks the amount of private investment generated and jobs created or retained as a result of EDA investments at three, six, and nine-year intervals. The following table shows the targets and actuals for the amount of private investment generated and jobs created or retained for funding provided in FY 1998, FY 2001, and FY 2004.



EDA INVESTMENTS IN FY 1998, FY 2001, AND FY 2004			
	YEAR INVESTED		
	1998	2001	2004
PRIVATE INVESTMENT GENERATED			
Target	\$1,300M	\$1,200M	\$330M
Actual	\$1,937M	\$2,118M	\$810M
# Difference	\$637M	\$918M	\$480M
% Difference	49%	77%	146%
JOBS CREATED/RETAINED			
Target	54,000	36,000	8,998
Actual	73,559	49,806	16,274
# Difference	19,559	13,806	7,276
% Difference	36%	38%	81%

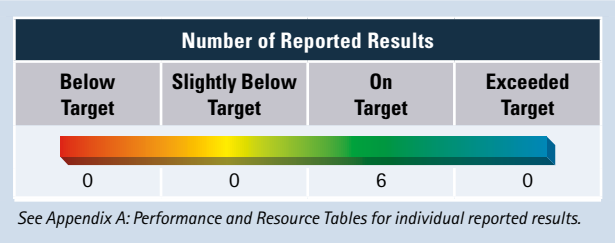
In FY 2007, a F5 tornado touched down on the City of Greensburg, KS that virtually destroyed the entire town of some 1,500 residents. A pending EDA investment of \$50,000 will assist Greensburg with the hiring of an Economic Recovery Coordinator/Planner. The planner will identify redevelopment areas within the city, review existing city ordinances and current building codes, identify environmental impacts, and coordinate between the four primary sectors of the community including business, residential, health and education.

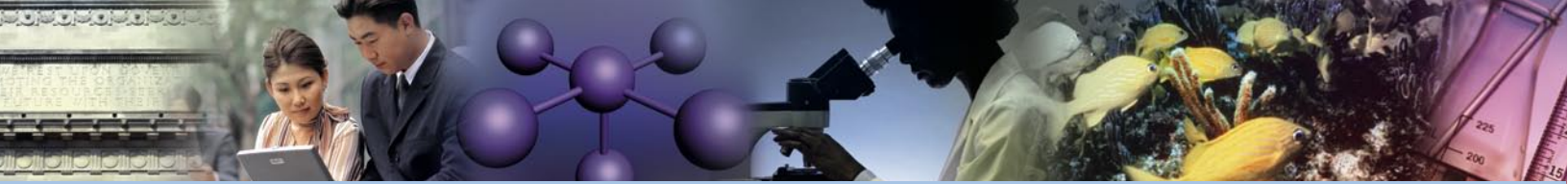
All EDA investments are compliant with EDA's Investment Policy Guidelines to ensure that an investment will be part of an overarching, long-term strategy that enhances a region's success in achieving a rising standard of living, and will demonstrate a high degree of commitment by exhibiting strong cooperation between the business sector; relevant regional partners; and local, state, and federal governments. Peer reviews are conducted every three years for each Economic Development District (EDD) Partnership Planning investment recipient, and the EDA regional offices continue to monitor the performance of all investment recipients.

Performance Outcome: Improve community capacity to achieve and sustain economic growth (EDA)

Support local planning and long-term partnerships through technical assistance to help distressed communities.

EDA continues to build upon partnerships with local development officials: EDDs; University Centers (UC); faith-based and community-based organizations; and local, state, and federal agencies. Through these partnerships, EDA supports local planning and long-term partnerships with state and regional organizations that 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.





PERFORMANCE SECTION * STRATEGIC GOAL 1

EDA's capacity-building programs include Partnership Planning, in which EDA designates and funds EDDs. EDD funding supports local officials to develop or revise and implement their CEDS. The CEDS is a long-term strategic plan for the economic growth of the region, and communities therein, that identifies projects that will attract private investment, and create and retain higher-skill, higher-wage jobs, particularly for the unemployed and underemployed in the Nation's most economically distressed regions. For example, the Cowlitz-Wahkiakum Council of Governments in Washington used the CEDS to identify and subsequently fund 45 new initiatives, of which five were related to infrastructure, 24 to building construction and rehabilitation, nine to technical assistance, and seven to planning efforts.

The UC Economic Development Program is a partnership between the federal government and academia that helps to make the varied and vast resources of universities available to economic development communities. In FY 2007, EDA completed its second three-year competition cycle for UC funding; open competitions for UC funding were held in EDA's Denver and Austin regional offices.

In Alabama, the Atlanta region awarded a UC investment to the Auburn University Technical Assistance Center (ATAC is an EDA UC). ATAC, working with the City of Auburn Economic Development Department and local industry, created the Auburn Training Connection (ATC) to serve as the workforce development arm of the City of Auburn.

ATC's first initiative was to work with ATAC and industry leaders to identify the skills and abilities needed for their business processes, the training that was available, and then define the training gaps. ATC worked closely with local high schools, the community college, and the State Department of Education to implement an Industrial Technology curriculum. A multi-craft maintenance apprenticeship program was also developed to allow local industry employees to receive college credit.

EDA's 11 Trade Adjustment Assistance Centers (TAAC) provide technical assistance to manufacturers and producers that have lost employment, sales, or production due to increased imports of competitive goods. The goal of the technical assistance is to assist these U.S. companies to become more competitive in the global economy. Businesses that receive TAAC aid commonly request assistance to undertake market research; develop new marketing materials, initiate e-commerce, identify technology, computer systems and software to meet specific needs of the firm; and complete a quality assurance program.

Examples of technical assistance tasks to be implemented from approved adjustment proposals are as follows:

In California, a manufacturer of Ethernet data and voice switches received \$26,250 in program assistance to design engineered pre-built and pre-tested embedded network switch solutions. The company projected an \$853,000 increase in sales and the hiring of 56 additional employees by the anticipated project completion date of March 2009. In Nebraska, a wooden door manufacturer received \$24,000 in program assistance to evaluate its lumber sources, create a work flow plan, and develop sales and marketing strategies. In Florida, a synthetic fiber manufacturer received \$76,625 in program assistance to obtain ISO 9000/2000 certification and improve marketing, equipment training, and product design. In 2005 and 2006 the firm made significant capital investments in its facility and also plans to spend additional funds on implementing additional recovery strategies outside the scope of TAAC funding.

Research endeavors funded by EDA significantly contribute to the economic development literature. The Research and National Technical Assistance Program (RNTA) supports research of leading, world-class economic development practices, and funds information dissemination efforts. This research is shared with stakeholders via publications and Web accessible documents on the EDA Web site.



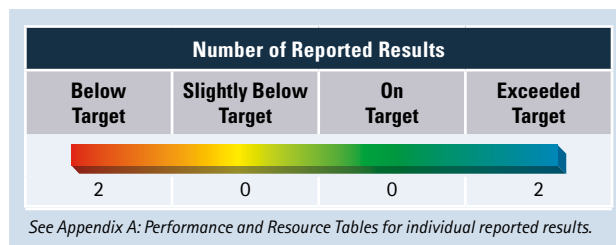
Through RNTA, Western Carolina University's Institute for the Economy and the Future, University of Illinois Urbana-Champaign's Regional Economics Applications Laboratory, and the American Chamber of Commerce Research Association (ACCRA), conducted the Regionalism and Clusters for Local Development project to develop and distribute a curriculum that will enable practitioners to better understand and apply core concepts of regionalism and industry cluster development. The universities organized the research into two major projects: Project One built a comprehensive national database for cluster studies. Project Two used the database developed in Project One to analyze the cluster structure of regions, using a six-county region in Indiana as a case study. The results showed that practitioners have a wide array of concerns and priorities concerning issues where regional solutions may prove particularly appropriate. It also showed that many practitioners recognize the benefits derived by attending workshops related to regionalism or industrial clustering. However, greater efforts must be made to better equip practitioners with the knowledge necessary to effectively apply and utilize these concepts.

In FY 2007, EDA funded a research grant under the Research and Evaluation program to Purdue University. Purdue, in cooperation with the Indiana Business Research Center of Indiana University, produced the study, "Unlocking Rural Competitiveness: The Role of Regional Clusters." The research resulted in a database, analytical tools, and processes to help rural regions assess their economic competitiveness and create strategies for growth and development. The study emphasized the challenges rural areas face in the modern global economy and stated a successful strategy should recognize the importance of a regional framework and linkages between rural and urban America, which is aided by an understanding of industry clusters. For more information on the ongoing data updates please go to <http://www.ibrc.indiana.edu/innovation/data.html> These RNTA research studies and others can be found on EDA's Web site at <http://www.eda.gov/Research/ResearchReports.xml>

Performance Outcome: Enhance U.S. competitiveness in domestic and international markets (ITA)

Ensure that U.S. small and medium-sized enterprises (SME) and manufacturers can compete and win in the global economy.

ITA's Manufacturing and Services (MAS) program advances and strengthens the competitiveness of U.S. industry by researching and analyzing competitive factors that impact U.S. business sectors in domestic and international business environments. The MAS program conducts research and analysis of the manufacturing and services industries.



MAS maintains a focus that ensures inclusion of U.S. SMEs since these firms are critical to the U.S. economy. MAS analysts provide in-depth industry information and advice to the Secretary on trends in the manufacturing and services industries and support the Secretary in his role as the federal government's chief liaison with the manufacturing and services sectors. These analysts also evaluate the effects of domestic and international economic and regulatory policies on the ability of U.S. industry to compete in world markets. The program's industry experts analyze regulations and other proposed economic policies to determine their impact on cost competitiveness of U.S. firms and work with other U.S. agencies to reduce the impact of proposed and existing policies and regulations on U.S. industries.

During FY 2007, MAS has focused on the completion of two domestic and international policy studies:

- ◆ **The Effects of Successful Cellulosic Ethanol Research and Development on the U.S. Economy** – This analysis examines the effect on the U.S. economy if advances in technology allow ethanol manufactured from cellulose to become commercially viable. The United States is importing an increasing share of the petroleum it consumes each year, and petroleum prices are

projected to rise significantly over the next few decades. Without alternative sources of transportation fuel, the U.S. economy and industry could face adverse economic consequences. Cellulosic ethanol is not yet commercially viable, although the benefits of cellulosic ethanol production can be realized only if its production costs are reduced to the targets set by the Department of Energy (DOE). These targets form the basis for estimating the size of benefits that would accrue to the U.S. economy and industry.

- ◆ **The Effect of Inward Foreign Direct Investment (FDI) Restrictions on the Energy Sector** – This analysis quantifies the effects on the U.S. economy of delays in inward foreign investment transactions in the United States. Inward FDI is an important source of investment capital in the U.S. economy, representing 12 percent of the total U.S. capital stock. FDI in the U.S. manufacturing sector is even more important, where the share is even greater, 27 percent.

Regulatory Analysis

MAS continues to focus on a program of regulatory analysis that evaluates the impact of regulations on competitiveness. These rules when complete may have a positive impact on cost burden and competitiveness for U.S. industry.

In FY 2007, MAS has focused on six major rules from the Environmental Protection Agency (EPA), the Occupational Health and Safety Administration (OSHA), the Department of Transportation (DOT), and the Department of Justice (DOJ). Cost savings to industry this year amount to \$413 million.

- 1 **EPA's Definition of Solid Waste (DSW).** In October 2003, EPA published its proposed rule to revise the DSW under the Resource Conservation and Recovery Act (RCRA). The rule was nominated in the Office of Management and Budget's (OMB) 2005 report, "Regulatory Reform of the U.S. Manufacturing Sector," as one that, if reformed, could enhance competitiveness of U.S. manufacturing. Under the current RCRA, certain waste streams are regulated as hazardous wastes, even when they are being recycled. The objective of a reform of this rule is to increase recycling rates while reducing the costs of managing hazardous wastes.
- 2 **EPA's Spill Prevention, Control, and Countermeasure (SPCC) Rule.** The SPCC rule was selected by EPA for review after a request by OMB to update old rules that may be overly burdensome. The rule describes measures that must be taken to prevent oil spills, and applies to any company that stores more than 1,320 gallons of oil on its property. The rule was nominated in OMB's 2005 report, "Regulatory Reform of the U.S. Manufacturing Sector," as one that, if reformed, could enhance competitiveness of U.S. manufacturing. The current rule was set down in 1973, and many businesses are unaware of it and are not in compliance. EPA has proposed to allow small facilities with storage capacity below a certain threshold to use streamlined, less expensive requirements. However, a number of problems will remain, and so a "loose-ends" rule is being considered for 2007.
- 3 **OSHA's Occupational Exposure to Crystalline Silica.** Crystalline silica is a small particle of common sand. Pursuant to a court order, OSHA must issue a final crystalline silica exposure standard. OSHA has proposed a reduction in the current workplace exposure standard from 100 to 50 micrograms per cubic meter. The rule will have significant economic impacts on a substantial number of entities, mainly construction services and mining.
- 4 **OSHA's Occupational Exposure to Beryllium Rule.** OSHA has proposed a rule to reduce the permissible exposure limits (PEL) to beryllium from 2.0 micrograms per cubic meter to a more restrictive PEL (possibly set at 0.2 micrograms per cubic meter, as proscribed by DOE in 1999) for workers exposed. OSHA began work on reforming the rule in 1999 by announcing a proposed rule for public comment in 2002.



5 DOT's Side Impact Safety Regulation. MAS staff have been reviewing the DOT/National Highway Traffic Safety Administration (NHTSA) proposed side impact safety regulation since February 2006. A very complex rulemaking, NHTSA issued its proposed rule in May 2004 and said at the time the new regulation could become a final rule as early as 2005. The automakers agreed to voluntarily install side air bags in all vehicles by September 1, 2009. But NHTSA continues to consider a proposal that would require automakers to significantly upgrade their side protection systems. This is the last major crash-worthiness regulation that is in the works.

6 DOJ's Americans with Disabilities Act (ADA). DOJ is adopting rules and standards that ensure accessibility by handicapped individuals. The MAS program is monitoring the potential competitive impact of the rules and standards.

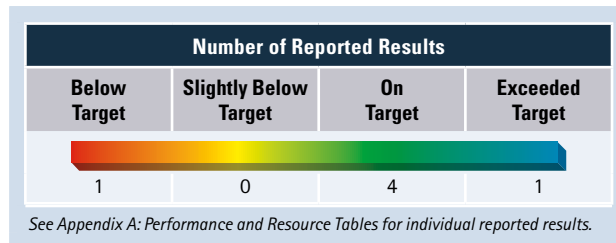
Manufacturers' concerns are one of the important foundations for generating policy recommendations to help ensure that government is creating conditions where U.S. manufacturers can compete in intensely competitive global markets. In FY 2007, ITA has led U.S. government efforts to advance U.S. industry competitiveness through regulatory analysis, such as the exposure levels from hexavalent chromium. ITA will continue to assess the impact of domestic and international economic policies on U.S. competitiveness, and communicate with U.S. industry on the impact of regulations.

In terms of performance, specifically performance targets, ITA missed targets for two measures, "Percent reduction in per unit of data distribution" and "Percent of industry-specific trade barrier milestones completed," an important metric for achieving this outcome and one that ITA missed by a wide margin (54 percent for actual, 85 percent for target). Performance slipped from 81 percent in FY 2006. It should be noted, however, that ITA did not meet this target because foreign counterparts were not able to or willing to move as fast as U.S. negotiators sought towards removing trade barriers. Regarding the per unit of data distribution, this was a new efficiency measure and as such, ITA did not have a strong history from which to determine an appropriate target. The target of five percent was at the high end of a range between four and five percent.

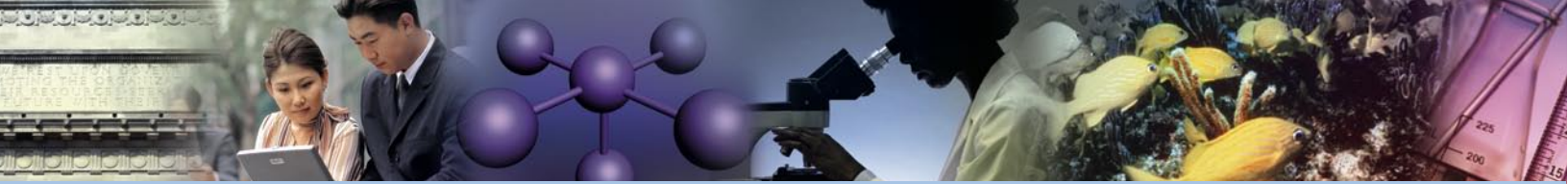
Performance Outcome: Broaden and deepen U.S. exporter base (ITA)

Support jobs and foster economic growth by expanding the number of U.S. exporters, especially SMEs.

The health of the U.S. economy depends on U.S. SMEs. ITA continues to focus on this base because 97 percent of all U.S. exporters are small and medium-sized businesses. Many of these firms have also been successful in doing business in countries that have recently negotiated free trade agreements (FTA) with the United States.



The Commercial Service program's mandate is to create a supporting environment in which all U.S. firms, including SMEs, can flourish. In order to achieve this, the Commercial Service seeks to increase export opportunity awareness among U.S. companies by 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. The Commercial Service operates a Trade Information Center that provides a single point of customer contact for all government export promotion programs, runs the Advocacy Center that supports U.S. companies bidding on major foreign contracts, and coordinates U.S. government export promotion and assistance programs through the TPCC. ITA's unique global network of trade professionals located in over 250 offices, domestically and



PERFORMANCE SECTION * STRATEGIC GOAL 1

internationally, capitalizes on high export areas identified by trade patterns and facilitates aggressive outreach to traditionally under-served rural and minority communities. ITA's Market Access and Compliance (MAC) program also supplies SMEs by identifying and resolving unfair trade practices.

The Commercial Service helps U.S. companies take advantage of world market conditions to find new buyers around the world. A growing list of FTAs provides price and market access benefits. ITA offers four ways to help U.S. firms grow their international sales by: (1) providing world-class market research, (2) organizing trade events that promote products or services to qualified overseas buyers, (3) arranging introduction to qualified buyers and distributors, and (4) offering counseling through every step of the export process.

In addition to the areas described above, three critical program priorities for ITA during FY 2007 included ITA's efforts to strengthen trade promotion by leveraging strategic partnerships, advancing FTAs to promote U.S. exports in strategic and emerging markets, and advancing transformational commercial diplomacy. These priorities reinforce ITA's goal to broaden and deepen the export base. Detailed descriptions can be found below:

Strategic Partnerships

One area of strategic importance to ITA in FY 2007 has been a focus on partnerships. One of the Nation's greatest strengths are the capabilities, reach, and resources of U.S. enterprises engaged in activities that touch buyers and sellers around the world, such as express delivery companies, banks, and Web-based marketplaces. Those businesses can be great teachers and facilitators for other U.S. companies wanting to export more or export better. Already a number of great U.S. companies have stepped forward to participate, and have offered to assist ITA in its efforts to increase U.S. exports.

These strategic partners include: Dow Jones through its Asia Wall Street Journal unit, eBay, FedEx, Google, and PNC Bank. As a result of their efforts, which include hundreds of marketing events and placement of trade information on their Web sites and in their newsletters, hundreds of thousands of companies have been exposed to ITA services.

ITA is beginning to engage with these strategic partners in targeted marketing strategies. For example, FedEx has helped identify and inform U.S. exporters to Mexico about new business opportunities in Central America, which has come about as a result of the recent Central American Free Trade Agreement (CAFTA).

These private sector partners join ITA's traditional interagency partners, such as the Small Business Administration (SBA), The Export-Import (ExIm) Bank, the Overseas Private Investment Corporation (OPIC), and state and local governments in an effort to educate, inform, and assist U.S. companies.

Reducing Trade Barriers through FTAs

ITA has continued to lower trade barriers through FTAs during FY 2007. Since 2001, the United States has signed over a dozen FTAs and has also sought to improve already existing FTAs, such as the North American Free Trade Agreement (NAFTA). One key fact dramatically illustrates the positive impact of FTAs: although countries that the United States has FTAs with only represent 7.1 percent of world GDP, they represent more than 42 percent of U.S. trade. Trade agreements work for the United States because they keep the Nation working.

ITA has also maintained a concerted effort to open up large, developing markets like China and India. Exports to both of these markets are significant. In fact, during this past year, China has become the third largest export market for the United States and exports to India grew at more than 30 percent last year. These two countries have been designated as high priority markets and



ITA led significant trade missions to both countries during this past year. For example, at the end of last November, ITA took more than 200 U.S. business representatives to six cities to India on the largest trade mission ever. The mission began with a business summit in Mumbai, with spin-off missions to Bangalore, Chennai, Hyderabad, Kolkata, and New Delhi. Secretary Gutierrez led a highly visible and successful trade mission to Beijing and Shanghai in November, as well. The business delegation was comprised of 25 firms that represented a broad cross-section of U.S. industries. The mission included high-level meetings with Premier Wen, Vice Premiers Zhen and Wu, and Commerce Minister Bo. The commercial sections in Beijing and Shanghai dedicated their resources to the support and success of this mission. While there, the Secretary discussed pivotal trade issues and advanced the intellectual property (IP) agenda by participating in the third U.S.-China IPR (IP Rights) roundtable.

U.S. companies want the U.S. government to provide better access to these fast-growing, but often challenging markets. These trade missions are one way to address their concerns.

ITA will also continue to support trade efforts in critical markets in China, India, Russia, and Greater Central Asia as well. These markets address key foreign policy goals and support the President's goal of promoting democracy and liberty through free trade. ITA is working to bring free trade to these critical emerging economies. This work reinforces U.S. efforts to bring greater geopolitical stability to uncertain areas of the globe through enhanced opportunity and economic development.

Commercial Diplomacy

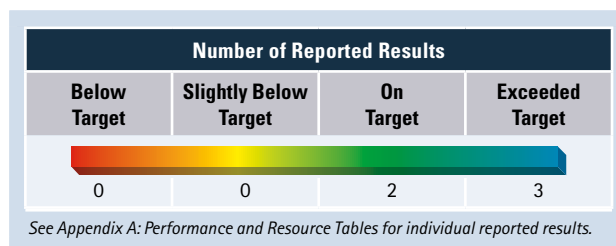
Often companies encounter difficult hurdles when trying to do business in even far less challenging places than India and China. In the past, the efforts of ITA's Commercial Service have been measured primarily by "export successes" tied to specific export transactions of client companies. It is an important measurement, and will be continued, however overseas posts also devote a lot of time and resources to working behind the scenes to resolve problems, reduce trade barriers, and cut red tape. Such activities are what are called "commercial diplomacy." Commercial diplomacy benefits not only current ITA clients, but also all U.S. exporters by opening doors and creating paths to success for other exporters to follow.

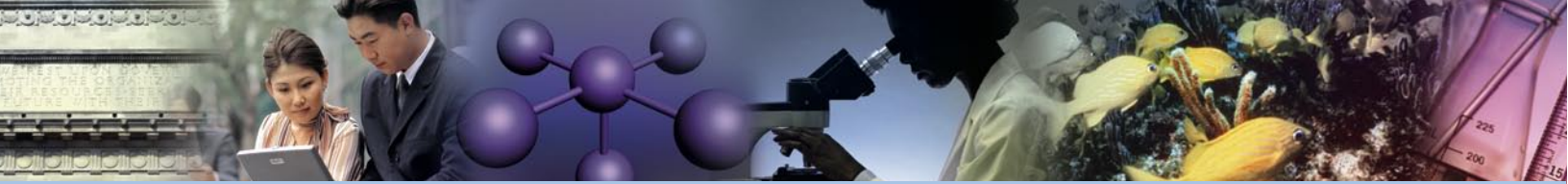
For example, in Bulgaria, ITA's Commercial Service succeeded in having a packaging waste penalty removed that was costing U.S. companies like Coca Cola, Kraft, and Proctor & Gamble millions of dollars per year. Similar efforts helped to get Bulgarian legislation passed to better protect IPR. There are hundreds of such examples every year and all around the globe, and ITA's Commercial Service encourages staff to do this kind of work more often and to acknowledge its importance. During FY 2007, a commercial diplomacy success metric has been piloted and will become a reported GPRA metric during the next fiscal year.

Performance Outcome: Increase access to the marketplace and financing for minority-owned businesses (MBDA)

Achieve entrepreneurial parity for minority business enterprises (MBE) by actively promoting their ability to grow and to compete in the global economy.

MBDA's strategic programs and management objectives have been aligned to successfully execute its tasks and assignments. A large measure of its continued success has been a result of the performance of its national network of funded projects and the support provided by its regional staff. MBDA met or exceeded the targets of all its performance measures in FY 2007.





PERFORMANCE SECTION * STRATEGIC GOAL 1

In 2007, MBDA met its targets for contract awards and financial packages obtained for MBEs. Over \$1.7 billion in combined transactions were obtained for minority firms. Much credit is given to the Agency Strategic Growth Initiative (SGI) established by the Agency to attract mid-to-large minority firms capable of competing for larger contract awards. Approximately 75 percent of total awards went to these larger client firms. This had a direct impact on new jobs created within minority communities and wealth creation nationwide. MBDA exceeded new jobs created by 35 percent, totaling over 3,500.

MBDA rolled out a new MBE Center (MBEC) Program in FY 2007 that included several new consulting organizations. Amos Tuck School at Dartmouth College provided executive training in high growth strategies to these organizations. They are now assisting minority firms to grow and respond to larger contract and financial opportunities.

This past year MBDA implemented four new funded centers in the Gulf Coast region (New Orleans (2), Mobile, and Biloxi) to support the Department and the Katrina recovery effort. MBDA has also established a temporary district office in New Orleans to oversee Gulf operations and respond to needed services for minority clients.

MBDA established new strategic partners and alliances with federal agencies, such as the Federal Emergency Management Agency (FEMA), the Army Corps of Engineers, the Department of Homeland Security (DHS), SBA, and the Department of Housing and Urban Development (HUD); with state governments, such as Louisiana, Mississippi, and Alabama in the Gulf Coast; with private organizations, such as the Kauffman Foundation, Microsoft, and Lockheed Martin; and finally with National Chambers of Commerce, to include the National Urban League, the U.S. Hispanic Chamber, and the National Black Chamber. These organizations have provided opportunities, mentoring, training, and other business services to support MBDA program objectives.

MBDA redirected its focus to communities requiring immediate assistance and targeted its strategic goals to ensure the most effective allocation of resources to obtain performance results. MBDA held eight Business-to-Business (B2B) Linkage Forums throughout the country. These events attract ready-to-grow minority firms eager to form joint ventures and partnerships to compete for larger prime procurement opportunities in critical areas. For example, in conjunction with the Perini Building Company, MBDA held a forum for 25 minority firms to discuss how to qualify for contracts starting at \$5 million or more as part of the Las Vegas MGM City Center Project, a \$ 3.0 billion construction venture. Also, large corporate organizations such as Costco and the National Alliance have opened the doors to offer supply chain opportunities to qualified minority vendors.

MBDA held the 25th Anniversary of the Minority Enterprise Development Week (MED Week) National Conference in Washington D.C. and focused on "Celebrating the Legacy of Innovation and Competitiveness." This conference was attended by over 500 business representatives from the public and private sector and focused on innovation achievements, workshops, networking, and the annual awards gala to recognize the national award winners in MBE.

In collaboration with the Asian American Small Business Alliance and the Manhattan Hispanic Chamber of Commerce, the MBDA New York region sponsored the Minority Enterprise Franchise Exposition. Over 20 major franchisers, financial institutions, and government agencies held training workshops for 150 potential minority businesses. A summer session was conducted for the Emerging Minority Business leaders program as part of the President's American Competitive Initiative. Twenty-five students participated to focus on innovation of new technology and commercialization.

MBDA published a second report, "The State of Minority Business Enterprises, Vol. 2." This provided an in-depth review and analysis of the characteristics of business owners as presented in the U.S. Census Bureau's *2002 Survey of Business Owners*. The report analyzed the characteristics of minority-owned businesses, specifically those who influenced business survival, and identified factors which contributed to successful business performance of minority-owned businesses in 2002.



STRATEGIC GOAL 1 * PERFORMANCE SECTION

Customer Relations Management remains a point of emphasis for the Agency and its programs. The 2007 National Survey of clients was again conducted by the Federal Consulting Group and the University of Michigan to establish a new American Customer Satisfaction Index (ACSI). The increase in satisfaction has demonstrated the confidence of clients and partners. MBDA is meeting its mission objectives because in the end "results do matter."

MBDA implemented two White House and Congressional programs and incorporated their objectives into its daily activities. MBDA established the Asian American Pacific Islanders Initiative to provide information and technical assistance to Asian Americans. The Office of Native American Business Development worked with MBDA's Native American programs, especially tribal entities, to identify business opportunities and resources.

MBDA updated its Web portal offering several electronic business tools for access by business firms. Included is the Phoenix-Bid Matching System that will notify registered firms of a contract opportunity that matches the industry category and geographical criteria of the firm. Over 15,000 matches occurred in the past year. The Business Plan Writer assisted over 2,000 firms to develop new or updated business plans to apply for financial assistance; many to start new businesses.

STRATEGIES AND FUTURE PLANS

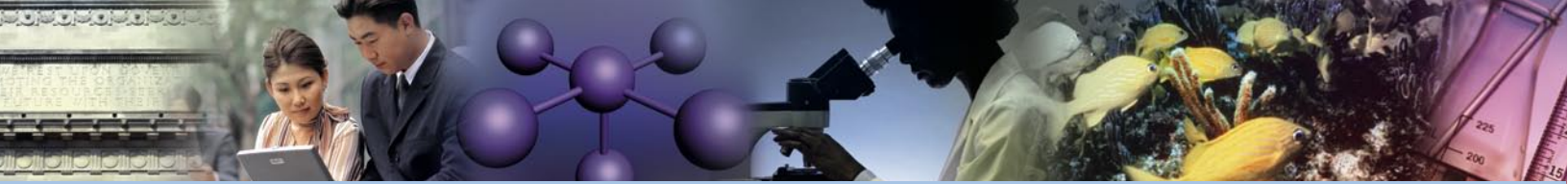
Leading the federal economic development agenda. EDA focuses its resources on proven, high-value, cutting-edge economic development activities and techniques promoted by academic and leading practitioners. EDA achieves success by emphasizing regionalism, innovation, and entrepreneurship as the building blocks for successful economic development.

Support for U.S. Government foreign policy initiatives. ITA has a strategy to address the challenges posed by changing economic, technological, and global business conditions to help U.S. firms expand and conduct business abroad. ITA has made much progress in expanding U.S. exports while supporting U.S. government foreign policy initiatives; both the Iraq and Afghanistan task forces have helped generate export sales in those countries while supporting the U.S. foreign policy goal of regional stability. By generating U.S. exports, ITA simultaneously supports the development of a stronger market-oriented economic system in areas of the world (Africa, Middle East), contributing both to U.S. economic goals and global stability.

Continued focus on SMEs. Large portions of ITA's resources are directed toward ensuring that U.S. SMEs, service industries, and manufacturers can compete and win in the global economy. ITA supports the President's economic program of export expansion by reasserting leadership in international trade through negotiations, through compliance, and by seeking the removal of non-tariff trade barriers. ITA assists in the development of commercial infrastructure in target markets such as China, Turkey, Brazil, and India.

Leading the National Export Strategy. While contributing to the success of U.S. workers and firms, ITA has led the federal government's export assistance programs at large. The success of the National Export Strategy has depended on ITA's ability to leverage public and private partners to serve more SMEs. While these companies account for 70 percent of new jobs in the United States, they account for only a small share of the total export value of U.S. goods exports. With the help of partner organizations ITA has been able to raise general awareness and provide individual companies the help they need to realize their export potential. ITA has many examples of companies realizing their export potential.

In 2007, the Commercial Service helped generate nearly 12,000 export successes worth billions of dollars in U.S. export sales.



Program Management and Performance Strategy. ITA has taken steps to strengthen program management and performance. In FY 2007, ITA's Chief Financial Officer (CFO), in conjunction with ITA's Commercial Service program, completed verification and validation of export success metrics at seven domestic and five overseas field locations. In the spirit of the President's Management Agenda (PMA), these reviews have enabled ITA to verify source measure data that express progress toward achieving ITA strategic goals.

CHALLENGES FOR THE FUTURE

ITA's success in achieving the outcome "to Broaden and Deepen the U.S. Exporter Base" is impacted by domestic and international economic conditions. Economic shocks in foreign markets and exchange rate fluctuations can affect U.S. exports and demand for U.S. products. The cooperation of other TPCC member agencies affects the level of services provided to SMEs.

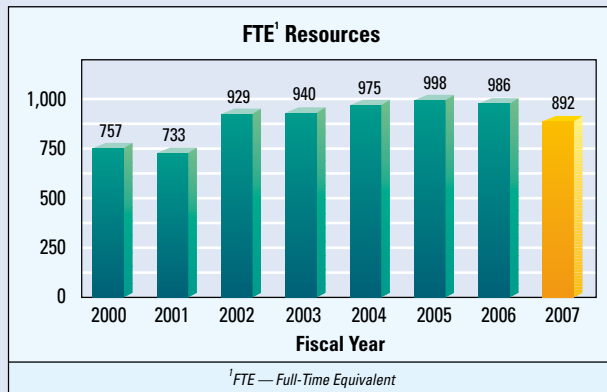
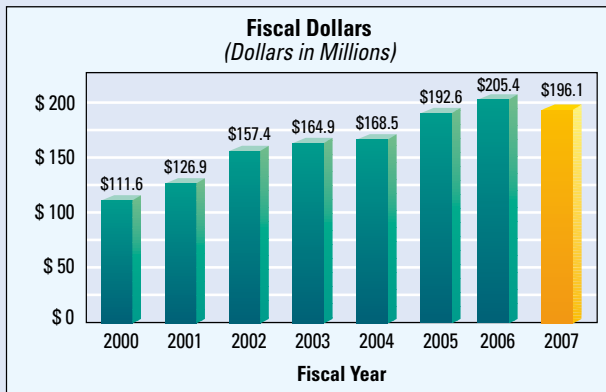
EDA targets assistance to projects that can provide direct and lasting benefits to economically distressed communities and regions. EDA programs are not intended to work alone, but to increase the availability of outside capital (both public and private) for sustainable development strategies to create and retain private enterprise and jobs in economically distressed areas. EDA's strategies include strengthening local, state, and sub-state partnerships to assess and respond to long-term economic trends, sudden and severe dislocations, and emergencies; establishing flexible program and funding authorities that respond to local priorities; developing partnerships with other federal agencies to improve assistance for distressed communities; and working directly with those communities to achieve long-term development objectives and address sudden and severe economic dislocations.

MBDA has several management challenges including: maintaining a high return on investment (ROI) for its performance measures, encouraging large corporate organizations to sponsor B2B events and open new opportunities to support their supply chain, identifying new SGI minority firms ready to grow and participate in competitive events, and improving the MBDA ACSI score. Through its knowledge management efforts, MBDA will ensure that data and information concerning minority business development continue to be published and communicated.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

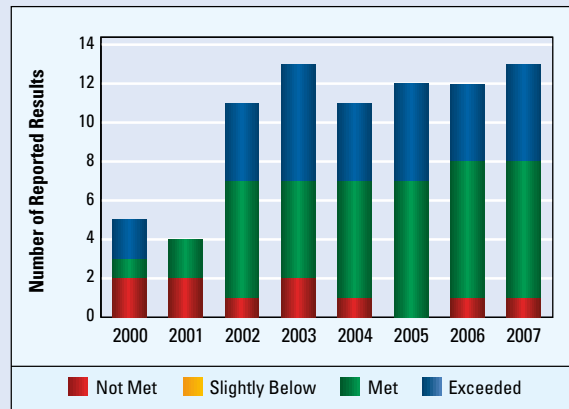
STRATEGIC OBJECTIVE 1.2 TOTAL RESOURCES



his objective focuses on the following tasks:

- ◆ ensuring fair competition in international trade;
- ◆ advancing U.S. national security and economic interests by enhancing the efficiency of the export control system;
- ◆ preventing illegal exports;
- ◆ identifying violators of export prohibitions and restrictions for prosecution;
- ◆ enhancing the export and transit control systems of nations that lack effective control arrangements;
- ◆ ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) Agreement, and;
- ◆ undertaking a variety of functions to support the viability of the U.S. defense industrial base.

STRATEGIC OBJECTIVE 1.2 PERFORMANCE RESULTS



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

The Department works extensively with U.S. businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies. The Department takes appropriate actions it identifies as violations. The Unfair Trade Practices Team in ITA's Import Administration (IA) tracks, detects, and confronts unfair competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Identify and resolve unfair trade practices (ITA)	5 of 6
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	5 of 5
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	1 of 1
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1

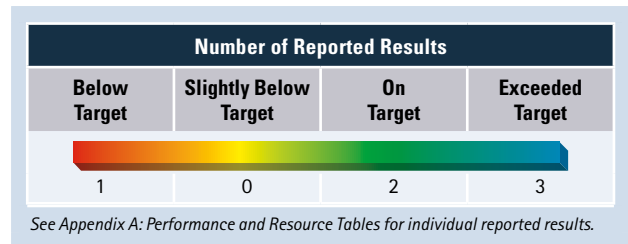
The Department's supports the President's foreign policy goals to promote freedom and liberty through free and fair trade, while expanding profitable markets for U.S. goods and services. The Department is supporting reconstruction in Iraq and Afghanistan and is working to bring free trade to regions such as Africa and the Middle East.

The Department administers the U.S. dual-use export control system. Dual-use items, subject to the Department's regulatory jurisdiction, have predominantly civilian uses, but could also have conventional military, weapons of mass destruction (WMD), and terrorism-related applications. The Department effectively administers the dual-use export control system by (1) writing and promulgating regulations, (2) processing license applications, (3) enforcing adherence to U.S. law and regulations, (4) conducting outreach to exporters, (5) strengthening the export control systems of other countries, (6) assessing the viability of key sectors of the defense industrial base, and (7) assuring the timely availability of industrial resources to meet national defense and emergency preparedness requirements. Further information on these tasks is available on www.bis.gov/news/2007/annReport06/BIS07_all.pdf.

Performance Outcome: Identify and resolve unfair trade practices (ITA)

Help build a rules-based trading system in which international trade is both free and fair for U.S. firms and workers.

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. Two program units in ITA, Market Access and Compliance (MAC) and IA work to ensure that the U.S. firms receive those benefits and obtain prompt relief from unfair trade practices.



ITA monitors industry access to overseas markets and works to remove costly barriers to product and service exports. According to a University of Michigan study, the average U.S. family of four still stands to gain an estimated \$7,800 per year if there was total elimination of global barriers to trade in goods and services. The World Bank has reported that the elimination of global trade barriers could lift 300 to 500 million of the world's poor out of poverty over the next 15 years.

Trade 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. MAC seeks to obtain market access for U.S. firms and workers and to achieve full compliance by foreign nations with trade agreements they sign with the United States. MAC ensures market access for U.S.



STRATEGIC GOAL 1 * PERFORMANCE SECTION

businesses; advances the rule of law internationally; and creates a fair, open, and predictable trading environment. MAC also conducts critical trade policy analysis and negotiation support for the Office of the U.S. Trade Representative (USTR) and represents the Department in trade related dealings with other U.S. government agencies.

MAC uses a range of techniques to advocate on behalf of U.S. businesses and intervene with other governments to ensure foreign compliance with existing trade agreements and to eliminate trade barriers. Trade agreement compliance and foreign trade barriers have been a continuous problem for U.S. exporting firms, large and small. Many companies, especially small and medium sized firms, do not have the resources, knowledge, or leverage to influence foreign governments, their laws, and regulatory regimes. Based on customer need, MAC has a sizeable caseload each year from U.S. firms that have encountered a trade barrier. In FY 2007, MAC initiated 187 cases from U.S. industries and concluded 158. For the past four years, ITA has consistently met or exceeded its targets for the number of cases initiated and the number of cases resolved. Concerning the latter measure, ITA has raised its target each year, from 30 to 40 in FY 2003 to 120 in FY 2007, reflecting better performance each year.

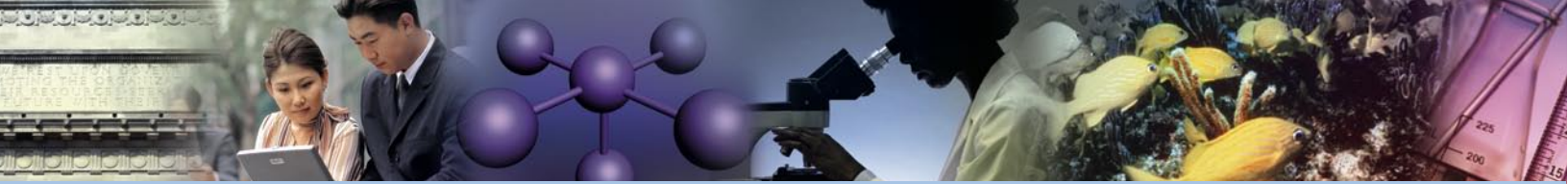
However, for "Percentage of market access and compliance cases initiated on behalf of small and medium-sized businesses," ITA did not meet its target of 30 percent. This is a new measure that began in FY 2006 and thus a baseline is still uncertain. However, because 97 percent of all exporters are small and medium-sized businesses, ITA believes that supporting these businesses is important. ITA is still investigating why the actual for this measure dropped from 28 percent in FY 2006 to 22 percent in FY 2007 and will reinforce its efforts to achieve and measure progress in this area.

IA identifies and monitors import surges created by imports that are sold in the United States at less than fair market value, foreign government subsidy practices, and other harmful import trends. It defends U.S. industry against injurious trade practices by administering the antidumping (AD) and countervailing duty (CVD) laws of the United States. IA expedites investigations when warranted by import surges and foreign subsidy practices, defends unfair trade practices before the World Trade Organization (WTO), and coordinates the Department's role in the Administration's steel strategy. IA's Unfair Trade Practices Team confronts unfair foreign competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA's China Compliance office devotes more resources to China cases and issues unique to non-market economies, such as IPR violations affecting the U.S. textile industry.

Since FY 2002, ITA has consistently met its target of completing 100 percent of AD/CVD cases within the statutory deadline. FY 2007 was no different. The percentage of AD/CVD cases completed on time reflects the vigilance of IA staff to complete its casework within the statutory timeframe. Domestic industry generates AD/CVD cases, and timeliness of case activity is a critical factor for delivering customer satisfaction. Timeliness of casework is also essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests. The stated target reflects management's prioritization of adherence to statutory requirements. ITA must always complete these cases within the limits set forth in law. Domestic products covered by these AD/CVD investigations and reviews are critical to U.S. industries. The timely completion of these cases may have a direct correlation with the ability of petitioning U.S. firms to remain viable when a firm may be subjected to unfair trading practices. Ensuring expedient completion of cases offers firms the best timeframe for determining if they are being injured by an unfair trading practice.

Free and fair trade is a two-way street that requires all parties to play by the rules. In FY 2007, ITA conducted the following activities to level the playing field by removing barriers that hinder U.S. exporters:

In FY 2007, ITA continued its efforts, in conjunction with specialized attorneys at the U.S. Patent and Trademark Office (USPTO) to manage an online complaint forum at Stopfakes.gov. These complaints were monitored by ITA's trade compliance team who counsel businesses on how to protect their IPR and work with callers on how to best resolve problems. In FY 2007, the hotline



PERFORMANCE SECTION * STRATEGIC GOAL 1

received over 1,730 calls. ITA's trade compliance team has received 180 formal inquiries from individuals or companies through the STOP! (Strategy Targeting Organized Piracy) Fakes Web site. The STOP! Fakes Web site (www.stopfakes.gov), its online complaint form, and brochures provide resources such as one-on-one consultations and further information and guidance to rightsholders on how to register and protect their IP in markets around the world. The Stopfakes.gov Web site had more than 44,000 visitors in calendar year 2007. ITA MAC program staff have also created downloadable "IP toolkits" to guide businesses through securing and enforcing their rights in key markets around the globe. These toolkits are available at the Stopfakes.gov Web site and cover key trading partners such as China, Russia, India, Mexico, Korea, Malaysia, and Taiwan.

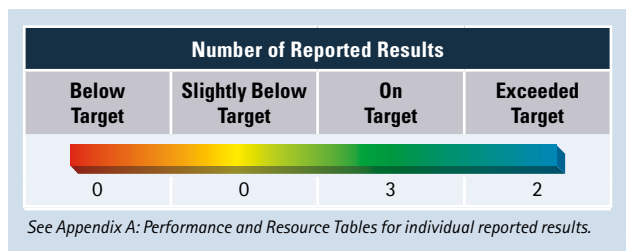
On March 30, 2007 the Department announced its affirmative preliminary determination in the CVD (or anti-subsidy) investigation on imports of coated free sheet paper from China. Subsidies are financial assistance from foreign governments that benefit the production, manufacture, or exportation of goods. In this case, the Department has departed from its 23-year, bipartisan practice of not applying the CVD law to non-market economies such as China, which was upheld by the U.S. Court of Appeals for the Federal Circuit in its 1986 decision, *Georgetown Steel*. During this case, the Department explained that *Georgetown Steel* no longer applied to China of because of the vast differences between the characteristics of the non-market economies of the 1980s Soviet-bloc countries and China's economy today.

"This Administration has aggressively enforced our antidumping laws to combat unfair Chinese trade," said U.S. Secretary of Commerce Carlos M. Gutierrez. "China's economy has developed to the point that we can add another trade remedy tool, such as the countervailing duty law. The China of today is not the China of years ago. Just as China has evolved, so has the range of our tools to make sure Americans are treated fairly. By acting on the petition filed last October, the United States today is demonstrating its continued commitment to leveling the playing field for American manufacturers, workers, and farmers."

Performance Outcome: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)

The Department administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of WMD, combat terrorism, and pursue other national security policy goals. The Department also serves as the lead agency for ensuring U.S. industry compliance with CWC.

The Department processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with Export Administration Regulations (EAR). An integral part of BIS's 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.



In FY 2007, the Department successfully promulgated regulations that adapted export controls to the evolving national security and economic situation. Noteworthy regulations published include multilateral export control regime changes from 2006/2007 Plenary meetings and a revision to China licensing policy to restrict exports to Chinese military end-users while facilitating civilian trade with trusted end-users.



STRATEGIC GOAL 1 * PERFORMANCE SECTION

The Department processed export license applications and related requests in FY 2007. While this represented an increase over the amount processed in FY 2006, the Department continued to process these applications in a timely manner, thereby benefiting exporting companies and industries, while protecting national security and foreign policy interests.

The Department engages in activities to prevent violations before they occur and to investigate and prosecute violators to dismantle illicit proliferation networks. Preventive activities include screening license applications for enforcement concerns; conducting end-use checks abroad to confirm the *bona fides* of parties to export transactions, confirm compliance with license conditions, and uncover 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.

In FY 2007, the Department exceeded its targets by completing 930 actions that resulted in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge, as well as conducting 854 end-use checks. The Department also ensured that its investigation case load was targeted on the priority areas of WMDs, terrorism, and military diversion.

In addition to dual-use export controls, BIS enforces the antiboycott provisions of the EAR. The antiboycott regulations direct U.S. businesses not to participate in foreign boycotts that the United States does not sanction. As well as investigating criminal and administrative violations of the antiboycott regulations, the Department actively supports the Department of State's efforts to dismantle Arab governments' boycott of Israel. The Department provides guidance to the exporting community regarding the antiboycott regulations through public outreach and its telephone and e-mail advice line.

The Department can meet its responsibility for administering the dual-use export control system using current legal authorities. However, there would be benefits in securing comprehensive dual-use export control legislation. Thus, the Administration continues to work with Congress to pass a reauthorized Export Administration Act (EAA) with enhanced enforcement authorities.

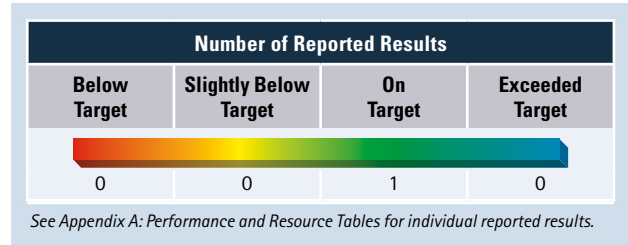
The Department also develops and implements export control policies toward key countries such as China and India. In FY 2007, the Department published a final China policy update, engaged with China's Ministry of Commerce in two meetings of the U.S.-China High Technology and Strategic Trade Working Group of the Joint Commission on Commerce and Trade (JCCT), and participated in the first two Treasury-led U.S.-China Strategic Economic Dialogues. The Department also supported President Bush's Nuclear Initiative with India, including the strengthening of India's export control system, and hosted a meeting of the U.S.-India High Technology Cooperation Group.

In March 2007, the Inspector General (IG) released a report on dual-use export controls to India. The report found that policies are not fully transparent, the end-use check program needs improvement, and compliance with license conditions needs to be strengthened. BIS has prepared and begun implementation of an action plan to address the report's specific recommendations that it agrees with.

Performance Outcome: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)

The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of the multilateral export control regimes and cooperates with other countries to help them establish effective export control programs.

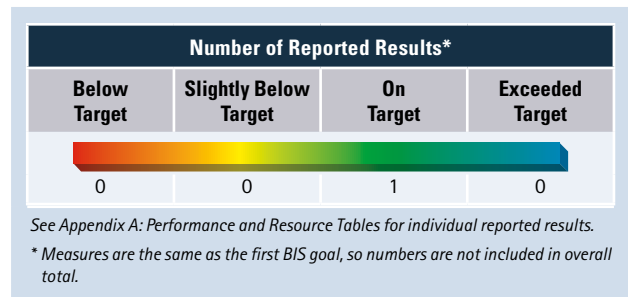
The Department helps improve the effectiveness of the multilateral export control regimes (Australia Group for chemical and biological weapons items, Missile Control Regime, Nuclear Suppliers Group, and Wassenaar Arrangement for dual-use technologies and conventional weapons) by participating in U.S. efforts to update and adapt their control lists to the threats facing the United States.



The Department works with other countries to encourage and support their development of effective export control systems consistent with obligations under United Nations Security Council Resolution 1540. In FY 2007, the Department continued its efforts with India and accelerated contacts with the United Arab Emirates. In addition, the Department assists in implementing its international activities by coordinating and managing BIS participation in the U.S. government's Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective export control systems.

Performance Outcome: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)

The Department works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to national security. To this end, it analyzes the impact of export controls and trade policies—including deemed export policy—on strategic U.S. industries, studies the impact of defense trade offsets, advocates for U.S. defense companies competing for international sales opportunities, and evaluates the security impact of certain proposed foreign investments in U.S. companies. The Department also administers the federal government's Defense Priorities and Allocations System (DPAS), which assures the timely availability of industrial resources to meet national defense and emergency preparedness program requirements and provides an operating system to support rapid industrial response in a national emergency.



In FY 2007, the Department announced the results of an important study of the U.S. imaging and sensors industry. In addition, the Department supported administratively the Secretary's Deemed Export Advisory Committee, which is slated to provide in early FY 2008 its recommendations for policies that will continue to provide U.S. industry, academia, and research institutions with access to talented foreign researchers while ensuring that U.S. security requirements are met. The Department also issued its annual report on the impact of defense offsets on U.S. industry and actively participated in an interagency committee to develop and implement policies for mitigating the use of offsets by U.S. trading partners.

STRATEGIES AND FUTURE PLANS

ITA will expand its analytical infrastructure to:

- ◆ support timely and accurate assessments of (1) the impact on U.S. industries of the growth of regional trade pacts, and (2) the impact of major competitors exporting their discriminatory technical regulations to third markets in the developing world;
- ◆ develop strategies to support bilateral and multilateral trade negotiations that prevent the adoption of discriminatory international standards and regulations against U.S. products;
- ◆ work closely with foreign governments and regulatory officials in the developing strategies that address regulatory barriers, head off potentially harmful regulations, and help shape good regulations and standards;
- ◆ monitor economic data from U.S. global competitors and vigorously investigate evidence of unfair subsidization and production distortions;
- ◆ identify legal remedies available to counter unfair trade practices and ensure that they are eliminated, rather than leave these small and medium-sized manufacturers in the United States with costly trade litigation;
- ◆ focus and sharpen expertise on China through the China Compliance office in IA. This effort devotes more resources and dedicated experts to China for compliance issues.



The Department continues to refine U.S. export controls in light of geopolitical and global market realities to ensure that they meet U.S. national security requirements. The Department also seeks to enhance the effectiveness of the EAR by educating exporters and other stakeholders in the export licensing process, thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.

The Department will also continue its efforts to strengthen multilateral cooperation on export controls to help strengthen U.S. security by extending controls over sensitive items beyond U.S. borders, and to help ensure a level playing field for U.S. exporters and otherwise permit them access to foreign markets. The Department will continue to develop and implement policy initiatives to integrate other key countries, such as China and India, more tightly into the global dual-use export system, thereby increasing U.S. security and facilitating the export of sensitive U.S. items to these markets.

Strong enforcement of U.S. export regulations is critical to protect U.S. national security interests. The Department will continue to focus on preventing, investigating, and prosecuting the most significant export violations involving proliferation, terrorism, and military end-uses. Focused partnerships with U.S. businesses will be maintained regarding specific goods and technologies sought for hostile acquisition, and the deemed export compliance program will be finalized and implemented.

The Department will also continue to strengthen its ability to promote U.S. competitiveness by improving deemed export policy, studying the impact of export controls and other factors on strategic industries, and evaluating the effects on national security of imports of certain items and foreign investments in U.S. companies.

CHALLENGES FOR THE FUTURE

ITA faces new demands as the international trade environment changes from year to year: new barriers are erected, the role of international organizations and alliances is strengthened, and other foreign regulatory measures are implemented that have a negative impact on ITA exports. Market access cases frequently arise from these foreign regulatory measures. Complaints are received by ITA from U.S. companies experiencing overseas barriers to U.S. exports, which are not covered by trade agreements. Compliance cases rise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the United States and through monitoring efforts by ITA compliance officers.

BIS faces the challenges of implementing an export control system that advances U.S. national security, foreign policy, and economic objectives in a dynamic technology and geopolitical environment. This includes strengthening the legal foundation of the dual-use export control system. The EAA lapsed on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Compo 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of Notice of August 3, 2006 (71 FR 44551 (August 7, 2006)) continues the regulations in effect under the International Emergency Economic Powers Act (IEEPA). While the Department effectively exercises its authority under IEEPA, the legal foundation for the dual-use export control system can be strengthened. The Administration has vigorously advocated a streamlined and strengthened export control system that effectively promotes both U.S. national security and U.S. economic interests. To address this challenge, the Department continues to work with Congressional members and staff on export control reforms that enhance the Department's ability to facilitate legitimate global trade while reducing illicit traffic in dual-use items and targeting export control resources on transactions of greatest risk.

This challenge also includes managing export controls to maximize security with minimum impact on U.S. competitiveness. Trade must rest on a firm foundation of security, yet controls on trade must not disadvantage U.S. exporters needlessly. To meet this challenge, the Department will use BIS's Office of Technology Evaluation and other resources to understand better the impact of technology, markets, and geopolitical developments on U.S. security and competitiveness.

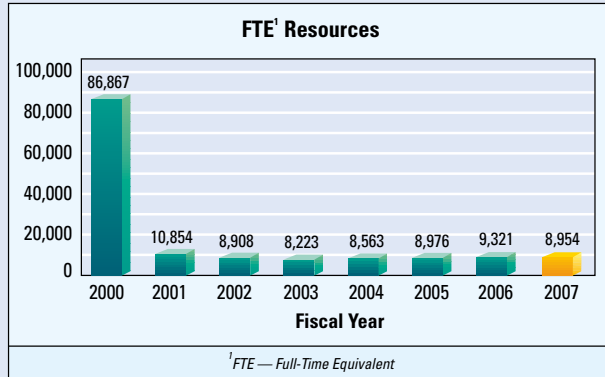
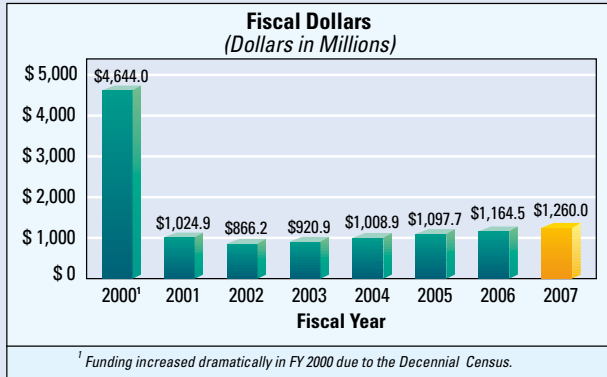


Director of the Office of Strategic Industries and Economic Security, Dan Hill.

STRATEGIC OBJECTIVE 1.3

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

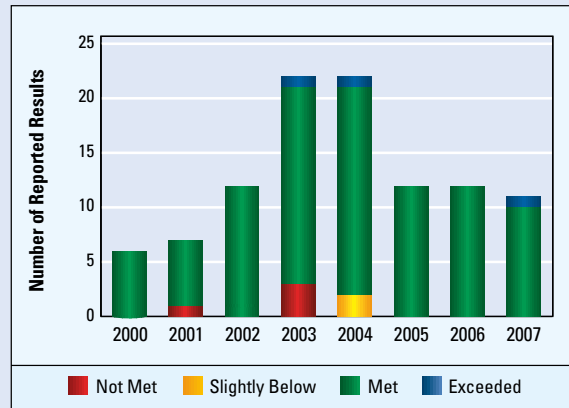
STRATEGIC OBJECTIVE 1.3 TOTAL RESOURCES



This objective is important to the Nation's economic well being because it focuses on meeting the needs of policymakers, businesses and nonprofit organizations, and the public for current measures of the U.S. population, economy, and governments, while respecting individual privacy, ensuring confidentiality, and reducing respondent burden. It also promotes a better understanding of the U.S. economy by providing timely, relevant, and accurate economic data in an objective and cost-effective manner.

The Department's statistical programs and services are widely used by policymakers, business leaders, and the U.S. public. As a primary source for measures of macroeconomic activity, the Department provides the Nation with the picture of its economic health.

STRATEGIC OBJECTIVE 1.3 PERFORMANCE RESULTS



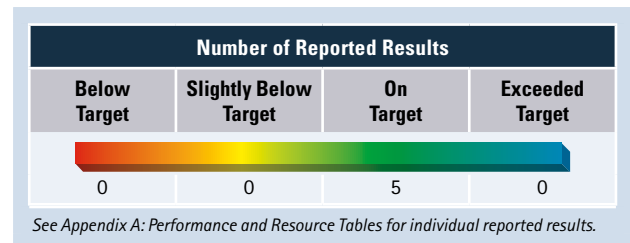
See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)	5 of 5
Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)	6 of 6

Performance Outcome: Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)

The Census Bureau collects and disseminates a wide range of current demographic and economic information and provides benchmark measures of the Nation's economy and population to help decisionmakers and the public make informed decisions.

The Census Bureau's current economic statistics program provides public and private data users with monthly, quarterly, and annual national statistical profiles of the U.S. economy. Agencies, like the Federal Reserve Board and BEA are two of the major users of these data. These data are used to develop the GDP, production indexes, and Congressional economic projections. Also, these data allow users to gauge competition, calculate operating ratios, analyze changes in the Nation's economic structure, calculate market share, locate business markets, and design sales territories.



In FY 2007, the Census Bureau released more than 400 economic reports, including 124 principal economic indicators, providing information on retail and wholesale trade and selected service industries, construction activity, quantity and value of industrial output, capital expenditure information, e-commerce sales, foreign trade, and state and local government activities.

The current demographic statistics programs provide accurate, timely, and efficient information on the social and economic condition of the population. These programs include:

- ◆ The Current Population Survey (CPS) provides the official source of monthly labor force estimates, quarterly housing vacancy estimates, and annual estimates of work experience, income, poverty, migration, and school enrollment. In January 2007, the questionnaire instrument software for the core labor force questions and all the monthly supplements was successfully upgraded to a Windows-based version.
- ◆ The Survey of Income and Program Participation (SIPP) is the major source of information on the economic well being of Americans over time. The data are used to estimate future costs and coverage for government programs and to provide detailed statistics on the distribution and source of income in the United States. The Census Bureau also continued efforts to improve its statistical methods to collect information on economic well being so that the data collection and processing systems on income and federal and state program dynamics better meet the policy and operational needs of the country. In FY 2007, the Department began work to evaluate the following:
 - Use of administrative records data to evaluate and improve data quality;
 - Improvements in the instrument and processing system;
 - Use of the American Community Survey (ACS) for the sampling frame;
 - Use of the event history calendar to improve recall;
 - The review and revision/update of content.



The Survey of Program Dynamics (SPD) can reliably be used to produce sub-national estimates of poverty and receipt of government assistance for selected states, and the State Children's Health Insurance Program (SCHIP) provides state-based estimates of health insurance coverage of children.

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 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.

The Census Bureau's cyclical programs provide the foundation for critical national, state, and local data. These include the Economic Census and Census of Governments, which are conducted every five years, and the Decennial Census program.

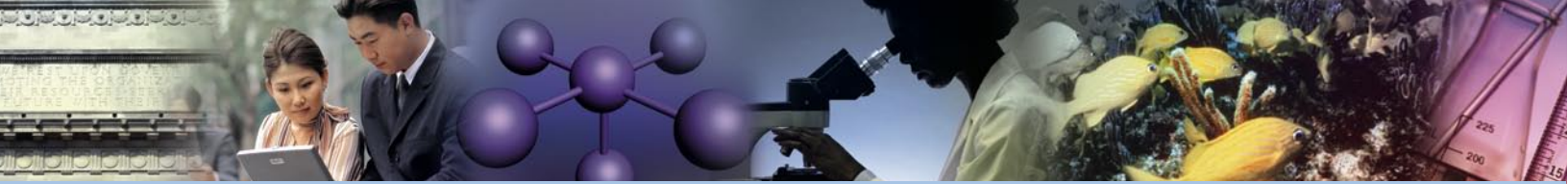
The Economic Census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The 2007 Economic Census will cover some 26 million business locations and 84 percent of the Nation's economic activity. The data help build the foundation for GDP and other indicators of economic performance.

During FY 2007, the Census Bureau completed critical preparations for the 2007 Economic Census data collection and processing, which will begin in October 2007 and continue throughout FY 2008. Key accomplishments for FY 2007 include:

- ◆ **Collection Instrument Preparation.** The Bureau completed paper and electronic versions of more than 530 industry-specific collection instruments, building on work done during FY 2006 to determine content and assemble questionnaires.
- ◆ **Business Outreach.** The Bureau began business outreach activities in advance of Economic Census data collection in order to build good reporting relationships with companies and to promote timely response.
- ◆ **Frame Preparation.** The Bureau also completed important activities during FY 2007 to prepare the Economic Census mailing list, including an effort to improve industry classifications on its Business Register, which is important for determining which of 530-plus industry-specific questionnaires is mailed to each establishment.
- ◆ **Processing System Preparation.** The Bureau also prepared computer applications for the Economic Census data collection and processing, ensuring that systems needed for mail selection and mailout operations were ready for production by September 2007.

The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments. The 2007 Census of Governments, the eleventh since its inception in 1957, will cover about 90,000 local governments, including thousands of subordinate agencies. This complex and ever-changing government universe is a major economic factor totaling 12 percent of GDP and nearly 16 percent of the U.S. workforce. During FY 2007, the Census Bureau made critical preparations for 2007 Census of Governments data collection and processing, which began in FY 2007 and continue throughout FY 2008.

The Intercensal Demographic Estimates program provides updated estimates of the U.S. population for the country, states, counties, cities, and townships in the years between the decennial censuses. This year was the first official set of population estimates that included the effects of Hurricanes Katrina and Rita. Special processing was done that supplemented the usual Internal Revenue Service (IRS) data with data from the National Change of Address File from the U.S. Postal Service. In addition to meeting the schedule for the release of the official set of July 2006 population estimates for the nation, states, counties, cities,



PERFORMANCE SECTION * STRATEGIC GOAL 1

and townships, the Intercensal Demographic Estimates program has been working on a research agenda to look at the housing unit based estimates methodology. This research agenda developed out of the population estimates stakeholders meeting held in July 2006. At this meeting, stakeholders asked the Bureau to look at alternative population estimates methodologies, such as the housing unit based approach, and to also examine alternative data sets.

The Demographic Surveys Sample Redesign (DSSR) program provides updated samples for most major recurring household surveys conducted by the Census Bureau to account for changes in the population and demographics, survey requirements and objectives, and survey methods and technology. The Census Bureau completed memorandums of understanding (MOU) with survey sponsoring agencies that enable the Census Bureau to ensure that the 2010 Sample Redesign meets sponsors' needs and provides accurate and reliable data for policymakers, business, and the U.S. public. The Bureau completed several studies in the development of a coverage profile of the Master Address File (MAF), a potential single sampling frame that could reduce survey costs. The Census Bureau also discussed its sample redesign program with the statistical community, including professionals from Statistics Canada and academia, which served as a peer review of redesign methods and as an opportunity to learn new ideas to improve accuracy or reduce costs.

The decennial census is used 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 \$300 billion a year is distributed to state and local governments using formulas that are based on data such as state population and personal income.

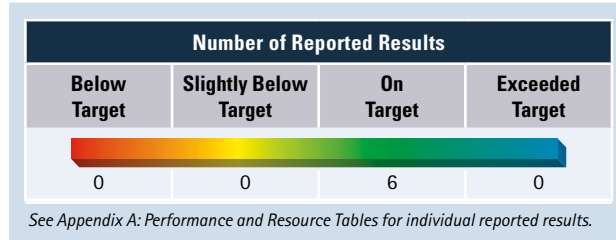
Working towards these outcomes in FY 2007, the decennial census program began conducting the early operations for the 2008 Census Dress Rehearsal as well as awarded contracts for printing and the integrated communications program for the 2010 Census itself. The ACS, which collects and tabulates long-form data every year throughout the decade, achieved a 97.8 percent weighted response rate, using three modes of data collection (mail-out, telephone, and personal interview). The ACS also released social and demographic data for all places with a population of 65,000 and larger for the second year in a row. The Boundary and Annexation Survey (BAS) program achieved an 87.5 percent response rate. BAS is used to update information about the legal boundaries and names of all governmental units in the United States. In addition, street features have been corrected in the Topologically Integrated Geographic Encoding and Referencing System (TIGER) database for 737 counties in FY 2007, bringing the total completed to 90 percent of all 3,232 counties in the United States and Puerto Rico.

The data used to evaluate the effectiveness of performance goal achievements are reviewed on a quarterly basis. The Census Bureau continues to validate the performance data and ensure that all programs have verifiable processes in place to collect, store, and calculate all performance information reported in the Annual Performance Plan (APP) and the Performance and Accountability Report (PAR).



Performance Outcome: Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)

ESA's BEA produces some of the Nation's most important and closely-watched economic statistics, including the GDP, the broadest measure of economic activity. BEA produces economic statistics for three major program areas: National Economic Accounts, Industry Economic Accounts, and Regional Economic Accounts. Greater descriptions of these accounts can be found on the BEA Web site at www.bea.gov.



BEA draws on the data collection and analyses conducted by the Census Bureau, Bureau of Labor Statistics (BLS), IRS, Federal Reserve, and others to produce over 50 public releases of economic statistics a year. Using these data, BEA estimates the Nation's economic accounts. These estimates provide a comprehensive, integrated, and consistent measure of U.S. economic activity and are used as critical ingredients in budget appropriations and forecasts, international trade and policy formulation, and business and personal financial strategies. Without these measures, the Nation's leaders would have little objective information on which to base monetary and fiscal policy decisions, and the domestic and global markets would have few statistics with which to understand the health of the U.S. economy.

Most of BEA's customers are other government and business organizations that use the data BEA produces to make important decisions that affect the entire Nation. Measures such as the GDP, U.S. and local area personal income, international trade in goods and services, GDP by state, and GDP by metropolitan area are important components of the work of government, business, academia, and other organizations. Some key uses of BEA measures include:

- ◆ OMB, the Congressional Budget Office, the Council of Economic Advisors, and the Department of Treasury use BEA's GDP estimates and a wide range of other National Income and Product Accounts (NIPA) data, including trend growth in real GDP and inflation, wages and salaries, profits, and other types of data, to make important policy decisions.
- ◆ The Federal Reserve uses real GDP and BEA's measures of inflation to establish monetary policy.
- ◆ U.S. businesses use BEA data to guide over \$2 trillion of investment in factories, equipment, and new housing construction; to assess the macroeconomic and international trade outlook; and in making business location decisions in the United States and around the world.
- ◆ Federal programs—such as Medicaid, Foster Care, and SCHIP—use BEA's regional income and product accounts as a basis to allocate over \$214 billion in federal funds to states.
- ◆ Virtually all 50 states and the District of Columbia use quarterly state personal income to estimate revenue and expenditure projections. Twenty-one states have set constitutional or statutory limits on state government spending that are tied to components of state personal income.

- ◆ U.S. trade policy officials use trade and other international account statistics to develop trade policy and to assess the impact of international investment and trade on the U.S. economy.
- ◆ U.S. private investors use BEA's economic data to help them manage over \$22 trillion in investments in stocks and bonds.

BEA has worked to make these critical measures more accurate and more accessible for all users. Great progress has been made in recent years to accelerate the release of BEA's key economic statistics and to expand the level of detail of both new and historical data available. Additionally, BEA has continued to upgrade its electronic survey data collection system, reducing respondent burden and decreasing reporting errors in data collection.

BEA has modernized its statistical processing systems and has made great progress in addressing the significant long and near-term challenges that the organization faces. During FY 2007, BEA achieved a number of important data improvement and availability targets, including:

- ◆ Introduced new and comprehensive estimates of international transactions and positions in financial derivatives.
- ◆ Substantially integrated the NIPA estimates with the Federal Reserve's flow of funds accounts.
- ◆ Released prototype estimates of GDP by metropolitan area.
- ◆ Expanded the prototype research and development (R&D) accounts to include international transactions.
- ◆ Developed and published detailed FDI data on employment; payroll; and sales by state, industry, and country.
- ◆ Improved estimates of consumer spending in the economy.
- ◆ Launched an online, interactive mapping system for state and local area personal income.
- ◆ Unveiled a redesigned Web site to improve consistency and to enhance the look and feel in order to make BEA's economic statistics even more accessible and easy to use.

BEA programs are evaluated through a variety of means. OMB has evaluated BEA twice using the Program Assessment Rating Tool (PART). In FY 2002 and FY 2003, BEA was awarded the highest rating of effective and was ranked within the top five percent of all federal programs reviewed. BEA also conducts an online survey of its data users to monitor their satisfaction with BEA products and services. For the past five years, customers of BEA products and services have indicated high levels of satisfaction. Every two years, BEA conducts an internal Organizational Assessment Survey (OAS), administered by the Office of Personnel Management (OPM), to assess its organizational culture. The results of the most recent OAS placed BEA above the median score compared to other agencies that participate in the OAS on every dimension. BEA also matched or bettered the highest ratings on over 40 percent of the assessment measures.

STRATEGIES AND FUTURE PLANS

The Census Bureau strives to provide accurate, timely, and useful information to users in the most cost-effective manner while honoring privacy, protecting confidentiality, and conducting work openly. One way the Census Bureau is doing that is through a multi-year effort to re-engineer the census. This effort allows the Census Bureau to meet the Nation's ever-expanding needs for

social, demographic, and geographic information by improving the relevance and timeliness of census long-form data, reducing operational risk, improving accuracy of census coverage, and containing costs. The strategy is to accomplish that through the use of the ACS, enhancements to the MAF/TIGER database, and a re-engineered short-form only 2010 census. The Census Bureau will continue the ACS and release products for geographic areas and population groups of 20,000 or greater for the first time in FY 2008.



The U.S. Census Bureau is using hand-held computers to update the address list for the 2008 Census Dress Rehearsal. Locally hired census workers will visit every housing unit to make sure it is on the Census Bureau's address list and will receive a census dress rehearsal questionnaire in March 2008.

Other plans for FY 2008 include continuing major contracting efforts related to field data collection automation, data response integration, data access and dissemination, printing for the 2010 Census, and communications; conducting major data collection efforts for the 2008 Dress Rehearsal; continuing the overall management and integration of planning, testing, development and implementation efforts for the 2010 Census; and continuing to conduct early operations for the 2010 Census, including the opening of the Regional Census Centers.

The Census Bureau began efforts in FY 2006 to re-engineer the SIPP. SIPP's household longitudinal design, with an interview every four months across several years, provides a wide breadth of detail on a wide range of topics, but is extremely burdensome on respondents, complicated to edit and process, and expensive to conduct. The Census Bureau is working with stakeholders and moving rapidly to develop an improved system and is considering several design options. It is hoped that the improved system will lower attrition, reduce respondent burden, and increase the timeliness of the data, while addressing the same basic issues historically covered by SIPP.

Census Bureau economic benchmark data are the foundation of the Nation's economic statistics programs. They provide core information on virtually all non-farm businesses and related data on business expenditures, commodity flows, minority and women-owned businesses, and other topics. The Census Bureau plans to enhance the 2007 Economic Census to ensure the usefulness and relevance of the programs; expand content to include first-time collection of data on employers contributions for

pension and health care and new data on service products; improve the timeliness of respondents, especially for large companies; increase response rates; improve internal processing efficiency; and improve the timeliness of statistical products.

In August 2007, the Committee on National Statistics completed its independent review of the Government Statistics programs and reported the results to the Census Bureau. The report included recommendations that covered:

- ◆ How the program can address its dual missions: reporting on the size and scope of the state and local government sector at an aggregate level, and reporting on the functions of individual governments.
- ◆ How to address inherent quality and cost-benefit trade-off issues when complex reporting arrangements constrain the program's ability to change content, add new content, and assess quality control of the data.
- ◆ Dealing with high rates of nonresponse; the use of third-party data, editing, and imputation; and the possible applicability of procedures that other statistical agencies use.
- ◆ Improving the timeliness of information release and making it more accessible.

BEA continued to be proactive in 2007 with outreach to its user communities. As part of the annual updates to the BEA 5-year Strategic Plan, BEA provides all of its stakeholders and users an opportunity to review the 5-year plan and make recommendations. In addition, BEA senior staff have participated in conferences and meetings around the country and around the globe to share the Agency's priorities and improvements. These face-to-face meetings provide an effective means of communicating enhancements to BEA's accounts and of soliciting meaningful feedback.

During 2007, BEA expanded external communications and outreach efforts to inform existing users of upgrades and changes to BEA data, and to educate new users on how they can use BEA data to make better-informed decisions. Areas of particular focus for BEA's FY 2007 outreach included communities affected by the Department of Defense's (DOD) Base Realignment and Closure Commission (BRAC). BEA staff provided economic data to many of the 250 communities affected by the 2005 BRAC process. These data were useful to the affected communities in determining the potential economic impacts of the closure, expansion, and contraction of military bases nationwide. In addition, BEA worked closely with data users in California, Colorado, Georgia, Montana, Nevada, Pennsylvania, and Washington to introduce BEA's statistics to new data users, and to help them explore the many uses of these economic statistics.

BEA's outreach expands beyond the United States to include the international community. The Agency regularly attends meetings at the Organization for Economic Co-operation and Development to explain BEA's economic measures and methodologies to the 30-nation membership to achieve greater comparability among the world's economic statistics. BEA also regularly represents the Department at meetings with other international statistical officials, including the United Nations Statistics Division, to further develop common standards that promote the integration of official statistics worldwide.

BEA staff uses these and other outreach opportunities to understand the needs of users, which are then discussed and considered during the annual revision of the BEA 5-year Strategic Plan. This plan is updated each year through a series of BEA directorate-level planning retreats and a senior staff retreat. At the retreats, BEA staff reviews the past Strategic Plan and prepares a public report of the progress toward meeting the milestones. Through this process, BEA is able to clearly define a path that reflects the needs and interests of the U.S. public.



The BEA 5-year Strategic Plan is the most important tool the Agency employs to chart the course of the future and to evaluate all aspects of performance. The milestones of the Strategic Plan feed directly into the performance measures and budget requests of the Agency. In order to assure that these milestones are met, each of BEA's employees is held accountable for completing components of the Strategic Plan.

Twice a year, the blue-ribbon 13-member BEA Advisory Committee meets publicly to review and evaluate BEA statistics and programs. The committee advises BEA's Director on matters related to the development and improvement of the national, regional, industry, and international economic accounts, especially in areas of new and rapidly-growing economic activities arising from innovative and advancing technologies. The committee contributes significantly to BEA by providing recommendations for cutting-edge improvements from the perspectives of the economics profession, business, and government.

CHALLENGES FOR THE FUTURE

Given the major changes in overall design and methodology, the efforts involved with re-engineering the 2010 Decennial Census program will continue to present a significant management challenge for the Census Bureau and the Department.

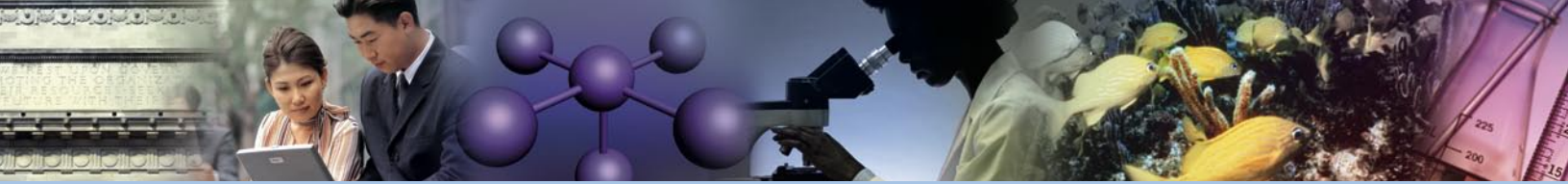
The Census Bureau continues to address the significant management challenges of meeting user demands for reliable data, obtaining and maintaining targeted response rates for the various surveys conducted, and continuing to maintain respondent confidentiality.

BEA continues to face three major challenges in the near future. To tackle them, BEA has developed a detailed, public plan in its Strategic Plan for FY 2007 - FY 2011. The three major challenges facing BEA are:

Measuring a constantly changing economy. The U.S. economy is in constant flux. In order to measure an ever-changing economy, BEA must meet important challenges, such as understanding the structural changes in the economy, improving measurement methodologies in areas like R&D and healthcare, monitoring changing tax and accounting laws, and locating and incorporating data sources to capture these changes. BEA must continue to keep pace with the dynamic U.S. economy in order to provide the Nation with the most timely, relevant, and accurate economic statistics possible.

Integrating federal economic accounts. The demand for greater consistency between the various economic accounts in a decentralized statistical system continues to be an important issue among users of federal economic statistics. BEA made strides in its integration efforts between its industry accounts and the NIPAs, and is working with BLS and the Federal Reserve to integrate shared accounts. The federal agencies responsible for the production of U.S. economic accounts must continue working together to integrate the accounts by harmonizing definitions, methodologies, and analytical techniques in order to provide consistent estimates to users.

Building and developing a skilled workforce. BEA recognizes that its employees are its most valuable asset. Their ability to innovate and promote the country's economic accounts in an objective and cost-effective manner is paramount. To that end, BEA has built competency models to manage the development of employees. These competency models highlight skills and talents that employees must possess and exhibit in all stages of their development at BEA. The competency models allow BEA to build a Workforce Development Framework that is directly tied to BEA's mission and priorities. This framework provides transparency to its employees and guides the mission and objectives of its entire Workforce Development Program. BEA recognizes that a highly-skilled workforce produces results and adds value to its vital economic statistics.



PERFORMANCE SECTION * STRATEGIC GOAL 1



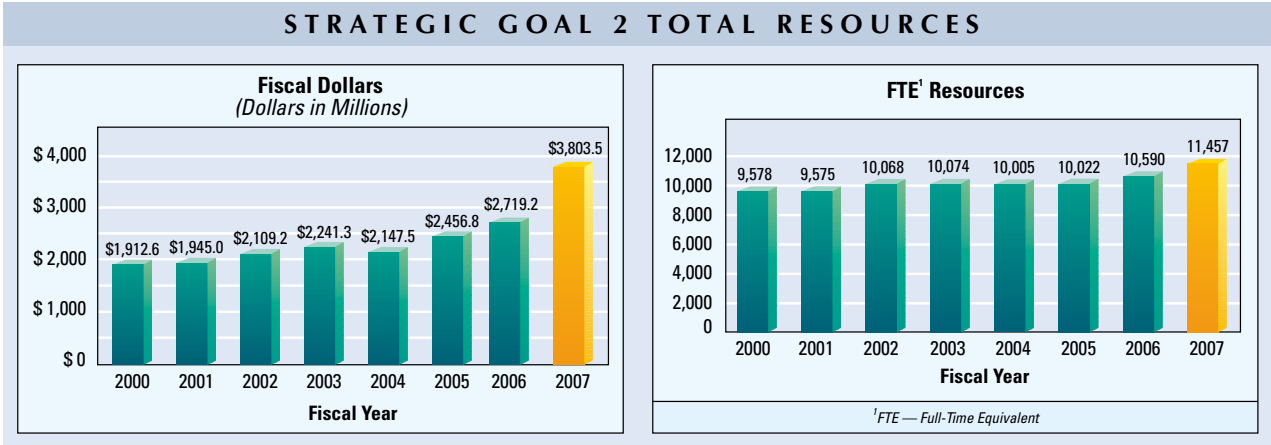
STRATEGIC GOAL 2

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	6 of 6
Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)	2 of 3
Raise the productivity and competitiveness of small manufacturers (NIST)	4 of 4
Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Optimize patent quality and timeliness (USPTO)	6 of 7
Optimize trademark quality and timeliness (USPTO)	8 of 8
Improve intellectual property protection and enforcement domestically and abroad (USPTO)	3 of 3
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2



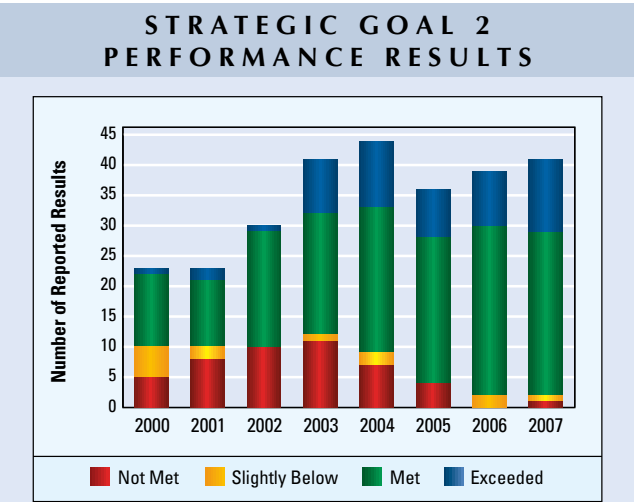
STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science

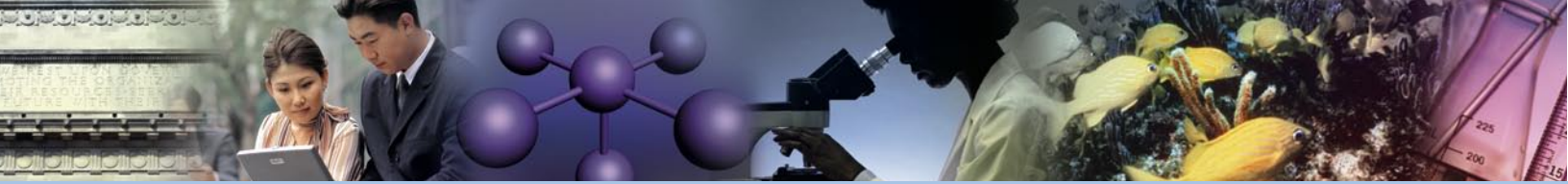


Working with U.S. industry to develop and apply technology, measurements, and standards, the Department is focused on providing the infrastructure necessary to develop innovative breakthroughs and new technologies vital to the Nation's long-term economic growth.

The Department's laboratories provide the measurement science and standards capabilities needed by industry to continually develop new and improved products and services and enhance quality of life. Over 400 National Institute of Standards and Technology (NIST) staff members participate in more than 105 standards development organizations each year, and NIST sells more than 30,000 Standard Reference Materials (SRM) and 5,000 Standard Reference Databases annually. The Department's measurement and standards work



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



PERFORMANCE SECTION * STRATEGIC GOAL 2

addresses a significant portion of the Nation's modern technology-based economy, from the automotive to the biotechnology sector, from basic materials and manufacturing to information technology (IT), and from companies with a handful of employees to the largest firms along with universities and other government agencies.

Intellectual property (IP) is a potent force in, and a fundamental component of, the global economy. The Department strives to preserve the Nation's competitive edge by protecting IP and encouraging technological innovation. In market-driven economic systems, innovation provides a catalyst for economic prosperity through the accumulation of scientific knowledge; introduction of new products and services; and improvements in the productivity levels of land, labor, and capital resources.

Some of the FY 2007 accomplishments include:

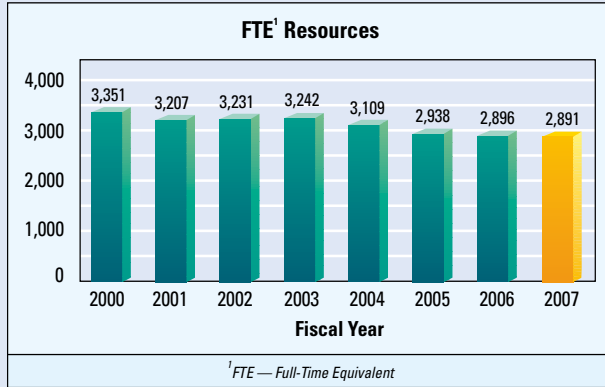
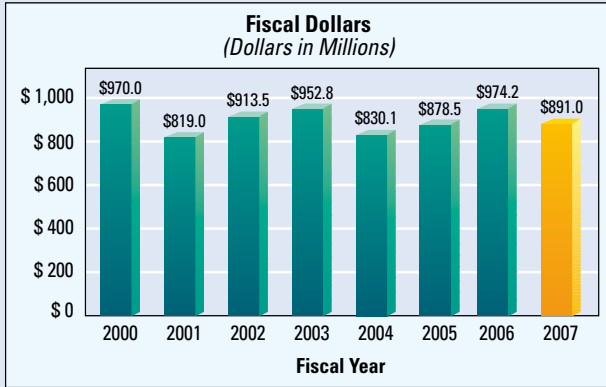
- ◆ **Radiation monitoring.** NIST established a new voluntary accreditation program for the laboratories that test radiation detection equipment used by first responders. The new program will help ensure that laboratories testing a wide variety of new radiation detection instruments produce comparable results, allowing homeland security personnel to better assess the best products for each application. From personal radiation detectors the size of pagers to units large enough to scan trucks and trains, emergency responders can choose from a wide variety of radiation detection equipment for homeland security applications. To make informed decisions when buying equipment, they must have confidence that instrument test results from different laboratories are comparable. The new NIST program, developed with support from the Department of Homeland Security (DHS), offers laboratories the opportunity to be accredited for their ability to test radiation detection equipment in conformance with recognized industry standards. The new service is part of NIST's National Voluntary Laboratory Accreditation Program (NVLAP).
- ◆ **Supporting innovation in industry.** The NIST Advanced Technology Program (ATP) was created to encourage industry investment in longer-term, high-risk research with broad economic and social payoffs for the Nation. Through cost-sharing awards, ATP accelerates the development of early-stage, innovative technologies, helping industry raise its competitive potential while providing Americans with a higher standard of living. Under the FY 2007 Continuing Appropriations Resolution, Congress provided ATP with \$79 million to fund a competition for new research and development (R&D) projects. ATP announced the competition on April 4, 2007, and made 56 awards in FY 2007.
- ◆ **Secure communication.** NIST researchers have built a prototype high-speed quantum key distribution (QKD) system, based on a new detector system that achieves dramatically lower noise levels than similar systems. The new system, they say, can perform a theoretically unbreakable "one-time pad" encryption, transmission, and decryption of a video signal in real-time over a distance of at least 10 kilometers. Key distribution—the problem of ensuring that both the sender and receiver of an encrypted message (and no one else) share the same long string of random digits (the so-called "key") used to encode and decode the message—has always been one of the most important challenges in cryptography. Since the 1980's it's been recognized that the unique properties of quantum mechanics—the fact that certain measurements cannot be made without altering the thing measured—offered the possibility of a system that could transmit as long a key as desired between two parties with no chance that it could be copied undetectably by a third party. The NIST QKD system won an R&D 100 award from Research and Development Magazine.

The Department has demonstrated successful progress under this strategic goal. Bureaus with programs supporting this strategic goal include NIST, the National Technical Information Service (NTIS); the U.S. Patent and Trademark Office (USPTO); and the National Telecommunications and Information Administration (NTIA).

STRATEGIC OBJECTIVE 2.1

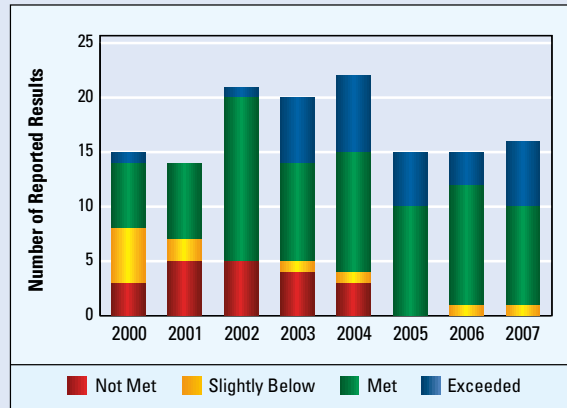
Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

STRATEGIC OBJECTIVE 2.1 TOTAL RESOURCES



Through NIST, the Department 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 fulfills its broad responsibilities and works to foster science and technological leadership by helping the United States 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 national needs assigned to NIST by the Administration and Congress.

STRATEGIC OBJECTIVE 2.1 PERFORMANCE RESULTS

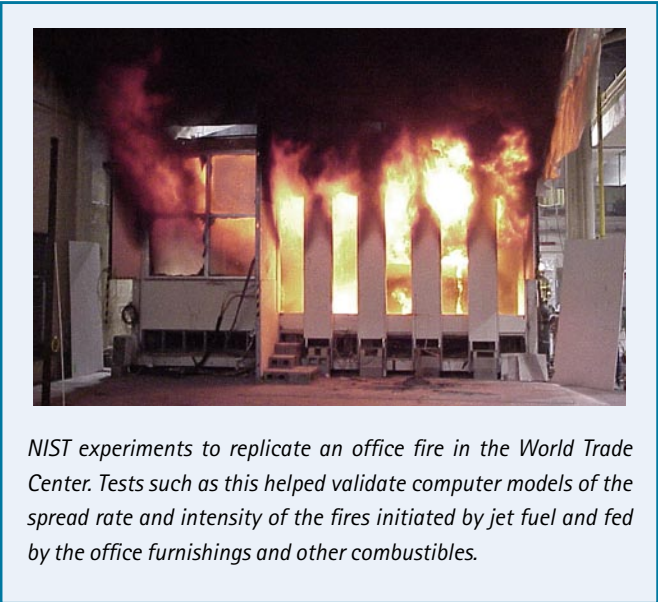


See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	6 of 6
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Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3

Among its FY 2007 activities, NIST accomplished the following:

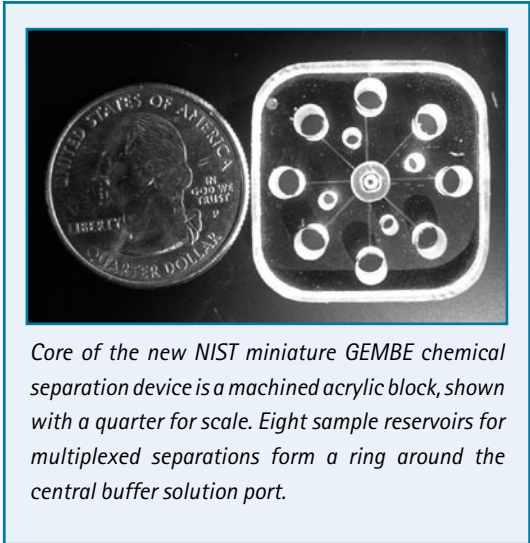
- ◆ Nanotechnology and nanoscale manufacturing are key components of the American Competitiveness Initiative. In March 2006, Commerce Secretary Gutierrez announced that NIST would create a new Center for Nanoscale Science and Technology (CNST) that would offer researchers from universities, industry, and other government agencies access to state-of-the-art facilities to study a wide range of nanotechnology topics. In May 2007, NIST announced that CNST is now accepting proposals for work in nanotechnology research. CNST focuses on overcoming major technical obstacles to cost-effective manufacturing of products made with components the size of atoms and molecules by developing measurement methods, standards, and technology that help emerging nanotechnologies move from the laboratory to production. CNST is located within NIST's Advanced Measurement Laboratory (AML), one of the most advanced research facilities of its kind in the world.



NIST experiments to replicate an office fire in the World Trade Center. Tests such as this helped validate computer models of the spread rate and intensity of the fires initiated by jet fuel and fed by the office furnishings and other combustibles.

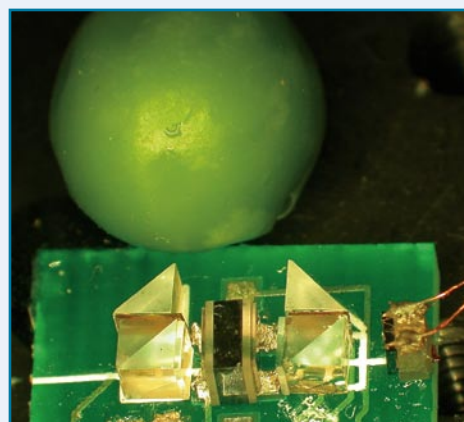
- ◆ Recommendations stemming from NIST's three-year investigation of the World Trade Center disaster have stimulated fundamental and substantial changes in U.S. building codes and standards that represent a significant improvement in public safety over current practice. The International Code Council approved a comprehensive set of building code changes that were incorporated into the organization's International Building Code, a model code used as the basis for building regulations promulgated and enforced by U.S. state and local jurisdictions. The code changes address such areas as the fire resistance of structural components, the use of sprayed fire-resistive materials (commonly known as fire-proofing), elevators for use by first responders, the number of stairwells, and exit path markings.

- ◆ NIST researchers have developed an elegantly simple, miniaturized technique—gradient elution moving boundary electrophoresis (GEMBE)—for rapidly separating minute samples of proteins, amino acids, and other chemical mixtures. The device is easy to build with simple machining or molding techniques and low-cost polymers, enabling inexpensive mass production, and can run up to eight chemical separations simultaneously in a space about the size of a quarter, highlighting the technique's potential for use in microfluidic "lab-on-a-chip" systems. NIST has used the device in trial separations for everything from small dye molecules and amino acids to large biomolecules, such as DNA. A prototype eight-channel GEMBE device built at NIST can produce a complete immunoassay calibration curve for insulin in a single run.



Core of the new NIST miniature GEMBE chemical separation device is a machined acrylic block, shown with a quarter for scale. Eight sample reservoirs for multiplexed separations form a ring around the central buffer solution port.

- ◆ NIST researchers have created the latest in a series of miniaturized optical instruments, which includes an atomic clock that fits on a computer chip. The newest chip-scale device—roughly the size of a pea—is a spectrometer that can be used for calibrating or stabilizing precision lasers. It could replace table-top-sized instruments used for laser calibration in atomic physics research, could better stabilize optical telecommunications channels, and perhaps could replace and improve on the precision of instrumentation used to measure chemicals or atmospheric gases. The spectrometer includes miniature optics, a microfabricated container for atoms in a gas, heaters, and a photodetector, all within a cube about 10 millimeters on a side. In telecommunications, the mini-spectrometer would offer greater precision than the physical references now used to separate fiber-optic channels, with the advantage that more channels might be packed into the same spectrum, dramatically increasing data capacity.



The newest chip-scale device—roughly the size of a pea—is a spectrometer that can be used for calibrating or stabilizing precision lasers.

- ◆ In February 2007, NIST published a comprehensive report on measurement barriers to innovation, the Agency's first ever assessment of the capacity of the Nation's measurement infrastructure—*An Assessment of the United States Measurement System: Addressing Measurement Barriers to Accelerate Innovation*. In all, more than 1,000 people from industry, academia, and government contributed to the wide-ranging NIST assessment of the state of the Nation's measurement system and its impact on innovation. The result is a snapshot appraisal that was formed by surveying measurement needs across 11 industrial sectors and technology areas. These ranged from materials to software and from building and construction to nanotechnology. Altogether, more than 700 measurement-related barriers to innovation were identified and evaluated. NIST will use this assessment to focus its own work in support of U.S. innovation and competitiveness. The report's results and findings, along with input gathered in follow-up activities, will inform NIST's strategic planning decisions. NIST also plans to work with other organizations in both the private and public sectors to raise awareness of the important role that advances in measurement science and technology (S&T) play in boosting innovation. A new U.S. Measurement System (USMS) office has been established at NIST to coordinate these activities.

- ◆ Members of a NIST research team watched flames erupt from an abandoned Chicago apartment building during a November 10, 2006 test of positive pressure ventilation (PPV) in high-rise fires. The controlled fires in the Windy City high-rise were part of a real-world laboratory experiment to study the effectiveness in multistory buildings of PPV, the use of powerful fans during fires to force smoke and heat from corridors and stairwells so that they stay passable and safe for both escaping occupants and entering emergency responders. In past events—such as the October 2003 blaze in a government building in Chicago where six people died—fire flow into corridors and stairwells has resulted in tragedy.



Members of a NIST research team watch flames erupt from an abandoned Chicago apartment building during a November 10, 2006 test of PPV in high-rise fires.

- ◆ The 2007 Baldrige Criteria for Performance Excellence incorporates some of the most significant changes in the recent history of the criteria's evolution. The 2007 criteria address four areas of growing importance to strengthening U.S. competitiveness: (1) strategic advantages and core competencies, (2) innovation, (3) work systems, and (4) workforce engagement. In addition, several innovations tested during last year's non-profit pilot have been incorporated in the 2007 process to identify recipients of the Malcolm Baldrige National Quality Award (MBNQA). The innovations include using a Web-based solution to conduct a "virtual consensus" discussion in order to provide all applicants with feedback reports while providing more time flexibility to the 600 volunteer examiners.

- ◆ NIST engineers have been assisting DHS in organizing a series of Response Robot Evaluation Exercises for urban search and rescue (US&R) robots. Various types of sensor-laden robots, including small survey devices that can be thrown into a disaster site; unmanned systems that can cover rugged, uneven terrain; and small, rotary-winged aerial reconnaissance drones were designed to detect injured people and trace elements of radiation in simulated natural disaster or terrorist attacks. The latest rescue robot exercise was held in June 2007, at Texas A&M's "Disaster City" training facility in College Station, TX.

- ◆ NIST chemists have created a standardized form of common house dust to support environmental scientists studying everyday exposure to a catalog of potentially hazardous chemicals. A "standard house dust" may sound funny, but environmental scientists are quite serious about the potential for household grime to harbor harmful chemicals. A 2004 study by NIST and the Environmental Protection Agency (EPA), for example, found high concentrations of polybrominated diphenyl ethers (PBDE) in household dust. PBDEs were widely used as flame retardants in consumer products but have been phased out due to concerns over their toxicity. Once commonly used in electrical equipment as an insulator, PBDEs have not been produced since 1977 because of their toxicity, but still are found in the environment. Accurate assessment of everyday exposure to many potentially harmful contaminants is difficult because of both the complexity of the analysis and the small quantities involved. Polychlorinated biphenyls (PCB), for example, include dozens of chemically similar compounds that may be found in hundreds of combinations of only a few micrograms each in a kilogram of dust. To provide environmental scientists with an accurate baseline for calibrating their tests, NIST prepared a reference sample of typical house dust that has been certified for the concentrations of over 80 potentially hazardous chemicals.



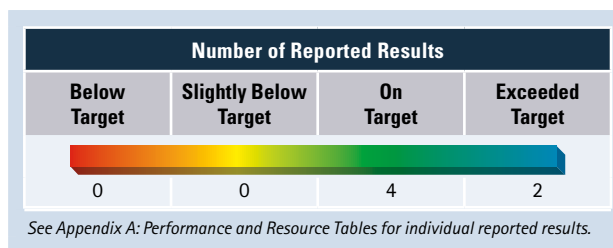
NIST engineers have been assisting the Department of Homeland Security in organizing a series of Response Robot Evaluation Exercises for US&R robots.



Performance Outcome: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation’s measurements and standards infrastructure (NIST)

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. The NIST Laboratories develop and disseminate measurement techniques, reference data, test methods, standards, and other technologies and services required by U.S. industry to compete in the 21st century.

NIST evaluates progress on this outcome using an appropriate mix of specific output tracking and peer review. Together, these evaluation tools, combined with continual feedback from customers provide a comprehensive picture of performance toward this long-term goal. Additional information on these evaluation methods is available at <http://www.nist.gov/director/planning/strategicplanning.htm>.



Specific achievements of this performance outcome are described below:

- ◆ 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 calibration services provide the customer with direct traceability to national and international primary standards. NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and electrical impedance. Beginning in FY 2007, this measure was revised to reflect the number of calibration tests performed versus the number of items calibrated. It is estimated that NIST performs 12,000 calibration tests annually.
- ◆ SRMs are the definitive source of measurement traceability in the United States; all measurements using SRMs can be traced to a common and recognized set of basic standards that provides the basis for compatibility of measurements among different laboratories. SRMs certified by the NIST Laboratories are used by customers to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce, trade, public safety, and health. NIST sells more than 30,000 SRMs annually.
- ◆ Technical publications represent one of the major mechanisms NIST uses to transfer the results of its research to support the Nation’s technical infrastructure and provide measurements and standards—vital components of leading-edge research and innovation—to those in industry, academia, and other government agencies. Each year NIST’s technical staff produces a total of 2,000 to 2,200 publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. NIST staff authors more than 1,100 publications in peer-reviewed journals each year.
- ◆ Online data represent another method NIST uses to deliver measurement and standards tools, data, and information. NIST provides online access to more than 80 scientific and technical databases covering a broad range of substances and properties from a variety of scientific disciplines. These technical databases are heavily used by industry, academia, other government agencies, and the general public, with more than 130 million estimated downloads in FY 2007.

Accomplishments and applicable quantitative data used to evaluate progress on this long-term performance outcome are reviewed quarterly. Quantitative data are collected and reported by NIST Technology Services.

External and independent evaluation of the research and measurement standards work of the NIST Laboratory Programs is conducted regularly. This type of peer review, combined with quantitative evaluation metrics focused on dissemination of NIST's measurements and standards work, demonstrate the laboratories' contribution to the Nation's measurement and standards infrastructure.

In FY 2007, the National Research Council (NRC) Board on Assessment (BOA) began a process where half of the NIST Laboratories will be reviewed each year. The NRC assessments focus on the following areas:

- ◆ The technical merit of the laboratory programs relative to the current state-of-the-art worldwide.
- ◆ The degree to which the laboratory programs address national and agency priorities.
- ◆ The adequacy of the laboratories' facilities, equipment, and human resources as they affect the quality of the technical programs.

The following quotes from NRC's FY 2007 assessment report attest to the quality, technical merit, and relevance of NIST programs:

- ◆ *Center for Neutron Research (NCNR)*: "There is a substantial and well-satisfied external user community. The in-house science and technology is robust."
- ◆ *Chemical Science and Technology Laboratory (CSTL)*: "These measurement capabilities are foundational to U.S. competitiveness, especially in new and emerging technologies. The large number of publications, committee leaderships, and visiting U.S. and foreign scientists and postdoctoral fellows testifies to [CSTL's] technical reputation and leadership position in measurement science."
- ◆ *Electronics and Electrical Engineering Laboratory (EEEL)*: "This combination of innovation and technical achievement promises to serve well the emerging technologies of the future."
- ◆ *Information Technology Laboratory (ITL)*: "The work at ITL generally ranks at or near the top of the work being done by peer institutions."

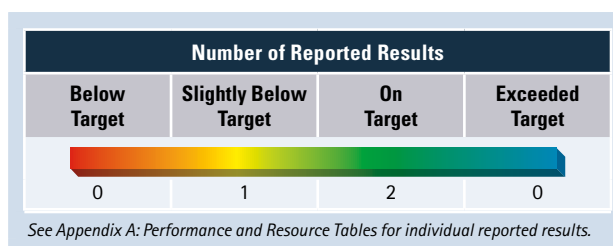
These reports are available at <http://www.nist.gov/director/nrc>.

In addition to peer reviews, the programmatic goals and strategic direction of NIST as a whole are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT). The VCAT is a legislatively mandated panel of external advisors that meets quarterly to review NIST's general policy, organization, budget, and programs. In its most recent annual report, the VCAT recognized the world renowned professional accomplishments contributing to NIST's ability to attract world class researchers, a NIST competitive advantage. See <http://www.nist.gov/director/vcat/index.htm> for additional information on the VCAT, including its most recent annual report.

Performance Outcome: Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)

ATP provides cost-shared funding to businesses to develop high-risk, innovative new technologies for commercial use. ATP held a single competition for funding during FY 2007.

Key indicators of the generation and diffusion of new commercially relevant technical knowledge include patents and technical publications generated by ATP-funded projects and ATP-funded projects with technologies under commercialization. The long-term nature of ATP-funded projects results in a three to five-year lag from initial project funding to the generation of measurable outputs and outcomes.



Specific achievements of this performance outcome are described below:

- ◆ Publications and patents represent major channels for the diffusion of technical knowledge that results from ATP investment in the development of new technologies. Past ATP-funded research generated more than 1,900 cumulative publications and more than 1,500 cumulative patents through FY 2006.
- ◆ The number of ATP-funded projects with technologies under commercialization is an indication of the extent to which ATP-funded research leveraged or catalyzed new products and services. Through FY 2006, over 370 ATP projects have technologies under commercialization.
- ◆ The program met its targets for commercialization and publications, though it slightly missed its target for patents (1,507-actual, 1,510-target).

Evaluation is a central part of ATP's operation. ATP uses a variety of methods, including internal assessments, external program reviews, and economic impact studies to assess and evaluate the program. Additional information on ATP's evaluation methods is available at http://www.atp.nist.gov/eao/eao_main.htm.

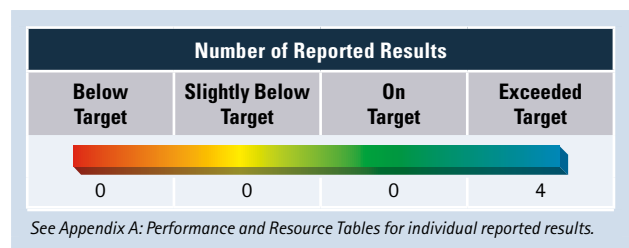
The measures above, along with other programmatic accomplishments, are used to evaluate ATP's progress towards its long-term goal of increasing investment in and development of new technologies. Data are gathered from the portfolio of ATP project participants through ATP's Business Reporting System (BRS). BRS reports are reviewed by ATP's Economic Assessment Office and the individual project managers overseeing the ATP project.

The programmatic objectives and management of ATP are reviewed by the ATP Advisory Committee. Additional information on the ATP Advisory Committee, including recent annual reports, is available at http://www.atp.nist.gov/adv_com/ac_menu.htm. ATP was abolished by the America COMPETES Act (Public Law 110-69) which was signed by the President on August 9, 2007. However, this statute allows for continued support for previously awarded ATP projects and the 56 new FY 2007 awards.

Performance Outcome: Raise the productivity and competitiveness of small manufacturers(NIST)

The most significant challenge facing U.S. manufacturers continues to be coping with accelerating technological change and global competition. The firms that succeed will be those best able to manage the complexity and rapid change affecting all aspects of the manufacturing enterprise. Through the Hollings Manufacturing Extension Partnership (MEP) program’s nationwide network of manufacturing centers, which are linked to state, university, community college, and private sources of technology and expertise, NIST helps smaller firms adopt new and advanced manufacturing and management technologies and innovative business practices to position them to compete in the global economy.

The Nation’s approximately 350,000 small manufacturers employ over 11 million people providing intermediate parts and equipment that contribute more than half of the value of U.S. manufacturing production. Their role in manufacturing supply chains is crucial; and the Nation’s future manufacturing productivity and competitiveness rests largely on the ability of these establishments to raise their efficiency, lower their costs, and implement a culture of innovation into their business operations. Hollings MEP helps companies transform themselves into high performance enterprises—productive, innovative, customer-driven, and competitive—by efficiently providing high value technical and advisory services, including access to industry best practices.



MEP clients receive technical, business, and innovation services through interactions ranging from informational seminars and training to in-depth technical assistance in areas such as new product development and implementation, quality improvement practices, human resources and organizational development, and industrial marketing.

Specific achievements of this performance outcome are described below:

- ◆ MEP’s network of manufacturing assistance centers works at the grassroots level with each center providing their local manufacturers with expertise and services tailored to their most critical needs. In FY 2006, MEP centers provided services to over 16,000 clients in industries such as fabricated metal products, computer and electronic products, and transportation equipment.
- ◆ Through an annual survey of clients, the program obtains quantifiable impacts of MEP services on its clients’ bottom line. MEP demonstrates the impact of its services on three key quantitative business indicators that, as a set, suggest the presence of business changes that are positively associated with productivity, revenue growth, and improved competitiveness. The measures include: (1) increased sales attributed to MEP assistance, (2) increased capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance.

The performance measures, along with other programmatic accomplishments, are used to evaluate progress on this long-term performance goal. MEP’s Client Impact Survey is administered by a private firm. Each quarter, the data is reviewed by NIST MEP staff and center staff. Based on defined criteria, impacts are selected by NIST MEP for confirmation and verification by center staff.

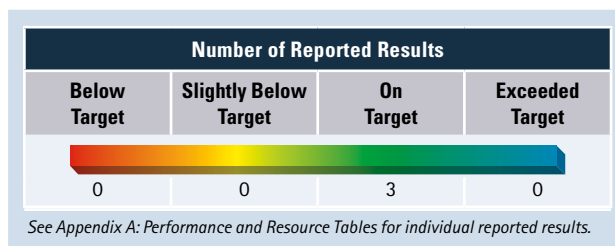


As with other NIST programs, the programmatic objectives and management of MEP are reviewed by the VCAT and MEP's National Advisory Board (NAB), which was established by the Secretary of Commerce in October 1996. Recently, the charter for the MEP NAB was amended to add flexibility and respond to the program's shift in emphasis to enhancing firms' innovation capabilities. NIST is now in the process of selecting additional board members. The first meeting of the reconstituted board was held in March 2007.

Performance Outcome: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

Bringing scientific and technical information to U.S. business and industry.

NTIS seeks to promote 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, and to accomplish this without appropriated funds.



In FY 2007, NTIS partnered with the Government Printing Office (GPO) in an effort to provide the Federal Depository Libraries with access to many of its electronically-stored documents. NTIS and GPO began conducting a beta test pilot project with 29 Federal Depository Libraries using a new interface NTIS developed to support the program implementation. The project included access to approximately 240,000 full text publications dating from 1964 to 2000 that were available for downloading, at no charge. The results of the beta test were very positive and program participation is now offered to all 1,262 Depository Libraries. There are currently over 340 Depository Libraries participating in the program, and that number is expected to continue to grow making invaluable research results more readily available to the U.S. public.

NTIS has successfully contributed to the White House initiative prompting improved early childhood development programs for the Nation's children, through the storage and distribution of the materials developed by the Departments of Health and Human Services (HHS), Education, and Agriculture (USDA). The program is called the "Healthy Start, Grow Smart" program and provides easily understood information booklets to parents and caregivers about best practices in early childhood development. The information is published in English, Spanish, Vietnamese, and Chinese providing valuable age-appropriate information about health, safety, nutritional needs, and early cognitive development. NTIS manages the storage and distribution of over 10 million booklets annually, and anticipates increased dissemination in the future.

STRATEGIES AND FUTURE PLANS

NIST uses a variety of methods, including hosting conferences and workshops; participating on standards committees; and ongoing interactions with industry, professional groups, universities, and other government agencies to identify the needs of its diverse customers. In FY 2007, NIST supplemented its usual large number of conferences and workshops with a special series of private-public sessions for the USMS—all aimed at identifying priority measurement needs impeding future technological innovations. NIST led this comprehensive assessment of the USMS, and NIST scientists continued to work closely with industry on developing R&D roadmaps. Through these private-public collaborations, priority measurement needs from across industry and the economy are identified, along with potential solutions and viable solutions providers. In addition, NIST conducts retrospective and prospective economic impact studies annually to prioritize R&D funding and ensure that the Department conducts the highest priority research.

In 2006, MEP developed a Next Generation strategic plan focused on providing the innovation services that U.S. manufacturers need to grow, transform, and remain globally competitive. The plan includes a much stronger emphasis on providing technology-intensive services to U.S. small manufacturers. The Next Generation MEP will continue to leverage and expand relationships, partnering at both the federal and state level with organizations that have complementary goals focused on meeting the most pressing needs of the manufacturing community. MEP's planning process is ongoing, with input from a stakeholder list that includes small manufacturers, state representatives and economic development partners, manufacturing related associations, universities, community colleges, and MEP center staff—as well as national stakeholders in the Departments of Commerce, Labor (DOL), and Defense (DOD). This broad level of input provides a more complete picture of national manufacturing needs, the manufacturing infrastructure in which the MEP centers operate, and the priorities of the manufacturing community.

Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

A new Technology Innovation Program (TIP) at NIST was authorized by the America COMPETES Act. TIP was established to support, promote, and accelerate innovation in the United States through high-risk, high-reward research in areas of critical national need. TIP is aimed at speeding the development of high-risk, transformative research targeted to address key societal challenges. Funding could be provided to industry (small and medium-sized businesses), universities, and consortia for research on potentially revolutionary technologies for meeting critical national needs that present high technical risks with commensurate high rewards if successful. The primary mechanism for this support would be cost-shared research grants, cooperative agreements, or contracts awarded on the basis of merit competitions.

NIST will continue to explore new models of public-private partnerships to encourage industry investment in R&D. The goal of these partnerships is to accelerate and promote innovation.

The Internet has provided NTIS with a great opportunity to shift from traditional information collection and dissemination activities and has expanded the end-user opportunities. As customer expectations and technology have changed, NTIS has continued to be a leader in information collection and dissemination activities, through development of highly sophisticated platforms.

In 2007, NTIS launched advanced search and navigation features for searching the NTIS Web site. This will allow users to more easily find documents from among the NTIS collection of over 2.5 million technical reports.



NTIS also assisted other federal government agencies in making information easier to find and order with the implementation of easy-to-use online ordering capabilities for USDA and the Centers for Medicare and Medicaid Services (CMS). This allows the public to more easily access nutritional and childhood development information from these agencies.

CHALLENGES FOR THE FUTURE

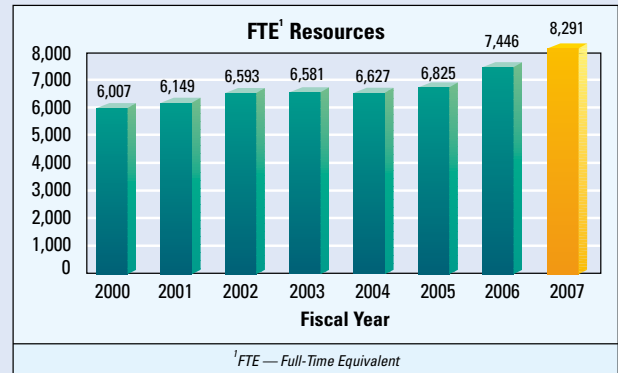
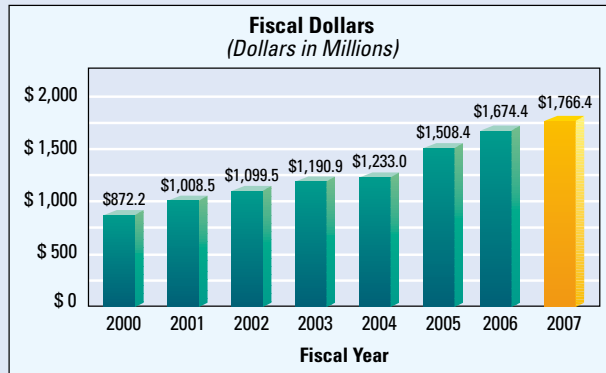
Keeping the U.S. competitive edge in the world economy depends on the Nation's ability to generate and harness the latest in scientific and technological developments—particularly in the physical sciences and engineering—and to apply these developments to real world applications. Throughout the last decade, political and technical forces have combined to open up much of the globe to commerce. Increased emphasis on the sciences has created an environment in which continuous innovation must be sustained to maintain economic success. These growth and competition trends have significant implications for U.S. technological leadership and the economic growth and jobs it generates; R&D and high-tech manufacturing strategies; competition for high-skilled workers; and the climate for attracting global investment. Technological innovation ensures continued U.S. leadership in S&T, which provides a competitive advantage that drives productivity and growth for the U.S. economy.

The Department's key role in the President's American Competitiveness Initiative, which strives to keep the United States strong and secure by ensuring that it continues to lead the world in S&T, reflects the importance of technological innovation to the Nation's economic future. The Department will continue to conduct high-priority research, identify technical measurement barriers to innovation, and transfer technical knowledge developed to the private sector as part of efforts to drive this initiative.

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

STRATEGIC OBJECTIVE 2.2 TOTAL RESOURCES

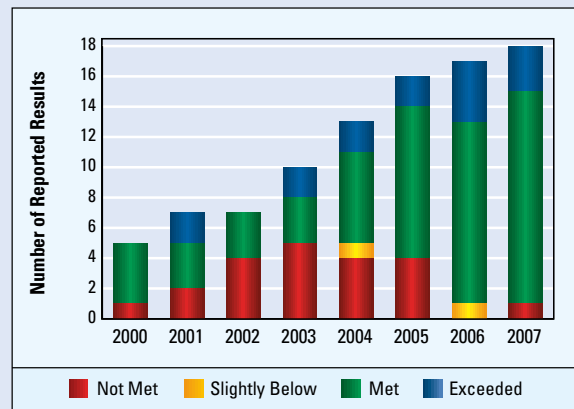


This objective focuses on ensuring that the IP system contributes to a strong global economy, encouraging investment in innovation, and fostering entrepreneurial spirit. Achievement of this objective will protect individual rights and innovation in a timely, efficient manner. A discussion of each performance outcome within this objective will further describe the impact of achieving the objective.

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 U.S. has flourished, creating employment opportunities for millions of Americans.

STRATEGIC OBJECTIVE 2.2 PERFORMANCE RESULTS



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

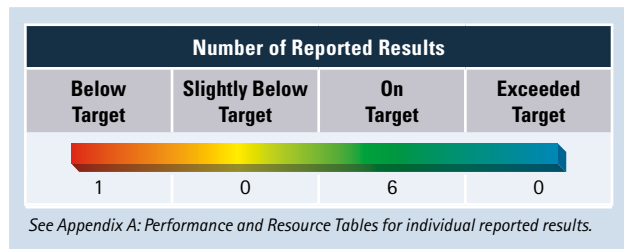
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Optimize patent quality and timeliness (USPTO)	6 of 7
Optimize trademark quality and timeliness (USPTO)	8 of 8
Improve intellectual property protection enforcement domestically and abroad (USPTO)	3 of 3



The primary services the Department provides within this objective are the examination of patent and trademark applications and dissemination of patent and trademark information. 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 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.

Performance Outcome: Optimize patent quality and timeliness (USPTO)

The most significant activity under this outcome is the examination of an inventor's application for a patent by comparing the claimed subject matter of the application to a large body of technological information to determine whether the claimed invention is new, useful, and non-obvious to someone knowledgeable in that subject matter



PATENT QUALITY

Providing quality services and products is USPTO's foremost priority. USPTO's commitment to the continuous refinement and expansion of the quality initiatives is outlined in the 2007-2012 Strategic Plan. Patent examinations are subjected to both end product 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 searched cases, evidence, and clarity of communications with applicants. Findings produced by these reviews are shared individually with examiners, collected in a database for ongoing analysis, serve as the basis for the development of training programs, and used to strengthen the review process. Beginning in late 2006, USPTO commenced an intensive effort to better define quality and identify appropriate criteria to gauge quality.

This effort has culminated in plans that will ensure examiners maintain the knowledge and skill levels necessary to perform quality examinations through training and the administration of certification exams.

In January 2006, USPTO launched an academy approach to training entry-level patent examiners aimed at graduating examiners sufficiently skilled to produce quality examinations with reduced oversight. New employees are given in-depth training for up to eight months that combines technical and legal instruction, practical applications, small group study, and one-on-one assistance with real applications. The goal is for competency to improve and attrition of new hires to decrease. A total of 1,727 examiners received training in the Patent Academy in FY 2007.

Two of the measures USPTO uses to gauge patent quality are the patent allowance compliance rate and the in-process examination compliance rate. The patent allowance compliance rate is the percentage of applications allowed by examiners with no errors after being reviewed by the Office of Patent Quality Assurance. An error is defined as at least one claim within a randomly selected allowed application that would be held invalid in a court of law if the application were to issue without the required correction. In FY 2007, efforts to improve quality resulted in an allowance compliance rate of 96.5 percent, slightly better than the target of 96.0 percent.

The in-process examination compliance rate is a ratio derived from the number of office actions void of deficiencies that would significantly impact the applicant's ability to advance the prosecution on the merits of the application, divided by the total number of office actions reviewed. At 92.2 percent in-process examination compliance, USPTO met its goal of 90.0 percent.

The Office of International Relations (OIR) leads the U.S. government delegations to the World Intellectual Property Organization's (WIPO) meetings. OIR developed the proposals and led the negotiations for the Patent Cooperation Treaty (PCT) changes that have resulted in a dramatic reduction in PCT Chapter II processing. The implementation of the PCT Guidelines for Search and Examination has led to improvements in the processing of PCT applications. Because Chapter II demands have dropped, examiner time has been freed up to dedicate to other aspects of the patent workload.

PATENT PENDENCY

The time to process a patent application is measured in two ways: (1) first action pendency—the average time in months from filing until an examiner's initial determination is made of the patentability of an invention, and (2) total pendency—the average time in months from filing until the application issues as a patent, or is abandoned by the applicant.

USPTO strives to meet its goals of reducing pendency through a multi-pronged approach that includes hiring sufficient numbers of new examiners, retention of experienced staff, competitive sourcing where appropriate, exploring work sharing with other patent offices, process reform through revised rules of practice and training. In FY 2007, 1,215 new patent examiners were hired.

Despite USPTO's significant efforts and successes, reducing the length of time for action on patent applications continues to be a key challenge. While the rate of increase for total pendency time slowed in FY 2007, the rate of increase for first action pendency did not. USPTO did not meet its target of 23.7 months (actual of 25.3 months) because there were additional older applications processed than planned. The number of patent applications filed increased by 73 percent between 1995 and 2005 and this trend is expected to continue, reflecting the Nation's strong participation in global business growth and innovation. The Department is committed to achieving long-term reductions in pendency through a combination of hiring, retention, training, and process optimization.

PATENT EFFICIENCY

Patent efficiency measures the relative cost-effectiveness of the entire patent examination process over time, or the efficiency with which the organization applies its resources to production. The cost is calculated by totaling all costs (including direct and indirect) incurred to produce a patent product and dividing the sum by the number of product outputs. The FY 2007 target of \$4,253 was met with an actual of \$3,961.

PATENTS E-PROCESSING

The public Patent Application and Information Retrieval (PAIR) system offers the public an advanced electronic portal for PDF viewing, downloading, and printing an array of information and documents for patent applications not covered by confidentiality laws. Public PAIR also offers a quick-click feature for ordering certified copies of patent applications and application files. The private PAIR system allows applicants access to the file history of their applications.

In March 2006, USPTO fully deployed an enhanced electronic filing system (EFS-Web). The system was designed with extensive applicant input to improve the ease of e-filing. E-filing reduces errors and expedites processing by eliminating the scanning and indexing required for paper applications. USPTO met its FY 2007 goal of 40.0 percent of patent applications filed electronically, by achieving a rate of 49.3 percent (estimated, final by December 2007).

Additionally, USPTO completed the conversion of all paper applications to electronic form, providing desktop access to patent applications by all examiners, support, and management personnel. USPTO has met its target of electronically managing 99.9



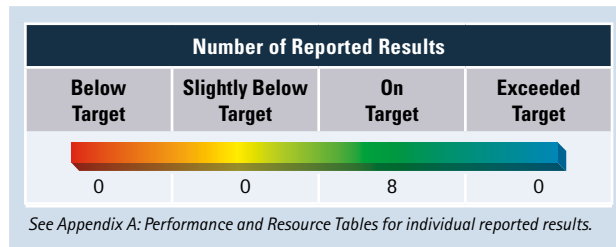
percent of patent applications. In FY 2007, USPTO enhanced its telecommuting program to remotely provide patent examiners with full access to all patent systems necessary to perform their jobs from home, and added collaborative communication technologies. More than 1,000 patent employees now participate.

OIR continues to develop worksharing initiatives with other patent offices. OIR is part of the USPTO team addressing work sharing initiatives and pilot projects with other major patent offices. Work continues with the European Patent Office (EPO) and the Japan Patent Office (JPO) on work sharing initiatives, with the Patent Prosecution Highway having come online between JPO and USPTO. Successful worksharing will significantly and positively impact the timeliness of patent application processing.

A Memoranda of Agreement (MOA) with EPO and JPO on joint projects was signed. USPTO continuing trilateral efforts on practice issues, worksharing, and examiner exchange initiatives will ultimately lead to improved quality at USPTO. With regard to e-government, e-filing and processing, the ongoing Trilateral and WIPO/SCIT (Standing Committee on Information Technologies) objectives of developing common, compatible, and "interconnectable" tools for electronic filing, processing and access will serve to greatly advance the efficiency of processing patent applications in the United States and throughout the world and of communicating among industrial property offices. This is especially true of the "common application format" initiative within the Patent Trilateral.

Performance Outcome: Optimize trademark quality and timeliness (USPTO)

The fundamental process involved in reaching this outcome is the examination of trademark applications. Trademark attorneys determine registrability under the provisions of the Trademark Act of 1946, as amended. The examination of trademark applications comprises many elements, including the utilization of electronic databases to determine whether the mark in an application is confusingly similar to any pending or registered mark, the preparation of an office action to inform applicants of the attorney's findings, the approval of applications to be published for opposition, and the examination of Statements of Use filed under the Intent to Use provisions of the Trademark Act.



TRADEMARK QUALITY

A vital component of USPTO's commitment to improve the quality of examination is the identification of criteria used to assess the quality of an office action. In order to determine trademark examination quality, first and final examiner search results and actions are evaluated to create a more comprehensive and rigorous review of what constitutes examination quality. More than 350 items are scrutinized to determine "excellent," "satisfactory," and "deficient" work with regard to the examiner's research, critical analysis of the application, and the writing of the office action. The examining attorneys' handling of every substantive and procedural issue is also analyzed comprehensively. These more rigorous criteria have been used to measure quality for the past two years. As a result, the quality of the examiners' work has demonstrably improved.

In FY 2007, the trademark first action compliance rate was 95.9 percent, above the 95.5 percent compliance target. Similarly, the final action compliance rate was 97.4 percent, also better than the 96.0 percent target.

As part of USPTO's commitment to improve the quality of examination and ensure that all examiners possess the knowledge, skills, and abilities necessary to perform at the highest level, examiners are required to take a series of e-learning tutorials. The quality review process allows USPTO to conduct training on the micro level with specific feedback, and also on the macro level with training modules that address trends, targeting topics that warrant improvement.

TRADEMARK PENDENCY

The two primary measures used to determine trademark application processing time are (1) first action pendency, which measures the average time, in months, from the filing date to when the examiner's first action is taken; and (2) final action pendency, which is based on the average time, in months, from the filing date until the notice of abandonment, notice of allowance, or registration for applications based on use. USPTO met its FY 2007 target, 3.7 months, by achieving a first action pendency of 2.9 months. Trademark final action pendency results were 13.4 months, excluding suspended and inter partes cases, and 15.1 months including all cases in FY 2007. USPTO met its FY 2007 target of 15 months excluding suspended and inter partes cases, and 17.3 months including all cases.

TRADEMARK EFFICIENCY

The measure of trademark efficiency is calculated by dividing total USPTO expenses associated with the examination and processing of trademarks (including associated overhead and supporting expenses) by outputs (office disposals). The measure indicates the degree to which USPTO can operate within plan costs relative to outputs produced. The FY 2007 trademark efficiency target of \$685 was met with an actual of \$660.

The strategic plan outlines USPTO's commitment to working with its IP partners to improve the efficiency of its processing systems. The number of applications and communications received and processed electronically has continued to increase and has resulted in more coordinated and streamlined work processes. The continued expansion of electronic file management, when combined with internal process mapping, will allow a more efficient design and control of the work process, provide tools to monitor and better manage the work, measure production and timeliness, and evaluate quality. This greater reliance on electronic systems will, in turn, prepare USPTO for the globalization that characterizes the 21st century economy.

TRADEMARK E-FILE MANAGEMENT

The public may access official trademark files online within days of filing by using the Trademark Document Retrieval (TDR) system. This system grants access to the full file contents of all federally registered and pending trademarks in an electronic PDF format. TDR contains nearly two million pending and registered trademarks dating back to 1885, and represents more than 100 years of marketing creativity. TDR enables the public to download and print an array of information and documents. By allowing public access to interested parties, USPTO is better able to provide timely and useful information to business owners as they develop their marks and prepare to file trademark applications.

The office reached a milestone—more than one million applications have been filed electronically since electronic filing was first piloted nine years ago. The office met the goal for 90.0 percent of trademark applications to be filed electronically by receiving more than 95.4 percent of the applications to register a mark electronically. The trademark electronic filing system has been enhanced by continuing to expand the number and type of transactions that can be completed online and by offering reduced fees to encourage electronic communications. Twenty-five electronic forms are available through the award winning Trademark Electronic Application System (TEAS). Options for reduced fees, system enhancements, PDF attachments, and the availability of forms that permit more electronic transactions have encouraged greater use and acceptance by trademark customers to the point

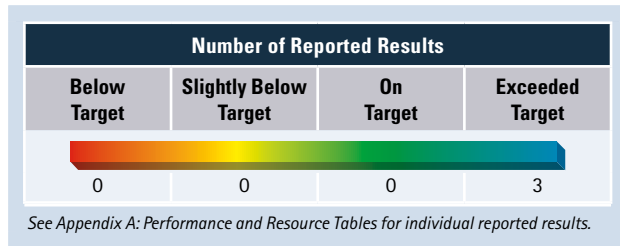


where electronic filing has become the preferred method for communicating on trademark matters. USPTO has consistently met its target of electronically managing 99.0 percent of trademark applications.

OIR continued the Trademark Trilateral work on the identification of classifications for goods and services which should further reduce trademark pendency, as applications, especially those filed from abroad, will be more focused for examination in the United States. The Trademark Trilateral and WIPO/SCIT objectives of developing common, compatible, and "interconnectable" tools for electronic filing, processing, and access will serve to greatly advance the efficiency of processing trademark applications in the United States and throughout the world. The OIR trademark team conducted electronic processing training for trademark examiners in Jordan and the Philippines.

Performance Outcome: Improve intellectual property protection and enforcement domestically and abroad (USPTO)

USPTO continues to work with its IP partners as well as its applicant public to improve its processing systems. Significant progress is being made in the transitioning of its patent and trademark operations to an e-government environment. Currently, all federally registered and pending trademarks are available to the public on USPTO's Web site, www.uspto.gov. On USPTO's Web site, a variety of tasks can be accomplished, including filing electronically for patents and trademark registration, reviewing the status of current applications as needed, tracking the status of a public patent application as it moves from pre-grant publication to final disposition, and reviewing the documents in the official patent application file, including all decisions made by patent examiners.



ADVANCING INTELLECTUAL PROPERTY

USPTO's Office of External Affairs (EA) plays a critical role in the U.S. government's efforts and obligations to provide IP technical assistance throughout the world. In FY 2007, there were 461 instances in which EA experts reviewed IP policies and standards; 17 instances where EA improved worldwide IP expertise for U.S. government interests; and 15 instances where EA initiated or implemented plans of action, mechanisms, or support programs in developing countries.

EA's mission is to promote development of IP systems internationally. Some recent initiatives include collaborating with counterparts in the Chinese government to improve China's intellectual property rights (IPR) administration and enforcement, placing IPR experts in six countries to support Embassy and Consulates on all IPR issues, and establishing USPTO Global Intellectual Property Academy (GIPA) to expand IP training, technical assistance, capacity programs, and activities for foreign government officials. 77 GIPA training programs have been conducted during FY 2007.

EA also manages a hotline (1-866-999-HALT) that helps small and medium-sized businesses leverage the resources of the U.S. government to protect their IPR in the United States and abroad. Callers receive information from a staff of IP attorneys at USPTO with regional expertise on how to secure patents, trademarks, and copyrights, and on enforcement of these rights. In FY 2006, the hotline received 1,460 calls. In FY 2007, USPTO received 1,730 calls through the hotline.

In support of U.S. Trade Representative (USTR) and other U.S. government agencies, USPTO plays a key role in the negotiation and drafting of IP provisions of free trade and other international agreements. These provisions generally require U.S. trading partners to provide stronger, more effective protection for IP than is required under World Trade Organization's (WTO) Trade Related Aspects of Intellectual Property Rights (TRIP) Agreement. USPTO has participated in numerous negotiating rounds and/or implementing legislation for all recently concluded and ongoing free trade agreements (FTA).

STRATEGIES AND FUTURE PLANS

In 2007, USPTO submitted the 2007-2012 Strategic Plan. The new plan builds on the infrastructure developed in the 21st Century Strategic Plan and outlines specific strategies to meet the goals of optimizing patent quality and timeliness, and improving IP protection and enforcement domestically and abroad.

Strategies to reduce patent pendency and improve patent quality include enhanced recruitment to hire 1,200 new examiners a year for an extended period of time, establishment of a retention bonus program, increased training for new and existing examiners, and the creation of partnerships with universities to groom examiner candidates and increase knowledge of the patent system. Hiring alone will not achieve significant reductions in pendency without accompanying changes to the current one-size-fits-all system of examination. USPTO will, in collaboration with stakeholders, explore the feasibility of offering alternatives to better meet the differing needs of applicants, and more efficiently utilize the Agency's resources.

USPTO will continue to improve and integrate existing electronic systems to promote full electronic patent application processing. This will involve promoting the utilization of electronic text content to facilitate the examination process and increase user acceptance of electronic filing systems. USPTO will provide applicants with expanded opportunities to conduct business with USPTO electronically. USPTO will continue to expand patent examiners' opportunities to participate in the telecommuting program at the rate of more than 500 additional employees annually.

Multiple initiatives will be implemented to improve quality. Examples of quality improvements include involving external stakeholders in defining quality and developing quality metrics and performance targets, assessing the existing process for reviewing examiner work, and externally validating quality data.

USPTO will transform patent appeals and interference processing and workload, and enrollment and discipline functions. This effort will entail enhanced communication and involvement with registered patent practitioners and improvements in the Agency's responsiveness.

USPTO will continue to work on curbing IP theft and strengthening IP protection and enforcement in every corner of the globe. More IP experts will be posted in foreign countries where U.S. IP challenges are the greatest. Training and assistance programs will continue to combat and deter infringement and promote honest business practices in the use and development of IP. In addition, USPTO will continue its intensive national public awareness campaign to help educate small and medium sized businesses, in which participants learn what IPR is, why it is important, and how to protect and enforce these rights.



CHALLENGES FOR THE FUTURE

Achieving the outcome of optimizing patent quality and timeliness presents a broad spectrum of challenges. Congress and the public have recognized that the time it takes USPTO to reach a final decision on a patent application directly impacts U.S. competitiveness. A critical component to achieving the goal of timely, high-quality examinations entails the hiring and retention of more patent examiners. Unfortunately, USPTO must compete with other employers to attract and retain the most talented and sought after individuals.

Optimizing quality first requires accord between USPTO and applicants on the definition of quality and how to measure it. To maintain the U.S. system as the best patent examination system in the world, USPTO must provide applicants with products that protect their IPR while simultaneously facilitating efficient use off USPTO resources. Leveraging new technologies in pursuit of efficiency requires a vision of the examination processes of tomorrow.

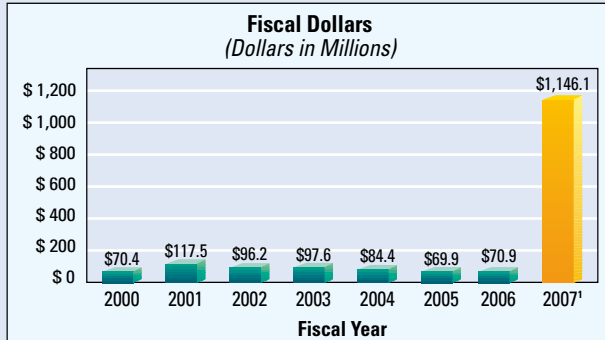
Addressing many of these challenges requires an interrelated approach to ensure that the solution to one challenge does not hamper the remedy of another. USPTO's updated 2007–2012 Strategic Plan provides a set of focused initiatives to ultimately produce solutions to the challenges noted above.

Increasing public awareness of various IP issues and interests and how these affect them is an important aspect of USPTO's role. Educating the public about the examination processes of USPTO and how these relate to the use of IPR in the marketplace will help in that process. Communicating with and informing the public about the intersection of IP issues and the news stories they read everyday will help to generate a better understanding of the role of such rights in the global economy. Promoting an understanding that the violation of IPR affects everyone, and how, will be beneficial to improving the effectiveness of the system as a whole.

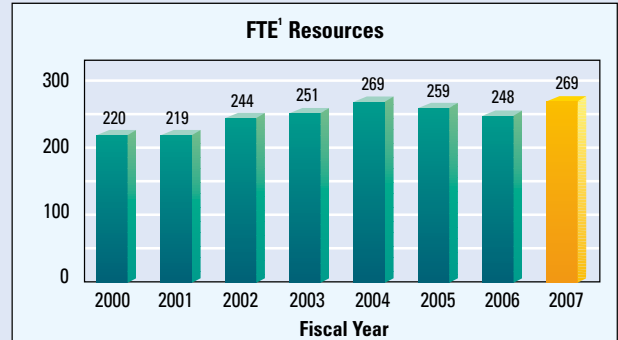
STRATEGIC OBJECTIVE 2.3

Advance the development of global e-commerce and enhanced telecommunications and information services

STRATEGIC OBJECTIVE 2.3 TOTAL RESOURCES



¹In FY 2007, \$1,070.3 was provided to the newly formed Digital Television and Public Safety Program.



¹FTE — Full-Time Equivalent

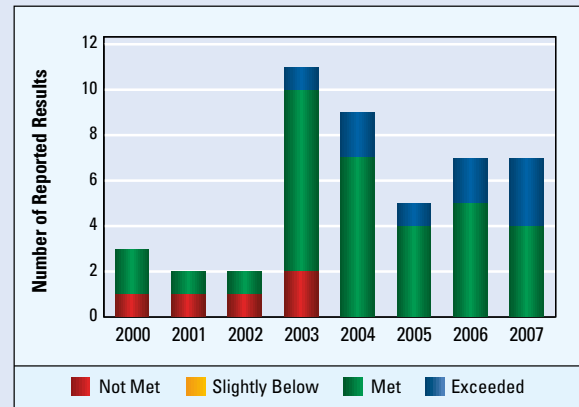
This objective focuses NTIA's role in radio frequency (RF) spectrum management and telecommunications standards; and as an advisor to the President on communications policy matters, on Internet domain names, wireless telecommunication standards and technology, and high-speed Internet services.

Achievement of this objective will continue to further the technological advances for wireless communication, Internet services, domain name management issues, and other advances in technology. A discussion of each performance outcome supporting this objective will further describe the outcomes of this objective.

The Department through NTIA:

- ◆ Serves as the principal adviser to the President on domestic and international communications and information policy-making.

STRATEGIC OBJECTIVE 2.3 PERFORMANCE RESULTS



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

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2



- ◆ 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.
- ◆ Conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies.

The Agency's expertise encompasses every aspect of telecommunications, including domestic policy, international policy, spectrum management, and technical telecommunications research and engineering.

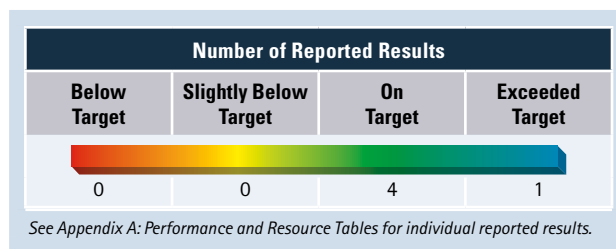
NTIA's responsibilities have expanded considerably with the enactment of the Deficit Reduction Act of 2005. Specifically, the act charged NTIA to administer a number of new one-time programs to be funded from anticipated spectrum auction proceeds associated with the transition to digital television broadcasts through the Digital Television Transition and Public Safety Fund. These programs include the (1) Public Safety Interoperable Communications (PSIC) Grant Program and the Digital-to-Analog Converter Box Coupon Program, and (2) the Low-Power Television (LPTV) and translator digital conversion and upgrade programs.

NTIA also leads Department activities in the areas of next-generation Internet Protocols, ultrawideband (UWB) technology, wireless broadband applications, wireless sensor technologies, and Internet technical functions.

Performance Outcome: Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

Advancing broadband and third generation (3G) wireless services.

NTIA examined an array of spectrum management policy issues in FY 2007 dealing with innovative approaches to spectrum management and the effectiveness of current processes. The availability of the RF spectrum is key to the development and implementation of innovative telecommunications technologies.



NTIA coordinated with federal agencies the Spectrum Reform Initiative implementation plan with 54 milestones to be completed by FY 2010. This initiative will fundamentally change the business of spectrum management over the next five years. The purpose of the initiative is to promote the development and implementation of a U.S. spectrum policy that will foster economic growth; ensure U.S. national and homeland security; maintain U.S. global leadership in communications technology development and services; and satisfy other vital U.S. needs in areas, such as public safety, scientific research, federal transportation infrastructure, and law enforcement. One result is the first National Strategic Spectrum Plan. NTIA also established the Department of Commerce Spectrum Management Advisory Committee, which met three times in FY 2007. This committee is comprised of a broad range of stakeholders, including representatives from state, regional, and local sectors; industry; academia; and consumer groups.

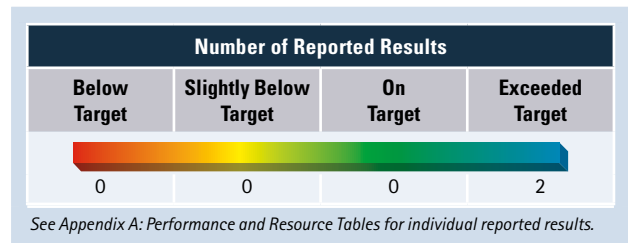
The achievements of this performance outcome are described below:

- ◆ NTIA committed substantial resources in FY 2007 to the development of the first Federal Strategic Spectrum Plan, which is a major result of the Spectrum Reform Initiative. The plan will be released by the end of 2007.
- ◆ NTIA has improved the timeliness of processing frequency assignment requests from a target of 12 business days to less than nine days. This has been accomplished through business process re-engineering and IT improvements. These frequency assignments satisfy the near-term and future spectrum requirements of the 63 federal agencies to operate radio communications that provide the public with national and homeland security, law enforcement, transportation control, natural resource management, and other public safety services during peacetime and emergencies.
- ◆ NTIA published a report on a Washington, D.C. public safety wireless network to evaluate its effectiveness in sharing the radio spectrum with federal, state, and local governments during emergencies. Selection of the Washington, D.C. Wireless Accelerated Responder Network (WARN), an interoperable, city-wide, broadband public safety network fulfills one of the 24 recommendations of the President's 21st Century Spectrum Policy Initiative for improving management of the Nation's airwaves.

Performance Outcome: Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)

Performing research to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

NTIA participated on behalf of the Administration in Federal Communications Commission (FCC) and Congressional proceedings on telecommunications policies, including the development of appropriate regulatory treatment for broadband services deployment. NTIA made significant progress in implementation of programs required under the Digital Television Transition and Public Safety Fund. A number of Internet related policy issues required NTIA action, including continuing Internet privatization, domain name management both domestically and internationally, next generation Internet Protocols, and the combination of Internet and telecommunications addressing (ENUM). All of these activities required substantial coordination among NTIA's program offices, as well as interagency coordination to develop the Administration's positions.



The achievements of this performance outcome are described below:

- ◆ In March 2007, NTIA published regulations that set forth the framework for the Digital Television Transition Coupon Program and provide guidance to consumers, converter box manufacturers, and retailers wishing to participate in the program. Specifically, the regulations outline requirements related to household eligibility, converter box technical specifications, and retailer certification. On August 17, 2007, NTIA awarded a contract to IBM for end-to-end services to implement and administer the coupon program. IBM, together with three partners, will manage three broad, functional aspects of the coupon program: (1) systems processing (e.g., determining consumer eligibility, distributing and activating coupons, certifying retailers, and providing training materials); (2) financial processing (e.g., administering the processes to authorize coupons for redemption



and ensure payment to retailers, and performing independent auditing); and (3) consumer education and communications. IBM's partners include Corporate Lodging Consultants which will oversee retailer certification and training as well as coupon redemption and payment; Epiq Systems which will handle coupon distribution and customer support; and Ketchum, a global public relations firm that will oversee the consumer education program.

- ◆ On July 18, 2007, U.S. Secretary of Commerce Carlos M. Gutierrez and U.S. Secretary of DHS Michael Chertoff announced the availability of \$968 million in PSIC Grants to help state and local first responders improve public safety communications during a natural or man-made disaster for all 50 states, the District of Columbia, and the U.S. Territories. Grants were awarded by September 30, 2007, and grant projects will be completed in FY 2010. The Digital Television Transition and Public Safety Act of 2005 authorized NTIA, in consultation with DHS to make payments not to exceed \$1 billion in the aggregate through FY 2010 to carry out the PSIC program. The grant program will 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 in the 700 MHz band for radio communication.
- ◆ NTIA, in its role as supervisor of the administration of the country code top-level domain for the United States (usTLD or .us domain) worked with NeuStar to improve the .us locality space by modernizing usTLD locality-based processes, and creating delegated manager and WHOIS databases. NTIA published a Notice of Inquiry and convened a public meeting to seek views on the continued transition of the technical coordination and management of the Internet Domain Name and Addressing System (DNS) to the private sector.
- ◆ NTIA testified before House and Senate Committees the transition to Digital TV and Public Safety Communications Interoperability.
- ◆ NTIA began extensive preparations for the administration of other programs established by the Digital Television Transition and Public Safety Fund, created by the Deficit Reduction Act of 2005. This fund receives offsetting receipts from the auction of electromagnetic spectrum recovered from discontinued analog television signals, and provides funding for several programs from these receipts. These other programs include the New York City 9/11 Digital Transition, Assistance to LPTV Stations, National Alert and Tsunami Warning Program, and Enhanced 9-1-1 Service Support.
- ◆ During FY 2007, the Public Telecommunications Facilities Program (PTFP) awarded \$22,450,416 to fund 118 projects, including 24 grants so 18 public radio stations and six public television stations can purchase standby generators to enable the stations to continue public service programming during times of emergency. Sixteen radio projects for \$2,167,338 will extend new public broadcasting service to over 200,000 people and provide additional service to almost 750,000 people. Sixteen projects for \$802,604 will assist in the digital conversion of public radio stations. Forty-eight digital television conversion grants were awarded for \$15,012,071 to recipients in 32 states and territories. One grant, to WYES-TV, New Orleans, will replace production and associated equipment which was damaged by Hurricane Katrina. A planning grant will conduct a comprehensive nationwide study of public television digital coverage, necessitated by the change in the service area of many public television stations due to the shut-off of analog signals in February 2009. The University of Hawaii/PEACESAT received an award of \$499,351 to continue distance education, videoconferencing, and medical services to Pacific island nations and U.S. territories.

The data used to evaluate the effectiveness of performance outcome achievements are reviewed quarterly and the Department attests to the accuracy and reliability of the data. Data on the timeliness of processing frequency assignment requests are maintained by the Office of Spectrum Management. All other data are published on the NTIA Web site. NTIA examined an array of spectrum management policy issues in FY 2007 dealing with innovative approaches to spectrum management and the effectiveness of current processes.

STRATEGIES AND FUTURE PLANS

NTIA will direct the bulk of NTIA's resources toward achieving the President's goal of spectrum management reform. NTIA will facilitate a modernized and improved spectrum management system and facilitate economic incentives for more efficient and beneficial use of spectrum. NTIA's other spectrum management activities include:

- ◆ Identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and private sectors.
- ◆ Providing the 63 federal agencies with the spectrum needed to support their missions for national defense, law enforcement and security, air traffic control, national resource management, and other public safety services.
- ◆ Developing plans and policies to use the spectrum effectively.
- ◆ Satisfying U.S. future spectrum needs globally through participation with the 190 other countries of the International Telecommunication Union in establishing binding treaty agreements through world radio-communication conferences.
- ◆ Improving, through telecommunications research and engineering, the understanding of radio-wave transmission thereby improving spectrum utilization and the performance of radio-communications systems.

NTIA will also work with DHS on the development of standards for the interoperability of public safety systems and on the continuing implementation of Spectrum Relocation Fund legislation. NTIA will continue work with the Department of Transportation (DOT) on implementation of the Enhanced 911 Act. NTIA will continue work with the Internet Corporation for Assigned Names and Numbers (ICANN) on the management of the Internet DNS. NTIA anticipates that it will participate on behalf of the Administration in a Congressional examination of the Telecommunications Act focusing on telephony subsidy reform and the classification of advanced broadband services. NTIA will also participate on behalf of the Administration in Digital TV transition policy-making and implementation of Internet Protocol Version 6 (IPv6).

CHALLENGES FOR THE FUTURE

In today's era of modern communications, RF spectrum is critical. Current spectrum management policies are under increasing strain as the demand for existing spectrum-based services grows and new spectrum-related technologies and applications emerge. Working with all affected parties in the federal government and the private sector, NTIA and the Department must find ways to implement the recommendations developed through the President's Spectrum Policy Initiative to foster economic growth; ensure U.S. national and homeland security; maintain U.S. global leadership in communications technology development and services; and satisfy other vital U.S. needs in areas such as public safety, scientific research, federal transportation infrastructure, and law enforcement. Also, NTIA and the FCC must coordinate the development of a National Strategic Spectrum Plan.

NTIA and the Department must also continue promotion of universal and affordable broadband access. Some of the most promising new broadband technologies are wireless. By expanding the amount of spectrum available for commercial uses, the Department will increase high-speed Internet access. In an era of rapidly changing new technologies, like mobile wireless, high-speed fiber optics, and expanded broadband deployment, government policies should favor customer choice. Regulatory stability in the telecommunications sector will promote both competition and investment. Developing these policy frameworks to support these goals is the challenge facing NTIA and the Department.



STRATEGIC GOAL 3

PERFORMANCE OBJECTIVE	TARGETS MET OR EXCEEDED
Serve society's needs for weather and water information (NOAA)	10 of 10
Understand climate variability and change to enhance society's ability to plan and respond (NOAA)	5 of 6
Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)	8 of 8
Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)	6 of 6



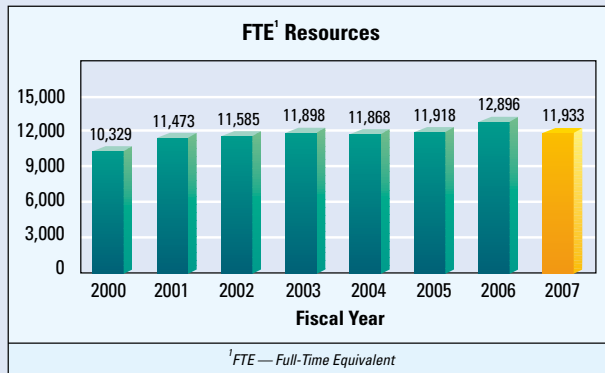
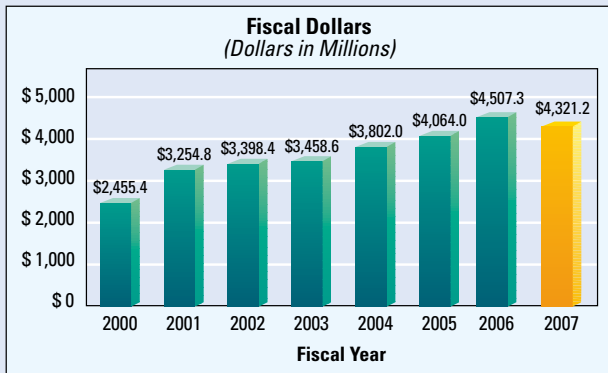
STRATEGIC GOAL 3 * PERFORMANCE SECTION



STRATEGIC GOAL 3

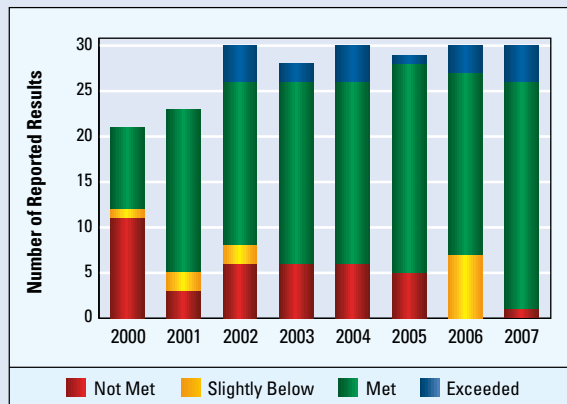
Observe, protect, and manage the Earth's resources to promote environmental stewardship

STRATEGIC GOAL 3 TOTAL RESOURCES



The Department has responsibilities for the environment, ecosystems, safety, and commerce of the Nation that span oceanic, coastal, and atmospheric domains. Understanding the oceans and atmosphere is essential to sustaining U.S. environmental and economic health. The Department provides products and services that are a critical component of the daily decisions made across the United States. From hurricane tracking to El Niño and harmful algal bloom predictions, navigational charts to fish stock assessments, severe weather forecasts to coastal zone management—the Department's future-oriented science, service, and stewardship missions touch the life of every citizen in the United States and in much of the world every day.

STRATEGIC GOAL 3 PERFORMANCE RESULTS



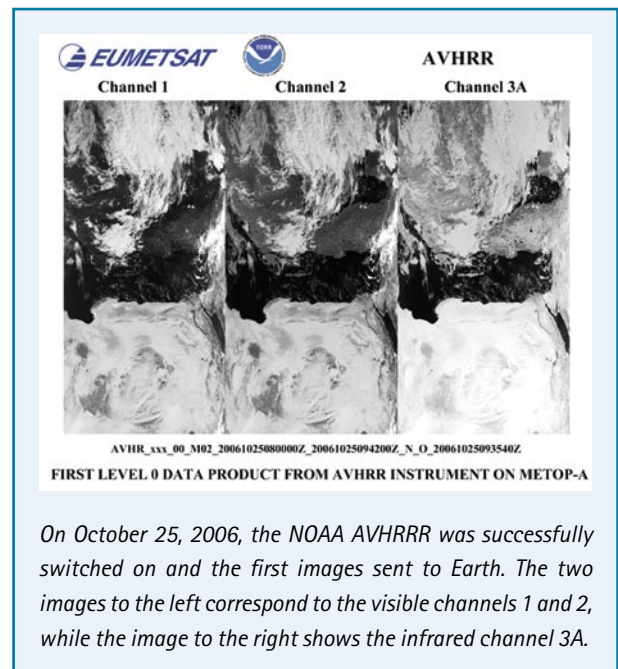
See Appendix A: Performance and Resource Tables for individual reported results.

Together the Department and its partners provide weather and climate services; conduct atmospheric, climate, and ecosystems research; manage and protect fisheries and sensitive marine ecosystems; promote efficient and environmentally safe commerce and transportation; and provide emergency response and vital information in support of homeland security. The breadth and scope of these services require the Department to be responsive to both short-term and long-term societal needs.

FY 2007 accomplishments include:

***EUMETSAT Satellite, a Milestone in U.S.-European Cooperation, Sends First Images
NOAA Instruments aboard Satellite are Switched on***

MetOp-A was launched from the Baikonur Space Cosmodrome in Kazakhstan on October 19. The European polar-orbiting satellite, MetOp-A, is being heralded as a major milestone in the U.S.-European Initial Joint Polar System (IJPS). The agreement between the National Oceanic and Atmospheric Administration (NOAA) and the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT) coordinates respective polar satellite launches to improve coverage of weather and climate conditions. On October 25, 2006, the NOAA Advanced Very High Resolution Radiometer (AVHRR) was successfully switched on and the first images sent to Earth. The global data collected are used extensively in NOAA's weather and climate prediction numerical models. The primary purpose of AVHRR is to provide global cloud imagery for meteorological purposes, although many other applications have developed around the use of this versatile instrument previously flown on NOAA satellites, such as mapping of sea ice and sea surface temperatures, vegetation mapping, and land surface analysis. The AVHRR instrument is provided to EUMETSAT by NOAA.



On October 25, 2006, the NOAA AVHRRR was successfully switched on and the first images sent to Earth. The two images to the left correspond to the visible channels 1 and 2, while the image to the right shows the infrared channel 3A.

"The NOAA-EUMETSAT partnership is absolutely crucial to the continuous flow of environmental data captured from space," said Greg Withee, assistant administrator for the NOAA Satellite and Information Service. "Launching MetOp-A is a milestone for NOAA and the United States because of the value and applications of data it will provide for monitoring sea-surface temperatures, drought, and other climate conditions." Lars Prahm, director-general of EUMETSAT, said, "The agreed partnership between the United States and Europe will jointly ensure a continuous flow of vital data from polar orbit."

On May 15, MetOp-A was formally declared operational, enabling users in Europe and beyond to benefit from the satellite's unique capabilities. MetOp-A instruments provided by NOAA include the Advanced Microwave Sounding Unit (AMSU-A1 & A2); High Resolution Infrared Sounder (HIRS/4); AVHRR/3; and Space Environment Monitor (SEM-2). The MetOp satellite series consists of three spacecraft, including MetOp-A, which are designed to provide operational data until 2020.



NOAA Promotes Safety in Gulf Region

One of NOAA's central missions is to promote public safety and preparedness. Since Hurricanes Katrina and Rita, NOAA has responded to requests from the U.S. Army Corps of Engineers and U.S. Coast Guard and has surveyed 677.92 square nautical miles and utilized contractors to locate potential dangers to marine navigation along the Gulf Coast. New elevations were published for more than 340 benchmarks and the values will provide official elevations in 27 parishes across the southern part of Louisiana that experienced damage from the storms. To improve communication, NOAA has developed a Web site (<http://gulfofmexico.marinedebris.noaa.gov/>) that will allow stakeholders to stay abreast of meetings, projects, and outreach events. Plans are currently underway to establish a Gulf of Mexico Disaster Response Center in Mobile, AL.

New Community Hydrologic Prediction System (CHPS) Successfully Demonstrated

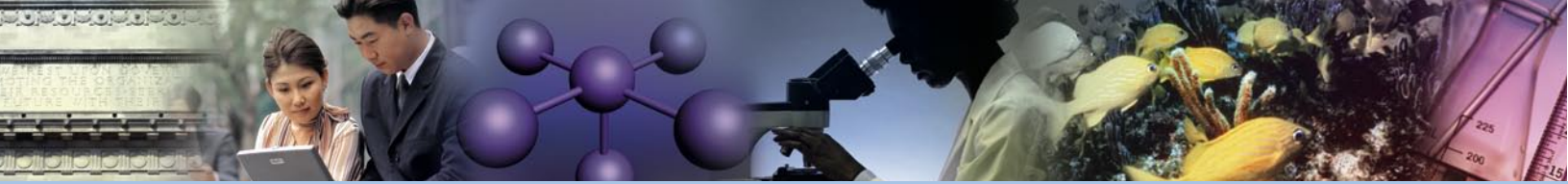
NOAA National Weather Service (NWS) Office of Hydrologic Development (OHD) completed the first successful demonstrations of pilot components of the new CHPS at the Northwest River Forecast Center (RFC) in Portland, OR during April 2007 and at the California-Nevada RFC in Sacramento, CA during July 2007. CHPS is a new modern software infrastructure, built on standard software packages and protocols and open data modeling standards to provide the basis from which new and existing hydraulic and hydrologic models and data can be shared within a broader hydrologic community. Developed using a service oriented architecture, an emerging standard for large-scale system design, CHPS enables scientists and programmers to work together and rapidly transition new innovative analyses and forecast techniques, for example new water quality models, from the drawing board to operational deployment efficiently. CHPS provides a new business model in which members of the hydrologic community, including other agency and academic collaborators, can operate more collaboratively through the sharing and infusion of advances in science and new data.

NOAA's Efforts to End Overfishing Strengthened by the Reauthorization of the Magnuson-Stevens Act

The Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006, signed on January 12, 2007, contains a requirement to establish an annual catch limit (ACL) for each fishery, for the first time creating a mandate with a timetable to end overfishing. Other significant new provisions include promoting market-based approaches to fisheries management; improving the science used in fisheries management; improving recreational data collection; enhancing international cooperation in fisheries management; and addressing illegal, unreported, and unregulated fishing as well as bycatch of protected living marine resources. The act included over 100 requirements for reports, studies, Secretarial determinations, and other activities to be completed by specific dates. NOAA has made important progress on many of these, such as establishing a Web site devoted to the reauthorized act, forming an implementation team, meeting with Regional Fishery Management Councils and State Marine Fisheries Directors, holding public meetings on ACL guidelines and the environmental review processes, and holding a roundtable with conservation organizations and a workshop on ACL data needs.

National Plan for Managing Drought Released

The National Integrated Drought Information System (NIDIS) Implementation Plan: A Pathway for National Resilience was released in hardcopy in June. NIDIS will enable users to determine the risks associated with drought and provide supporting data and tools to inform drought mitigation. NOAA led the process for creating the plan in response to a request from the Western Governor's Association.



The plan describes how an accessible and usable drought information system will be developed, deployed, and operated to facilitate informed decision-making by resource managers and others. In addition, it outlines the governance structure, priorities, and operational requirements needed to meet objectives for NIDIS. The plan was created by a NIDIS Program Implementation Team composed of federal agency, state, association, academic, and private sector participants. Critical to the success of this plan is the continued cooperation with partners at all levels of government, academia, and the private sector. The plan is responsive to the Western Governor's Association, June 2004 document on "Creating a Drought Early Warning System for the 21st Century," and the NIDIS Act (Public Law 109-430) signed into law on December 20, 2006.

NOAA Moves Forward on Plans for Monitoring the Seas

Changes in the ocean from sea level rise and coastal flooding to harmful algal blooms and dead zones are impacting U.S. society. To prepare for and help manage these changes, NOAA's U.S. Integrated Ocean Observing System (IOOS) Program dedicated a full-time senior director to advance data integration and support regional IOOS development within the long-term goals of improving the Nation's understanding of climate change, safety and efficiency of marine operations, mitigation of natural hazards, and protection and restoration of marine ecosystems.

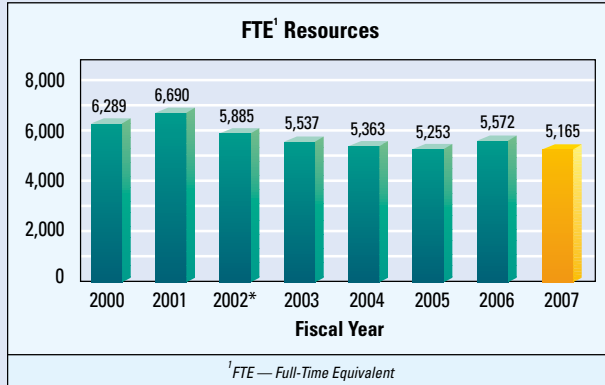
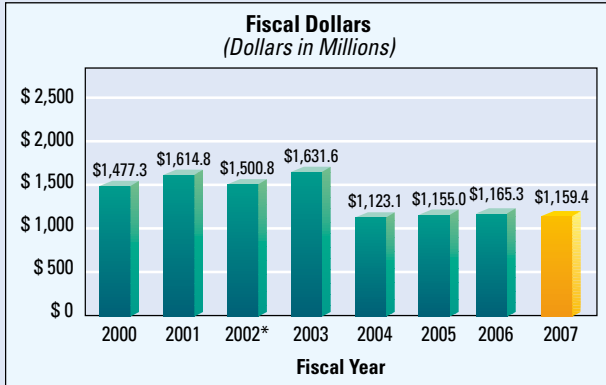
Ocean observations are more and more important to scientists who characterize, understand, predict, and monitor changes in coastal and ocean environments and ecosystems. Integration of data from ocean observations is also critical to commercial fisheries incorporating climate forecasts into management and harvest decisions. Ocean observation networks can improve NOAA's storm surge forecasts that allow emergency managers to make better decisions about evacuation plans.

Specifically, the IOOS Program created baselines for data flows and conditions for four thematic focus areas, completed five interoperability tests to understand and document issues with making data from disparate systems work together, and identified a realistic standards process. NOAA announced an IOOS merit-based competition to support regional IOOS development as an opportunity for FY 2008. The IOOS Program published the first version of the National High Frequency radar plan, representing needs of federal and state governments and established a formal requirement for this system within NOAA. Working with interagency partners, NOAA published a national near-shore waves plan which documents a national requirement for wave measurement that will define type and location of systems, applicable standards, and data products.

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

STRATEGIC OBJECTIVE 3.1 TOTAL RESOURCES

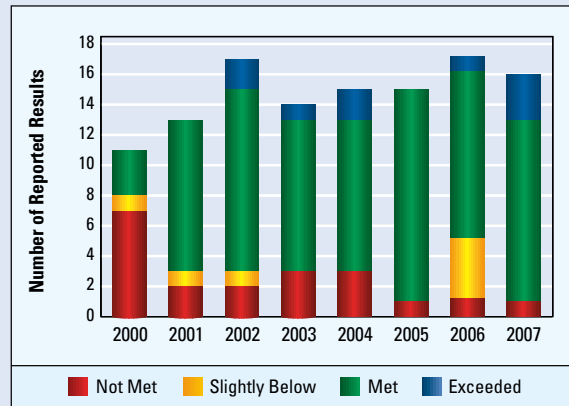


* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.

The Department's role in understanding, observing, forecasting, and warning of weather events is expanding. The Department is conducting sound, scientific research and providing integrated observations, predictions, and advice for decisionmakers who manage environmental resources, ranging from fresh water supplies to coastal ecosystems to air quality.

Realizing that the Department's information and services bridge both weather and climate timescales, the Department 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. The Department will expand services to support evolving national needs, including those associated with space weather, freshwater and coastal ecosystems, and air quality prediction.

STRATEGIC OBJECTIVE 3.1 PERFORMANCE RESULTS



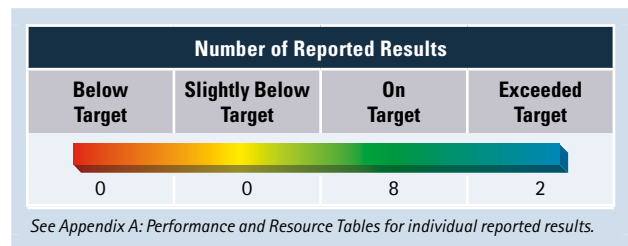
See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE OBJECTIVE	TARGETS MET OR EXCEEDED
Serve society's needs for weather and water information (NOAA)	10 of 10
Understand climate variability and change to enhance society's ability to plan and respond (NOAA)	5 of 6

Performance Objective: Serve society's needs for weather and water information (NOAA)

Floods, droughts, hurricanes, tornadoes, tsunamis, and other severe weather events cause \$11 billion in damages each year in the United States. Weather is directly linked to public safety, and nearly one-third of the U.S. economy (\$3 trillion) is sensitive to weather and climate. With so much at stake, NOAA's role in understanding, observing, forecasting, and warning of environmental events is expanding. Private and business sectors are also getting more sophisticated about how to use NOAA's weather, air quality, water, and space weather information to improve operational efficiencies, to manage environmental resources, and to create a better quality of life.

In FY 2007, NOAA continued its leadership in weather and water science and technology by expanding sources of observational data, advancing numerical models, and improving the accuracy of its forecasts and warnings. In addition, NOAA responded to society's evolving needs for forecast services by leveraging its partnerships in the public, private, and academic sector.



Some highlights from FY 2007 include:

Web-based Product Brings Weather Forecasts Instantly to Fire Agencies

The Fire Weather Dynamic Point Forecast Matrix (PFM), an experimental Web-based product, is helping land managers and fire agency officials better plan for and manage fire activity, from prescribed burns to large wildfires. Activated in January 2007, PFM is available across the western United States and provides dynamic forecast updates with enhanced usability for fire management, including Lightning Activity Level, Haines Index, and smoke management variables. More efficient fire administration results in cost savings to the Nation and improved management of U.S. public lands and forest ecosystems. A typical weather forecast is produced for seven days, every three hours for the first three days and then every six hours for the last four days. PFM allows fire agencies to access a Web-based tool. By clicking on a map, fire agencies are able to quickly receive a Dynamic Forecast generated from the latest information available.

NOAA Weather Radio Activities: Meeting the Expectations of the Nation for Weather and All Hazard Warning Information

To achieve 100 percent coverage of high-risk areas, NOAA added 17 broadcast stations to the network in 2006 and 2007. In addition, NOAA refurbished 62 broadcast stations with technology upgrades that significantly improve reliability and availability while decreasing maintenance costs. Refurbishing these older broadcast stations and installing new broadcast stations allow the network to meet expectations of availability as the Nation's weather and all hazard warning system. NOAA Weather Radio All Hazards is a reliable and inexpensive means of communicating weather, hazard, and emergency information directly to the public. The network infrastructure consists of over 972 broadcast stations covering 98 percent of the Nation's population and has the ability to deliver messages to individuals monitoring their own receivers as well as the ability to reach millions of listeners and viewers through the Emergency Alert System, which is monitored by television and radio license holders.

The network is required to broadcast to all areas identified in the United States as being at high risk of experiencing severe weather and to sustain a high level of reliability and maintainability in those areas. NOAA categorizes 248 areas in the United

States as being at high risk of experiencing severe weather events, including tornados, hurricanes, flash floods, flooding, severe winter weather, and severe marine weather.

NOAA Surpasses Goal for Increasing the Number of Heat Health Warning Programs in U.S. Cities

Recognizing the dangers of excessive heat conditions, NOAA has exceeded its goal for implementing the Heat Health Watch/Warning Systems (HHWS). NOAA's NWS forecasters will use this system to help predict severe heat conditions that adversely affect human health and endanger life.

NWS successfully implemented two HHWSs in San Francisco/San Jose, CA and Houston, TX in May 2007. The California HHWS is a multi-city system with funding contributed by San Jose's Office of City Emergency Services, helping NWS to exceed its HHWS coverage goal for 2007. This brings the total number of HHWSs to 19, covering 29 cities.

Expanding U.S. Tsunami Preparedness

The National Data Buoy Center (NDBC) is responsible for the expansion of the U.S. network of tsunami detection sensors. During FY 2007, 14 Deep-Ocean Assessment and Reporting of Tsunamis (DART) buoys were established in the Western Pacific Ocean (4), off the Pacific Coast of Central America (3), in the North Western Pacific Ocean (5), and in the North Atlantic Ocean (2) bringing the total number of U.S. DART stations to 34. The DART project is an ongoing effort to maintain and improve the capability for the early detection and real-time reporting of tsunamis in the open ocean. DART provides tsunami hazard mitigation and warnings and capacity building in the international tsunami community.

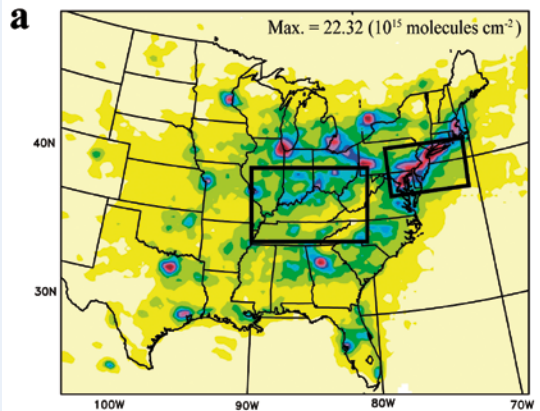
In addition, NWS works with communities to prepare for tsunamis through the TsunamiReady program. To date, there are 42 TsunamiReady sites in nine states, Puerto Rico, and Guam. NWS reached its goal of recognizing 10 new TsunamiReady communities in FY 2007.

Satellites Find Cleaner Air across the Eastern United States

A major smog-forming pollutant is declining over the eastern United States, according to a new study by scientists at NOAA and the University of Bremen, Germany. New satellite observations mark the first time space-based instruments have detected the regional impact of pollution controls implemented by coal-burning electric power plants in the 1990's. The findings were published in Geophysical Research Letters, a publication of the American Geophysical Union.



A DART buoy located at the NOAA NDBC at Stennis Space Center, MS.

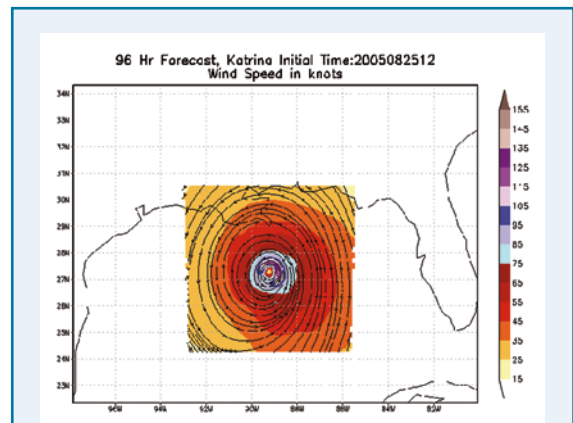


NOAA image of the Ohio River Valley showing a decline in nitrogen dioxide.

High-precision instruments aboard European satellites have detected a 38 percent decline in nitrogen dioxide (NO₂) in the Ohio River Valley and nearby states between 1999 and 2005, according to the study. NO₂ and nitric oxide (NO) are two gases that form a group of pollutants known as nitrogen oxides (NO_x), which are created primarily through fossil fuel burning. When combined with other gases and sunlight, they form ozone, the major urban air pollutant in smog. Ground-level ozone harms human health and vegetation and is a key pollutant targeted by the Environmental Protection Agency (EPA). The next step is to confirm through observations and further analysis that ozone is actually declining, advises Si-Wan Kim, of the Earth System Research Laboratory (ESRL) and the Cooperative Institute for Research in Environmental Sciences and lead author of the study. "NOAA scientists and their colleagues have provided an objective assessment of the positive impact on Earth's atmosphere of actions taken by industry with the ultimate goal to improve air quality over the eastern United States," said Richard W. Spinrad, Ph.D., assistant administrator of NOAA Research. "This work is an excellent example of NOAA's value to society as an objective science broker."

Advance Hurricane Model Aides NOAA Forecasters

Understanding hurricane intensity is one of NOAA's greatest challenges. To that end, the National Centers for Environmental Prediction (NCEP) implemented the Hurricane Weather Research and Forecast (HWRF) Model operationally on June 19, 2007. It joins the Geophysical Fluid Dynamics Laboratory Hurricane Model to provide operational hurricane guidance forecasts for the 2007 hurricane season. The new model will improve forecast accuracy by better addressing the intensity, structure, and rainfall forecast problem in addition to advancing wave and storm surge forecasts. "It is vital that we understand all the factors of hurricane forecasting throughout the life of a storm and HWRF will provide an unprecedented level of detail. Over the next several years, this model promises to improve forecasts for tropical cyclone intensity, wave and storm surge, and hurricane-related inland flooding," said Mary Glackin, acting director of NWS. "It will be one of the most dynamic tools available for our forecasters."



NOAA image showing the HWRF 96-hour (4-day) forecast for Hurricane Katrina, heading for New Orleans in 2005.

Over the next three years the model will be upgraded to include advanced data assimilation for the hurricane core, making use of observations from airborne Doppler radar and land based radars, and it will be coupled to an advanced version of the operational hurricane wave model. Additionally, a land surface component will improve forecasting of inland flooding problems associated with hurricane land falls.

Storm Size, Intensity, Key to Evaluating Potential Hurricane Damage

During 2007, NOAA hurricane researchers investigated the destructive potential of land-falling hurricanes and indicated that the overall size of the storm, as well as the area reached by its winds should be considered when assessing its possible damage.



A view of the destruction from Hurricane Katrina in Biloxi, MS.



In April 2007 the Bulletin of the American Meteorological Society published a study by a research meteorologist at the NOAA Atlantic Oceanographic and Meteorological Laboratory in Miami describing a new Hurricane Destructive Potential classification. The new proposed metric associates a numerical value similar to the Saffir-Simpson scale to each storm, and reflects potential damage due to wind, storm surge, and waves. The overall goal is to provide a better measure of the threat posed by a hurricane.

Technology to Remotely Measure Hurricane Surface Winds now Installed on U.S. Air Force Hurricane Hunter Aircraft

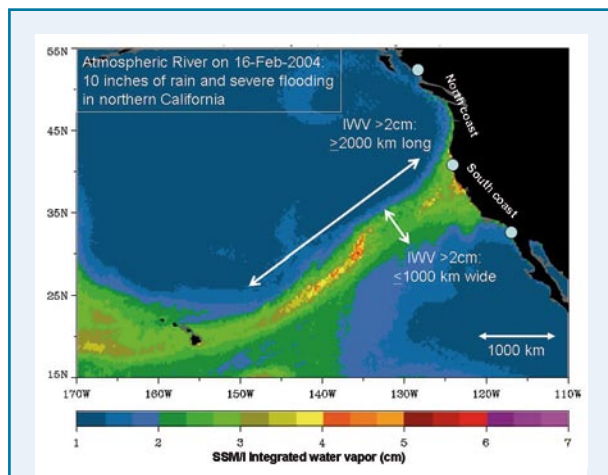
NOAA has successfully integrated a new wind speed measuring instrument into the broader U.S. hurricane reconnaissance arsenal, the Stepped Frequency Microwave Radiometer (SFMR). As of July 2007, the U.S. Air Force Weather Reconnaissance Squadron has outfitted three of its C-130 hurricane hunter aircraft with SFMRs, with the goal of outfitting one new aircraft per month through the rest of 2007, and an ultimate goal of outfitting each aircraft in the squadron. NOAA's two P-3 hurricane hunter aircraft are already outfitted with SFMRs with plans for the Gulfstream-IV jet to be outfitted in the next year.

The SFMR uses remote sensing technology to measure wind speeds directly below the aircraft when flying in the hurricane environment. The algorithms that are used to convert raw SFMR data into highly accurate surface wind speed estimates were developed by NOAA hurricane researchers at the Atlantic Oceanographic and Meteorological Laboratory. Wind speeds from SFMRs provide a wealth of precise data on a storm's current wind speeds that were previously only available in the form of sporadic data points from air-deployed instruments or flight level estimates. This significantly improves NOAA's ability to accurately describe a hurricane's strength and also improves model output by more completely and accurately describing the current conditions.

Phased Array Radar Speeds Scanning

Early tests of the Phased Array Radar system by the National Severe Storms Laboratory (NSSL), working with private sector partners, including Lockheed Martin, show that this innovative technology, developed by the Department of Defense (DOD), has the potential to vastly improve upon the capabilities of the national Next Generation Weather Radar system (NEXRAD Hydrometeorology Testbed-West 2007 Basin Scale Domain. AD) radar network for all weather radar applications. Tests demonstrated a complete volume scan around the Multi-functional Phased Array Radar can be obtained in less than one minute, while the current NEXRAD

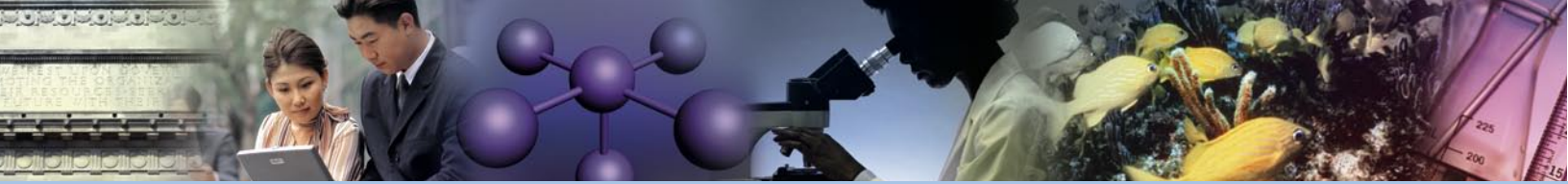
radar takes five to six minutes for such a scan. This technology has the potential to increase the average lead time for tornado warnings well beyond the current average of 13 minutes. NSSL's Phased Array Radar captured a number of significant severe and tornadic weather events during the spring storm season in 2007. For the first time these data were made available for operational use to the NWS Weather Forecast Office (WFO) in Norman, OK.



NOAA image of the Hydrometeorology Testbed-West 2007 Basin Scale Domain.

NOAA Studies the Causes of Catastrophic Urban Floods on the West Coast

Researchers from the NOAA ESRL are intensively monitoring air, water, and soil in the American River basin between Reno, NV and Sacramento, CA. Part of a regional implementation of a national hydrometeorological testbed (HMT) program, ESRL scientists are working closely with NWS forecasters and hydrologists and other NOAA research laboratories to improve



predictions of California's heavy winter rains to help water resource managers prevent catastrophic flooding in the Sacramento region. New sensors, computer models, and other tools tested during the study eventually will be used to improve NWS rainfall forecasts up and down the West Coast through HMT's efforts to enhance and accelerate research to operations.

FY 2007 saw the successful completion of the second full field season (late November through mid-March), and included several new instrumented sites as well as the addition of new experimental workstations distributed to three NWS WFOs and the California-Nevada RFC. These work stations delivered custom, river basin scale ensemble forecasts of rain and weather in the HMT area. A new water vapor flux product, using HMT atmospheric river observatory data, was developed and distributed for the first time this year—in mountainous terrain, rainfall is directly related to the water vapor flux. Rainfall estimates derived from high-resolution, gap-filling radars were delivered to NWS in support of the second Distributed (hydrologic) Model Inter-comparison Project (DMIP2). Motivated by HMT, data from the commercial KPIX radar in the San Francisco Bay area came online and are supporting the NWS WFO in Monterrey.

Global Hazard Data for Geoportal Support Tsunami Risk Identification and Reduction

NOAA's National Geophysical Data Center (NGDC) recently made the Global Historical Tsunami, Significant Earthquake, and Significant Volcano Databases available through Web Map, Web Feature, and Web Coverage services. This is the first step in providing these data to the Global Earth Observatory (GEO) community through the GEO Web Portal. This included a quality review of all major tsunami events in the World Data Center's Global Historical Tsunami Database (<http://www.ngdc.noaa.gov/seg/hazard/tsu.shtml>). Each event reported, from 2000 BCE to the present, is carefully compared against and referenced to tsunami documents and published reports. The event database includes information on the tsunami source (i.e. earthquake, volcano, and landslide) and impacts (i.e. maximum inundation, deaths, and damage). A review of all events impacting U.S. coasts was completed in 2006 as the basis for release in 2007 of "Tsunami Hazard Assessment for U.S. Coasts." These data are essential input to tsunami forecast models and warnings.

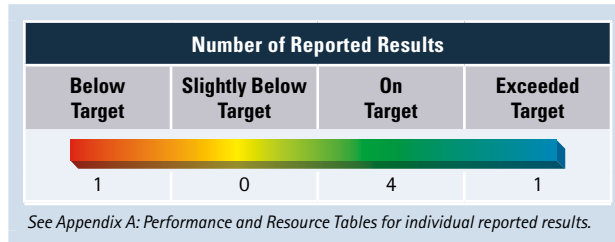
NOAA Unveils New Product Line for Pacific Northwest to Improve Storm Planning, Prediction, and Recovery

The NOAA Coastal Storms Program (CSP) managed by the Coastal Services Center (CSC) has developed a suite of products for Oregon and Washington coastal communities to improve storm planning, prediction, and recovery. The Pacific Northwest is vulnerable to flooding, debris flows, and coastal erosion because of battering coastal storms during the winter months. The impacts of these storms are quite diverse, ranging from treacherous navigation conditions at the mouth of the Columbia River (known as "the graveyard of the Pacific") to stormwater impacts on spawning salmon. The products developed by CSP contribute to alleviation of hazard impacts to the region. Outreach and training for these products were provided through the Oregon Sea Grant Program and the Coastal Zone 07 conference in Portland, OR. Similar efforts are underway for Southern California and the Gulf of Mexico.

Performance Objective: Understand climate variability and change to enhance society's ability to plan and respond (NOAA)

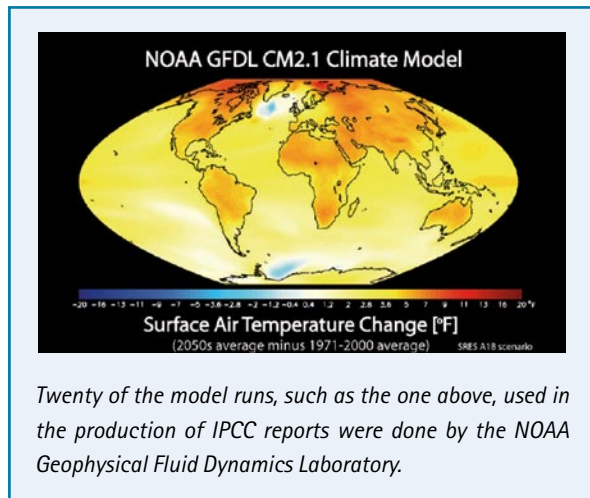
One of NOAA's mission objectives is to understand climate variability and change to enhance society's ability to plan and respond by employing an end-to-end system comprised of integrated environmental observations leading to a scientific understanding of past and present climate and enhanced climate predictive capabilities, and enhanced service delivery methods that continuously assess and respond to stakeholder needs.

Society exists in a highly variable climate system, with conditions changing over the span of seasons, years, decades, and centuries. Seasonal and interannual variations in climate, like El Niño, led to economic impacts on the order of \$25 billion for 1997 to 1998, with property losses of over \$2.5 billion and crop losses approaching \$2.0 billion. Given such stresses as population growth, drought, and increasing demand for fresh water, 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. In the U.S. agricultural sector alone, better forecasts can be worth more than \$300 million in avoided losses annually.



In FY 2007, NOAA continued its efforts to obtain the best science through the Climate Change Science Program (CCSP) and NOAA Climate Program. NOAA accomplished this through its continuing role as lead agency of the interagency CCSP. In addition, NOAA increased the production of climate information and services for decisions, including Synthesis and Assessment Reports, implementation of NIDIS, and completion of initial climate scenario runs for the Intergovernmental Panel on Climate Change (IPCC).

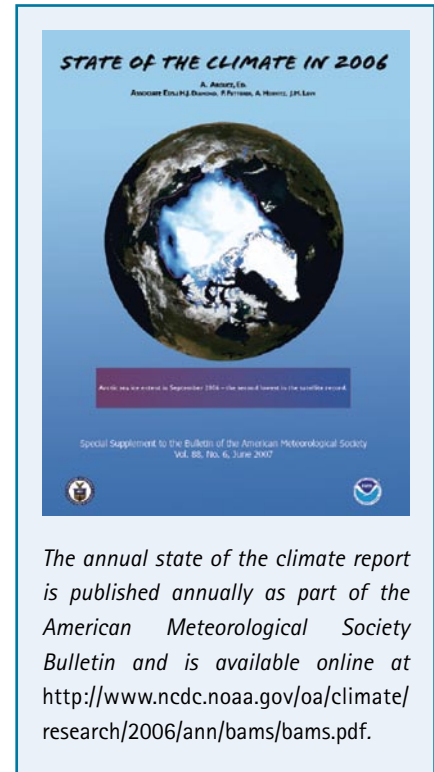
NOAA Made Major Contributions to IPCC Reports



NOAA individuals and technology made major contributions to the IPCC international climate science report. The depth of NOAA's contributions in this international effort, from a leadership role, highlights the preeminent science conducted by NOAA providing observations, data, model simulations, analysis, authors, and review editors. A cadre of NOAA scientists from the laboratories and programs, including the joint and cooperative institutes, served as contributors and government reviewers of the final report, which is a state-of-the-science report based on published peer-reviewed literature. Many of IPCC efforts were supported by NOAA and the U.S. CCSP.

NOAA Provides the Nation with an Annual “State of the Climate Report”

The *State of the Climate in 2006* report, published as a special supplement to the June 2007 Bulletin of the American Meteorological Society, provides a summary of global climate conditions for the year. This 135-page report is the product of collaboration among 159 individuals from 33 countries. The goal of the annual report is to routinely analyze and report on a total of 42 atmospheric, ocean, and terrestrial climate “state” variables. The 2006 edition reported on 20 essential climate “state” variables. Two major highlights from the report include: the contiguous United States experienced the second warmest summer on record, and globally, it was the fourth warmest August on record on land and the ocean surface waters. To produce products such as this report, NOAA, through the auspices of the Climate Observations and Analysis (COA) Program, and the National Environmental Satellite, Data, and Information Service (NESDIS) line office, coordinates the analyses of current observations and places the recent measurements in context with historical observations. This NOAA cross line office activity requires adequate observational measurements, data management, and stewardship of those measurements, and a quantitative analysis of long-term trends and variations in the climate record. Reports such as these are part of NOAA suite of climate information products and allow policymakers and resource managers to make more informed decisions that have far reaching effects on the environment and socio-economic related issues.



The annual state of the climate report is published annually as part of the American Meteorological Society Bulletin and is available online at <http://www.ncdc.noaa.gov/oa/climate/research/2006/ann/bams/bams.pdf>.

NOAA Releases Local Temperature Outlook

NWS released its first official local climate outlook product for 1,000 locations nationwide, including Alaska and Hawaii. The Local 3-Month Temperature Outlook augments current climate services by providing local-level outlooks. The forecasts are produced monthly for 13 three-month forecast periods. This new product will, for the first time, give the agricultural industry, local government officials, and the public the ability to plan for longer term temperature events. The forecasts are available on national and local NWS Web sites under the heading “Climate” (<http://www.weather.gov/climate/l3mto.php>).

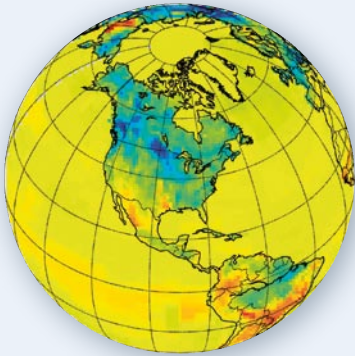
New Climate Observatory in Russia Closes Gap on Arctic Research



NOAA image of the newly constructed NOAA research station in Tiksi, Russia.

During the summer of 2007, the NOAA ESRL expanded its Arctic observation with the construction of a new location in Tiksi, Russia, joining five existing laboratories placed internationally along the Arctic rim. It will be an important component of the NOAA Arctic Atmospheric Observatory Program, closing a significant gap in vital Arctic atmospheric research. This new observation station is an example of increasing international cooperation in Earth observation around the world. Information from the Tiksi research laboratory will provide scientists with a better understanding of the rates and processes of Arctic climate change, including the retreat of sea ice and permafrost. Tiksi was chosen for its geographically favorable atmospheric conditions consisting of very clean and clear air, which

will provide the greatest possible measurements of solar radiation, aerosols, air chemistry, trace gases, cloud properties, water vapor, ozone, temperatures, winds, and stratospheric properties.



NOAA snapshot of the surface uptake of CO₂ across North America showing the strongest CO₂ sinks (blue colors) in the East Coast forests, coniferous forests in Canada and the U.S. Midwest. Note that the largest carbon cycle component, the fossil fuel emissions, is not shown on this map. The image represents a week in July of 2005 and illustrates one of the many products in CarbonTracker.

Powerful New NOAA Tool to Track Atmospheric Carbon Dioxide by Source

Scientists from the NOAA ESRL launched a new tool called CarbonTracker to monitor changes in atmospheric carbon dioxide and other greenhouse gases by region and source. CarbonTracker will enable its users to evaluate the effectiveness of their efforts to reduce or store carbon emissions. The online data framework distinguishes between changes in the natural carbon cycle and those occurring in human-produced fossil fuel emissions. It also provides verification for scientists using computer models to project future climate change. Potential users include corporations, cities, states, and nations assessing their efforts to reduce or store fossil fuel emissions around the world.

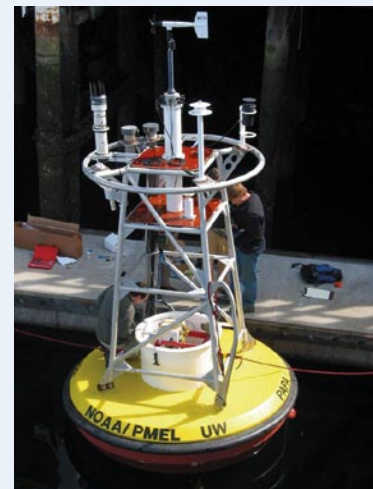
The Release of the 2006 Ozone Assessment

In mid-January the WMO/UNEP (World Meteorological Organization/United Nations Environment Programme) publicly released the "Scientific Assessment of Ozone Depletion: 2006." The 2006 report describes past and expected future levels of ozone-depleting substances, past and expected future behavior of the ozone layer in polar regions and throughout the globe, implications for ultraviolet radiation at the

Earth surface, short-lived ozone depleting substances, and interrelationships between climate and ozone depletion. NOAA scientists have played prominent roles in leading, authoring, contributing to, and reviewing the 2006 ozone assessment. In addition, scores of NOAA-authored scientific papers are cited in the eight detailed scientific chapters of the report. NOAA, through its prominence in leading, authoring, and publishing the report, reaches a truly global set of customers and these efforts directly serve NOAA's goal of providing scientific information in support of decision-making.

First-of-Kind Buoy to Monitor North Pacific Acidification

The first buoy to monitor ocean acidification, a result of carbon dioxide absorbed by the ocean, has been launched in the Gulf of Alaska and is a new tool for researchers to examine how ocean circulation and ecosystems interact to determine how much carbon dioxide the North Pacific Ocean absorbs each year. This project is a collaboration between the NOAA Pacific Marine Environmental Laboratory, the University of Washington, Fisheries and Oceans Canada, and the Institute of Ocean Sciences in Sidney, BC.



NOAA scientists and technicians making final adjustments on the first buoy to carry equipment that measures ocean acidification. This buoy was deployed on June 7 in the Gulf of Alaska.

In terms of performance, the only target NOAA missed was the sea surface temperature error in the climate variability outcome. This measure is a key measure, perhaps the most important measure for the climate outcome. Accuracy of sea surface temperature measurements impacts much of NOAA's long-term work in the climate area, particularly with regard to predicting serious events such as hurricanes. The target for this measure remained the same for FY 2006 and FY 2007, and NOAA did not meet it either year. Furthermore, the explanation for not meeting the target both years was essentially the same even though NOAA stated in FY 2006 they were taking steps to improve the performance in FY 2007

STRATEGIES AND FUTURE PLANS

Weather and Water

The Department utilizes several strategies, identified in the five-year NOAA strategic plan, to improve accuracy and timeliness of weather and water information. Improved weather and water information can have a profound impact on the economy. The Department strives to ensure that reliable, accurate, and timely weather and water information is available for informed and reasoned decision-making. Strategies to achieve this end state include:

- ◆ Improve the reliability, lead-time, and understanding of weather and water information and services that predict changes in environmental conditions.
- ◆ Integrate an information enterprise that incorporates all stages from research to delivery, seeks better coordination of employee skills and training, and engages customers.
- ◆ Develop and infuse research results and new technologies more efficiently to improve products and services, to streamline dissemination, and to communicate vital information more effectively.
- ◆ Build a broad-based and coordinated education and outreach program by engaging individuals in continuous learning toward a greater understanding of the impacts of weather and water on their lives.
- ◆ Employ scientific and emerging technological capabilities to advance decision support services and to educate stakeholders.
- ◆ Work with universities, industry, and national and international agencies to create and leverage partnerships that foster more effective information services.

One of NOAA's top priorities is to effectively and efficiently deliver information and services to customers when they need it and in standardized formats. NOAA strives to support a safer, healthier, and economically stronger United States through reliable, timely, and accurate weather and water information. NOAA-wide information such as all-hazards warnings and a wide range of environmental information from an expanding customer base must be available in digital formats with the necessary supporting infrastructure.

NOAA must continue to refine its Earth observing architecture and data management infrastructure in order to increase its capacity to meet the information requirements of NOAA's four mission objectives. NOAA's mission objectives are directly related to the "nine societal benefit areas" identified by the intergovernmental GEO and the U.S. GEO (USGEO). As such, NOAA will continue to be an active participant on both the USGEO, which is charged with developing the U.S. Integrated Surface Observing System (ISOS), and the GEO, which is developing the Global Earth Observation System of Systems (GEOSS).



Climate

The Department utilizes several strategies identified in the five-year NOAA strategic plan to assist customers in better understanding the impacts of climate change and variability. Like weather, improved climate information can have a profound impact on the economy, and the Department strives to ensure that reliable, unbiased climate information is available for informed and reasoned decision-making. Strategies to achieve this end state include:

- ◆ Develop an integrated global observation and data management system for routine delivery of information, including attribution of the state of the climate.
- ◆ Document and understand changes in climate forcings and feedbacks, thereby reducing uncertainty in climate projections.
- ◆ Improve skill of climate predictions and projections and increase range of applicability for management and policy decisions.
- ◆ Understand impacts of climate variability and change on marine ecosystems to improve management of marine ecosystems.
- ◆ Enhance NOAA's operational decision support tools to provide climate services for national socio-economic benefits.

NOAA will continue to strive toward an integrated approach in the provision of environmental information and modeling as described in the climate-related aspects of the U.S. Integrated Earth Observation System (IEOS) Strategic Plan. In response to the Ocean Research Priorities Plan, NOAA will enhance its ocean focus to provide understanding of climate impacts on ecosystems. These focus areas will increase the progress of the Climate Goal to integrate observations, data management, and modeling, as well as provide a new suite of environmental products and services.

CHALLENGES FOR THE FUTURE

As the 21st century unfolds, new priorities for NOAA action are emerging in the areas of climate change, freshwater supply, and ecosystem management. In recent years, extreme drought and flooding conditions in large regions of the Nation have combined to make improved water resources prediction an urgent requirement for the Department's future weather and climate mission.

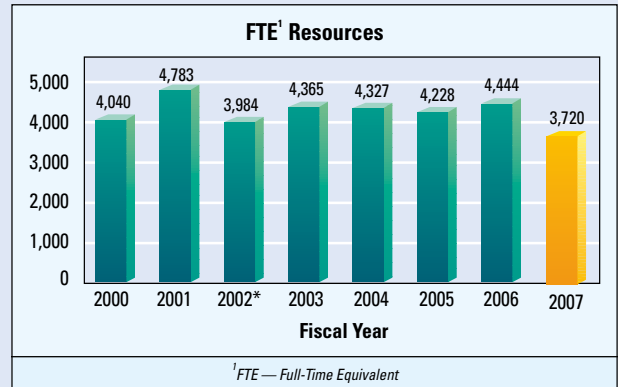
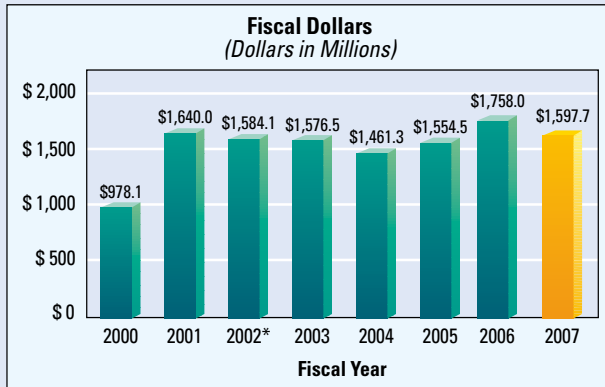
NOAA's challenge will be to continue to improve critical services to the Nation, including (1) advancing science to improve water resource forecasting and service delivery; (2) improving NOAA's tsunami detection, warning, and mitigation capabilities and expanding its scope from the Pacific to the Atlantic and Caribbean; (3) conducting research to yield improvements in the accuracy of one-day to two-week high-impact weather forecasts; (4) improving international efforts to address medium range forecasting and climate variability; (5) expanding ozone air quality forecast to the rest of the Nation; and (6) improving operational atmospheric, ocean, and coastal modeling capabilities.

Society will continue to face major challenges in which the influence of climate will be a fundamental factor. Reducing climate-related uncertainties in policy and decision-making can be valued at more than \$100 billion for the United States alone, and relatively small increases in accuracy can yield substantial benefits. In the next five years and beyond, NOAA's climate priorities and outcomes will lead to science-based climate information services as envisioned by the U.S. CCSP and as needed to meet NOAA's commitments to deliver climate information services to the Nation. To this end, NOAA's research activities will be expanded beyond traditional research efforts supporting the provision of climate data, summaries, and forecasts to address the increasing demand for research on, and assessments of, the impacts of climate on livelihoods, health, safety, and quality of life.

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs

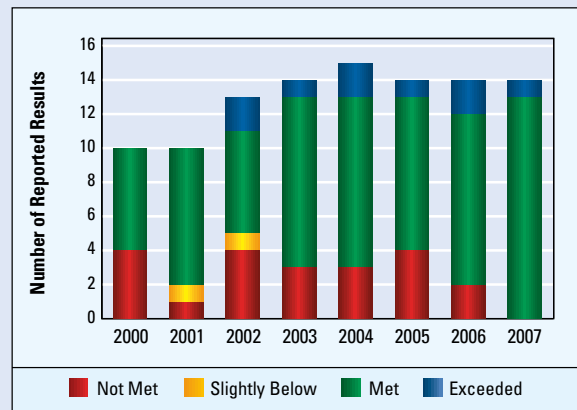
STRATEGIC OBJECTIVE 3.2 TOTAL RESOURCES



* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.

The Department works to protect, restore, and manage ocean and coastal resources. To meet this mandate, the Department maintains a world-class expertise in oceanography, marine ecology, fisheries management, conservation biology, and risk assessment. To achieve balance among ecological, environmental, and social influences, the Department has adopted an ecosystem approach to management—an approach that is deliberate, incremental, and collaborative. Within the Department, NOAA's mission "to protect, restore, and manage fisheries and coastal and ocean resources" is critical to the health of the U.S. economy. To the extent it is possible to balance sustainable economic development and healthy functioning marine ecosystems, the Department seeks to provide an example for the rest of the world in how to protect, restore, and manage resources of the world's oceans and coasts.

STRATEGIC OBJECTIVE 3.2 PERFORMANCE RESULTS



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

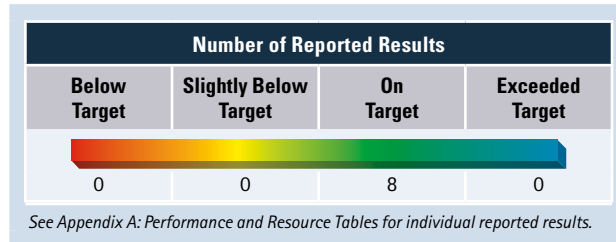
PERFORMANCE OBJECTIVE	TARGETS MET OR EXCEEDED
Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)	8 of 8
Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)	6 of 6



Performance Objective: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)

NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources is critical to the health of the U.S. economy. 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 economic development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

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. That portion of the U.S. economy that depends directly on the ocean is also large, with 2.3 million people employed and over \$117 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. 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.



In In FY 2007, NOAA provided national and international leadership for the U.S. Ocean Action Plan by participating in the development of the U.S. Ocean Research Priorities Plan and Implementation Strategy and by supporting the establishment of the coordinated Ocean Governance Structure. NOAA continued rebuilding fisheries and reducing capacity to improve food security, increase economic benefits, and improve stability of marine ecosystems. NOAA also promoted greater use of market-based systems for fisheries management and regional collaboration on Oceans, Coasts, and Great Lakes Policy in partnership with leadership of states, local, and tribal leadership.

Some highlights from FY 2007 include:

NOAA's Nutrient Pollution Forecasts Report Worsening Health for Nation's Estuaries

A team of scientists from NOAA and the University of Maryland Center for Environmental Science released the most comprehensive assessment of estuarine eutrophication to date, *Effects of Nutrient Enrichment in the Nation's Estuaries: A Decade of Change, National Estuarine Eutrophication Assessment Update*, which clearly indicates linkages between upstream activities and coastal ecosystem health. The report shows that the majority of U.S. estuaries assessed have moderate to high levels of nutrient related impairments, are highly influenced by human-related activities (i.e., agricultural activities, sewage effluent, urban runoff, atmospheric deposition), and most are expected to worsen in the future. The report also offers recommendations to reduce future problems.

NOAA Returns to Antarctica for “Sounds of the Southern Ocean”

Sounds from the Southern Ocean is a joint project between NOAA's Pacific Marine Environmental Laboratory, Oregon State University, and the Korea Polar Research Institute. Defined as the waters poleward of roughly 60 degrees south latitude, the Southern Ocean surrounds Antarctica and serves as a conduit between the Atlantic, Pacific, and Indian oceans. Constant severe weather makes the Southern Ocean a difficult place to work; so much of this ocean basin remains unexplored. When completed, NOAA plans to have characterized parts of this relatively unknown ecosystem through activities such as conducting the first long-term, microseismic survey of seafloor tectonic and volcanic activity in Antarctica. To meet the challenge for continuous monitoring in this extreme environment, during early FY 2006 NOAA deployed an array of autonomous underwater hydrophones (AUH), which act as “ears” in the ocean, recording sounds generated by moving ice sheets, undersea earthquakes, and volcanoes; even vocalizations from large baleen whales. In early FY2007, NOAA recovered and redeployed the AUH array and its initial data review indicates the hydrophones recorded hundreds of earthquakes from the seafloor spreading centers and submarine volcanoes within the Bransfield Strait, as well as events from the subduction zone off the South Shetland Islands and from throughout the Scotia Sea. Moreover, NOAA has observed harmonic tremors produced by the movement of large icebergs, and detected the vocalizations of several critically endangered cetacean species.

NOAA Exercises International Leadership in Fisheries Management

During FY 2007, NOAA continued to exercise strong international leadership and achieved results that advanced broad U.S. objectives for effective conservation and management of living marine resources. NOAA officials led U.S. delegations to meetings of international fisheries organizations and arrangements, such as the Inter-American Tropical Tuna Commission, the Western and Central Pacific Fisheries Commission, the Northwest Atlantic Fisheries Organization, and the North Atlantic Salmon Commission. NOAA staff served as chair of important international groups: Dr. William Hogarth, assistant administrator for Fisheries, served as Chairman of the International Whaling Commission and as chairman of the International Commission for the Conservation of Atlantic Tunas; and Greg Schneider served as Chairman of the Organization for Economic Development Committee on Fisheries. At the first ever joint meeting of the world's five Tuna Regional Fisheries Management Organizations (RFMO) in January 2007, U.S. leadership resulted in agreement to improve RFMO effectiveness and coordination. At the 2007 Conference of Parties to the Convention on International Trade in Endangered Species, a U.S. proposal to list all species of sawfish was adopted. At the 27th Meeting of the Food and Agriculture Organization Committee on Fisheries, U.S. leadership resulted in the advancement of a number of significant U.S. objectives, including addressing the effects of fishing on the marine environment and deterring illegal, unregulated, and unreported fishing. At the May 2007 meeting of the International Whaling Commission, NOAA leadership resulted in the renewal of U.S. five-year aboriginal subsistence whaling catch limits for bowhead and gray whales. NOAA was also instrumental in ongoing efforts to create non-tuna conservation and management regimes in the Northwest Pacific and South Pacific regions.

Marine Life Gets Added Protections with Marine Reserves Established in Channel Islands Sanctuary

NOAA's National Marine Sanctuary Program established the federal portion of the marine reserves and conservation area network within the Channel Islands National Marine Sanctuary. This action will help to maintain the natural biological communities, and to protect, restore, and enhance natural habitats, populations, and ecological processes. This action complements the State of California's establishment of a network of marine reserves and conservation areas within the state waters of the sanctuary in 2003. This is the largest network of marine reserves in federal waters in the continental United States.

NOAA Team Facilitates Removal of Dangerous Marine Debris from Vital Louisiana Lake



Images of marine debris removed from Calcasieu Lake, LA, in January 2007.

On February 20, 2007, NOAA and the Louisiana Sea Grant College Program teamed with state and local agencies, businesses, and organizations to help boaters and the environment through the Calcasieu Lake Marine Debris Marking and Mapping Program. With aid from the NOAA Marine Debris Program and a tremendous volunteer effort, the team identified and in January facilitated the removal of nearly 100 pieces of marine debris in Calcasieu Lake, LA, a vital shipping channel and significant estuary for the southwestern Louisiana economy.

Heavily damaged by Hurricane Rita in September 2005, Calcasieu Lake became a settling point for debris from nearby industries, homes, and wooded areas, pushed northward by hurricane-force winds and an unrelenting storm surge. Calcasieu Lake, a 67-square-mile brackish estuary, is shared by commercial and recreational fishermen and boaters and supports finfish, oyster, crab, and shrimp harvesting.

The program enlisted volunteers with boats to mark and report any debris they encountered. Louisiana Sea Grant personnel verified the location of reported debris and logged coordinates into a global positioning system (GPS) database. To compliment identification efforts, the Calcasieu Parish Sheriff's Office Marine Division volunteered the services of its side scan sonar-equipped boat that allows operators to view submerged debris that may otherwise be missed by visual inspections.

NOAA Aids in the Recovery of Fisheries and Fishing Communities Damaged by Hurricanes

NOAA funded and conducted a number of activities aimed at helping Gulf Coast fisheries recover from the devastating impacts of Hurricanes Katrina, Rita, and Wilma, which struck the Gulf Coast in 2005. Through two cooperative agreements with the Gulf States Marine Fisheries Commission (GSMFC), NOAA awarded the Gulf Coast states about \$85.0 million in emergency supplemental funds for fishery-related hurricane recovery activities. This is in addition to the \$127.3 million provided to the GSMFC for hurricane recovery efforts in 2006. The states are using these funds to restore and rehabilitate oyster, shrimp, and other marine fishery habitats damaged or destroyed by hurricane events, and to conduct cooperative research and monitoring and other activities designed to recover and rebuild Gulf of Mexico fisheries and fishing communities.

NOAA Seagrass Assessment to Raise Awareness of Apparent Worldwide Decline

NOAA in collaboration with seagrass experts from around the world have found that 65 percent of seagrass abundance investigations worldwide show declines in the resource, with an accelerating rate of decline in more recent studies. Seagrass is an important organism in the marine environment as it is a major source of oxygen in the water and serves as habitat for juvenile fish. The research will further examine regional trends to evaluate the correlation between seagrass change and environmental

and human stressors, and also inform resource managers and the public. The project will utilize access to the largest data set ever compiled on global distribution and abundance of seagrasses.

NOAA Scientists Discover New Species of Marine Life

NOAA Fisheries Service scientists led a team of world-renowned taxonomists on a three-week expedition in the Hawaiian Islands that found several potentially new species of crabs, corals, sea cucumbers, sea quirts, worms, sea stars, snails, and clams. From this expedition, well over 100 new species records will likely be identified for French Frigate Shoals in the Papahānaumokuākea Marine National Monument. The expedition was part of the international Census of Marine Life's Census of Coral Reef Ecosystems (CReefs), and was the first in a series of proposed coral reef surveys to take place around the globe, led jointly by Scripps Institution of Oceanography at the University of California-San Diego, Australian Institute of Marine Science, and NOAA. The goal of the expedition was to conduct biodiversity surveys, with a focus on small marine organisms (i.e., invertebrates, algae, and microbes). Over 50 sites were surveyed throughout the atoll using a variety of ingenious collection methods, including baited traps, brushing of rubble, underwater vacuuming with gentle suction, plankton tows, light traps, and sediment and water sampling. These methods were meticulously developed over the course of a year to minimize impact to the environment.

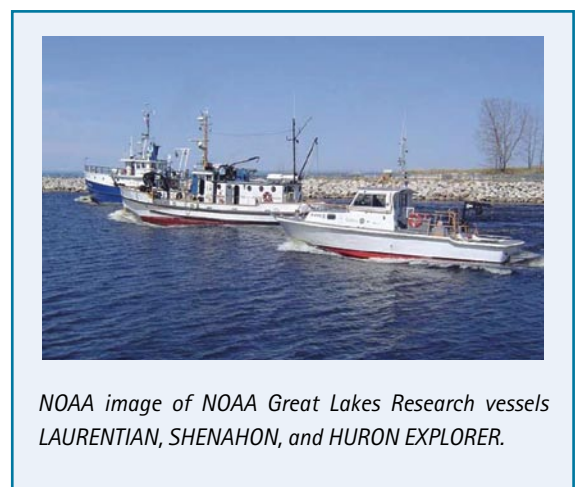
NOAA Project Named One of America's "Top Restored Beaches"

NOAA's Chaland Island project in Louisiana's Plaquemines Parish was recently named one of America's "Top Restored Beaches" by the American Shore and Beach Preservation Association. Despite delays caused by Hurricane Katrina, NOAA is on schedule to complete the first phase of an 800-acre barrier island project that will help protect Louisiana's coastal communities from the devastating effects of wind, waves, and flooding associated with these types of storms. In the largest island restoration project ever done by NOAA, workers are dredging and performing major earth-moving activities on Chaland Island to create beach and marsh habitat. Over the years, the shoreline has eroded severely due to human and natural factors, and recent storms breached the shoreline and segmented the 2.6-mile island into three smaller fragments. Left unaddressed, these breaches threaten the integrity of several major natural gas pipelines. Rebuilding and maintaining the extensive system of wetlands historically nourished by the Mississippi Delta are essential for the future health of estuarine-dependent fish populations.

NOAA "Green Ships" Win White House Award

NOAA's three Great Lakes research vessels were honored by the Office of the Federal Environmental Executive for the conversion from petroleum-based fuels and lubricants to bio-based products. The NOAA Great Lakes Environmental Research Laboratory (GLERL) in Ann Arbor, MI, was awarded a White House Closing-the-Circle Award in the green purchasing category. In 2006, the initiative won an award from the Department of Energy (DOE).

The conversion was a result of a call for "greening" of government agencies through waste reduction, recycling, and the use of environmentally friendly and sustainable products, including bio-products. GLERL's approach to this federal program was to focus on the use of bio-products with a goal of demonstrating the environmental and operational benefits.



NOAA image of NOAA Great Lakes Research vessels LAURENTIAN, SHENAHON, and HURON EXPLORER.



NOAA and Partners Set the Course for Salmon Recovery in Puget Sound

NOAA Fisheries Service approved a far-reaching plan to recover threatened Chinook salmon in the Puget Sound region of Washington State. This salmon recovery plan, required under the Endangered Species Act (ESA), is one of the largest and most comprehensive ever approved by the federal government. Although recovery plans for threatened and endangered species are typically written by federal officials, the Recovery Plan for Puget Sound Chinook Salmon was developed during more than five years of cooperative efforts by local stakeholder groups. NOAA is conducting recovery planning in conjunction with Shared Strategy for Puget Sound, a coalition of local citizens, tribes, technical experts, and policymakers engaged in building a practical, cost-effective recovery plan endorsed by the people living and working in the watersheds of Puget Sound. This plan sets the course for bringing salmon back to a healthy population size in Puget Sound, and integrates the management of habitat, harvest, and hatcheries—the “three Hs” considered key to salmon recovery.

Eagerly Anticipated NOAA Guidance Allows Councils Flexibility in the Design and Use of Limited Access Privilege (LAP) Programs

NOAA Fisheries Service developed a technical memorandum to provide guidance to the Regional Fishery Management Councils on the design and implementation LAP programs for federally managed fisheries. The philosophy underlying the document is that the councils should have as much latitude as possible in the design of fishery management plans. This flexibility pertains to the choice of whether to use a LAP approach, and if so, to the type and the construction of that program. This document provides information on the important issues that must be addressed for each of the allowable types of LAPs, and discusses the pros and cons of various options for addressing those issues. The document was developed in a transparent and collaborative process by NOAA and the councils. The statutory basis is the recently reauthorized Magnuson–Stevens Act.

Innovative Ecosystem Agreement Aids Atlantic Salmon Recovery

NOAA Fisheries Service signed the 2007 Saco River Fisheries Assessment Settlement Agreement, an ecosystem approach to river management with coastal community participation that protects habitat and NOAA trust resources from priority threats. The settlement provides upstream and downstream fish passage measures for several species, creates studies evaluating fish passage and management needs, and enhances Atlantic salmon stocking efforts throughout the Maine watershed. In addition, the settlement eliminates a previous challenge to fishway prescriptions and resolves similar issues that might be subject to future trial-type challenges at five other dams.

NOAA and Louisiana Scientists Report Gulf of Mexico “Dead Zone” could be Largest Since Measurements Began in 1985

A team of scientists from NOAA, the Louisiana Universities Marine Consortium, and Louisiana State University is forecasting that the “dead zone” off the coast of Louisiana and Texas this summer—an area of low or no oxygen which can threaten or kill all marine life in it—has the potential to be the largest since shelf wide measurements began in 1985, and significantly larger than the average size since 1990. This NOAA-supported modeling effort, led by R. Eugene Turner of Louisiana State University, predicts this summer’s dead zone may be as large as 8,500 square miles, an area about the size of New Jersey. Since 1990, the average annual hypoxia-affected area has been approximately 4,800 square miles. The dead zone measured 6,662 square miles in 2006. Tropical storms and hurricanes are capable of disrupting the physical structure of the water column and aerating the bottom layer. While NOAA has predicted an active hurricane season for 2007, if no strong storms appear this year’s dead zone could equal the

largest recorded in 2002 and stretch into Texas's continental shelf waters. The forecast is based on nitrate loads from the Mississippi and Atchafalaya rivers in May and incorporates the previous year's conditions. The nitrogen data are provided by the U.S. Geological Survey. NOAA also funds research cruises to track development of hypoxia.

NOAA Unveils New State-of-the-Art Visitor Centers

In January 2007, White House Council on Environmental Quality Chair Jim Connaughton helped open the Florida Keys Eco-Discovery Center. Located in the heart of Key West, the free visitor center offers visitors and residents alike the opportunity to spend an afternoon learning about the significance of south Florida's natural and historic resources and how they can both enjoy and protect them. Located in NOAA's Dr. Nancy Foster Florida Keys Environmental Complex, the center features more than 6,400 square feet of interactive exhibits, which interpret the resources and management efforts of Florida Keys National Marine Sanctuary, two national parks, and four national wildlife refuges. In March 2007, The Mariners' Museum and NOAA opened the doors to one of the Nation's premier maritime Civil War attractions, the new USS Monitor Center. Visitors of all ages and backgrounds have an unparalleled opportunity to learn about one of the most revolutionary vessels in naval history. The opening of the USS Monitor Center is the result of 30 years of a highly successful public-private partnership involving NOAA, The Mariners' Museum, the U.S. Navy, Northrop Grumman Newport News and many others.

Innovative Habitat Conservation Plan Ushers in "New Era" with Timber Industry

NOAA Fisheries Service, in cooperation with Green Diamond Resource Company and the U.S. Fish and Wildlife Service, developed and approved a habitat conservation plan to conserve ESA-listed salmon and steelhead trout on Green Diamond's timberlands in northern California that minimizes and mitigates the effects of Green Diamond's commercial timber management practices, providing the company with regulatory assurances that enhance its ability to make long-term investments, thus allowing the company to remain competitive while becoming a better environmental steward. A local newspaper editorialized that with the plan "the relationship between the timber industry and environmentalists has entered a new era." The 50-year plan covers 416,000 acres critical to the support and recovery of these species. It focuses on enhancing and extending habitat by protecting streamside areas, avoiding surface erosion and land sliding, accelerating improvement of old and poorly designed roads, and opening access to spawning and rearing habitat that was previously blocked or naturally inaccessible.

NOAA Discovers New Cetacean Sounds Similar to Morse Code

In the past year, NOAA Fisheries Service researchers described a new kind of dolphin communication. The sound consists of repeated patterns of "burst pulses" of varying lengths. A burst pulse is a series of echo-location clicks that are so close together that they make a continuous buzzing sound. The repeated patterns of these clicks are closer to Morse code than they are to any previously described type of dolphin call. So far, this type of sound appears to be made only by northern right whale dolphins. It is still not clear how the dolphins use this sound, but the sound is likely to be useful to NOAA researchers in acoustically identifying this species at sea. A paper describing this discovery was published in the *Journal of the Acoustic Society of America*.

First Status Report Issued on Coral Reef Protected Areas

The first-ever inventory and assessment of U.S. marine protected areas (MPA) managed by state and territory governments was released this year by NOAA, as called for by the National Action Plan of the U.S. Coral Reef Task Force. The publication, *Report on the Status of Marine Protected Areas in Coral Reef Ecosystems of the United States Volume 1: Marine Protected Areas Managed by U.S. States, Territories, and Commonwealths*, was funded by the Coral Reef Conservation Program and coordinated by the Coastal Programs Division, both housed in NOAA's Office of Ocean and Coastal Resource Management. The report utilizes data collected



in the National Marine Managed Inventory as well as the expertise of NOAA and state and territory co-authors to explore the management status of 207 MPAs located across the seven jurisdictions. The report also identifies major challenges to effective MPA management and offers a series of recommendations both at the national and local levels to improve MPA success.

NOAA’s Scientific Collaboration with Industry Improves Management of Key Recreational Fishery

In partnership with fishermen, NOAA Fisheries Service has developed a non-lethal surveying technique to assess the habitat and stocks of selected rockfish species in two marine conservation areas recently created in the Southern California Bight. Because this method involves collaboration with the fishing industry, the industry is supportive of the results, making management less contentious. Marine sportfishing in Southern California is a huge industry, in excess of \$200 million annually, and non-lethal fish surveying techniques are key to maintaining rockfishes and other overfished species because they are estimated at or below 25 percent of their pristine levels. The new survey method combines the information obtained from multi-frequency echo sounders mounted on commercial passenger fishing vessels with images captured by video and still cameras deployed from a remotely operated vehicle, exploiting the advantages of each measurement technology.

NOAA Celebrates the International Polar Year with Important Antarctic Research

NOAA’s Antarctic Marine Living Resources (AMLR) Program is charged with providing the scientific information needed to conserve and manage the marine living resources in the oceans surrounding Antarctica. The United States is the leading consumer of Antarctic marine resources, including 80 percent of the imported Patagonian and Antarctic toothfish (Chilean sea bass). AMLR data are valuable to the Nation’s commitment to the international treaty to preserve the Antarctic as its 21-year long-term data stream can be used to provide a unique historical perspective to International Polar Year research. AMLR has become a most comprehensive research program that utilizes land, sea, and space-based platforms to gather information on the environment and ecology from the northern end of the Antarctic Peninsula, and through cooperation with NOAA’s international partners, relates this to the well being of the Southern Ocean. The program’s mission of tracking the food web relationships between Antarctic krill and its predators as well as collecting environmental data under changing sea ice conditions is critical to managing these resources wisely. Completing its 21st year of land-based and ship-based research in the Antarctic, an AMLR-chartered vessel traveled approximately 3,250 nautical miles, allowing researchers to document population distribution patterns of finfish and crab species and place tracking tags on marine mammals to investigate annual survival rates. From these data, researchers can get an idea of what’s occurring in the animals’ environment over long distances and time periods.



NOAA Expands Great Lakes Research: Ten Universities Named to Form Great Lakes Cooperative Institute

On June 12, 2007, NOAA announced the establishment of a new Great Lakes Cooperative Institute to conduct collaborative research through a consortium of universities and institutions in the Great Lakes region. Research efforts will focus on forecasting; invasive species, control, impact, and assessment; the Great Lakes Observing System; protection and restoration of resources; and Great Lakes education and outreach.

The Cooperative Institute for Limnology and Ecosystems Research is comprised of a consortium of academic institutions, including the Grand Valley State University, Michigan State University, Ohio State University, Penn State University, State University of New York-Stony Brook, University of Illinois of Urbana-Champaign, University of Michigan, University of Minnesota, University of Toledo, and University of Wisconsin.

NOAA currently supports 21 Cooperative Institutes in 17 states focusing on research ranging from satellite climatology and fisheries biology to atmospheric chemistry and coastal ecology. Cooperative Institutes are located at parent institutions whose geographic expanse extends from Hawaii to Massachusetts and from Alaska to Florida.

The new Cooperative Institute for Limnology and Ecosystems Research will replace the current Great Lakes Cooperative Institute at the University of Michigan and will include an expanded partnership. Joining NOAA's other cooperative and joint institutes across the country, these institutes are NOAA-supported, non-federal organizations that have established an outstanding research program in one or more areas that are relevant to NOAA's mission. The Cooperative Institute collaborates with NOAA scientists on long-term research topics and provides significant coordination of resources among all non-government partners and promotes the involvement of students and postdoctoral scientists in NOAA-funded research.

NOAA Sea Grant Researcher Develops Storm Surge Vulnerability Maps

Researchers from the University of Puerto Rico Sea Grant Program, in collaboration with the Disaster Research Center (DRC) at the University of Delaware, have developed a storm surge flood model that assesses individual and community vulnerability on the coasts of Puerto Rico. New Geographic Information Systems maps were prepared by incorporating current coastal flood maps with satellite images and census data. The census data include socio-economic and demographic information that produces a more accurate representation of which, and to what degree, coastal community members are at risk. These maps will be available to planners, managers, and public officials throughout the island via a new interactive software program that will allow them to click on census blocks and view pertinent information about who lives in these vulnerable coastal areas. The data from this research contributed to the efforts of the Puerto Rico Tsunami Warning and Mitigation Program, which led to Mayagüez, the ninth-largest city in Puerto Rico, being certified as the first TsunamiReady city on the island. These maps will greatly benefit the approximately 1.4 million people in Puerto Rico who live in flood-sensitive zones. As a result of this work, members of University of Delaware's Coastal Community Development Initiative have met with DRC and University of Puerto Rico researchers to explore possibilities on how the project can be developed and implemented for coastal communities in Delaware.

NOAA Method May Help Reduce Losses in Aquaculture by Detecting and Managing Disease

NOAA researchers in collaboration with scientists at the North Carolina College of Veterinary Medicine have developed a sensitive and specific method to detect and help manage a parasite responsible for 20 percent of aquaculture losses of warm water fishes. The disease, Amyloodiniosis, is caused by a dinoflagellate. The new method can detect the parasite's DNA from a single cell, whereas previous microscopic methods could not detect the parasite until later stages of infestation.

Northwest Shellfish Growers Get Real Time Water Quality Data

Shellfish growers in the Pacific Northwest can now more closely monitor the safety of their oysters, mussels, and clams thanks to the Web-based availability of near-real-time regional water quality information. The Web site displays up-to-date water temperature, salinity, oxygen, turbidity, pH, and chlorophyll data from the Kachemak Bay, AK; Padilla Bay, WA; and South Slough, OR, National Estuarine Research Reserves, and from four buoys in Hood Canal operated by the University of Washington's ORCA (Oceanic Remote Chemical-Optical Analyzer) project. The data are available thanks to telemetering capabilities in the reserve system's System-wide Monitoring Program which strengthens the burgeoning IOOS. Water quality and weather data are transmitted every 30 minutes via satellite from monitoring stations at all 27 National Estuarine Research Reserves. The Web site is jointly sponsored by NOAA's National Estuarine Research Reserve System (NERRS) and the Northwest Association of Networked Ocean Observing Systems (NANOOS). The project received funding support from NOAA's CSC, the National Estuarine Research Reserve Association, and NANOOS. Technical assistance was provided by the Pacific Coast Shellfish Growers Association and the Pacific Shellfish Institute.

First-Ever Sanctuary Status Report Highlights Conditions in Sanctuaries

Reports that examine the status of everything from water quality in the sanctuary system to endangered whale populations were released this year. These sanctuary condition reports provide a wealth of information about the complex marine resources and archaeological treasures found in sanctuary waters in straightforward, easily understandable documents. The reports will help set the stage for management plan reviews at each site and help sanctuary staff identify monitoring, and research priorities for day-to-day management needs and new threats to the sanctuaries. National marine sanctuaries reporting in 2007 are: Stellwagen Bank, Fagatele Bay, and others.

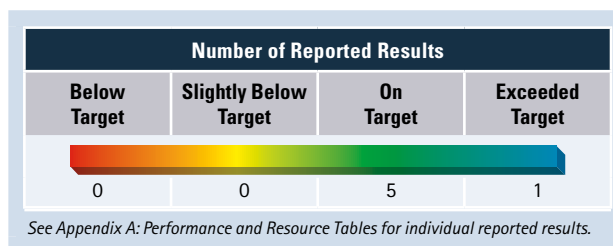
Performance Objective: Support the Nation’s commerce with information for safe, efficient, and environmentally sound transportation (NOAA)

U.S. transportation systems are economic lifelines for the Nation. As U.S. dependence on surface and air transportation grows over the next 20 years, and as maritime trade doubles, better navigation and weather information provided by NOAA will be critical to protect lives, cargo, and the environment. For example, better aviation weather information could significantly reduce the \$4 billion lost through economic inefficiencies as a result of weather related air traffic delays. Improved surface forecasts and specific user warnings would likely reduce the 7,000 weather-related fatalities and 800,000 injuries annually from vehicle crashes.

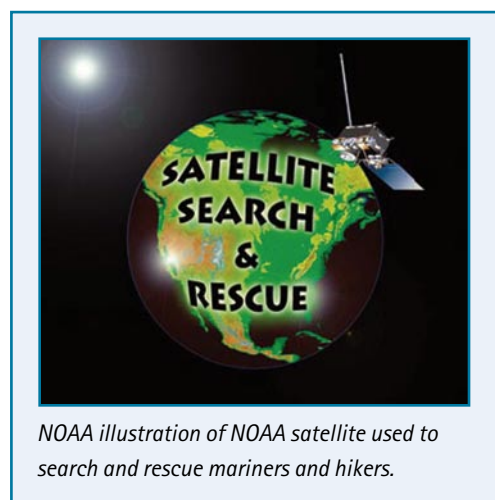
Some highlights from this performance goal in FY 2007 include:

NOAA Satellites Help Save 347 People in 2007

In FY 2007, through July 13, Search and Rescue Satellite-Aided Tracking System (SARSAT) has led to the rescue of 347 people surpassing the previous year’s total where NOAA satellites helped save 272 people from potentially life-jeopardizing emergencies throughout the United States and its surrounding waters. With over two months remaining in the fiscal year, SARSAT is fast approaching the 1999 10-year high of 294 rescues. One



possible explanation for the high totals this year is the increase in beacon population. NOAA currently has over 182,000 406 MHz emergency beacons in its registration database and is currently registering record numbers each month. Older emergency beacons operating on the 121.5 MHz and 243 MHz frequency will cease to be monitored as of February 1, 2009. Mariners, aviators, and individuals using emergency beacons will need to switch to those operating at 406 MHz if they want to be detected by satellites. Emergency beacon owners can register their 406 MHz beacons online at www.beaconregistration.noaa.gov.



NOAA Celebrates 200 Years of Nautical Charting

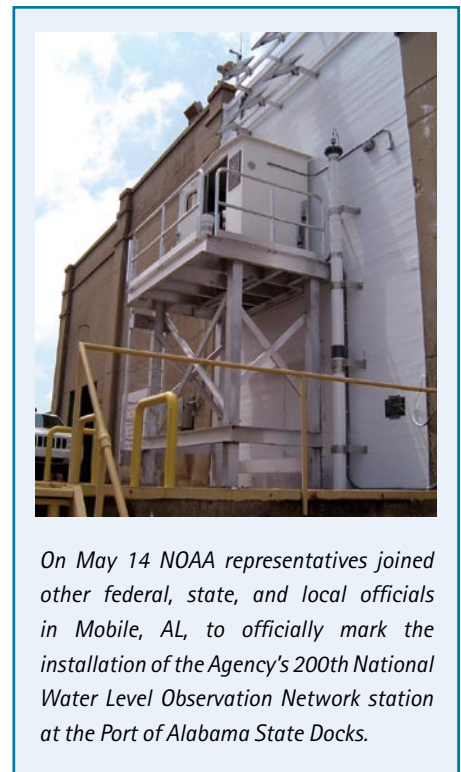
2007 marked the landmark 200th anniversary of the U.S. Coast and Geodetic Survey, the Nation's first federal science agency. Created in 1807 to implement Thomas Jefferson's vision for a stable maritime economy, the survey has a long history of service mapping U.S. shores and waterways, and establishing the positioning infrastructure across the United States. To celebrate, NOAA launched a poster exhibit designed by the Smithsonian Institution on World Hydrography Day (June 21st) in 200 venues nationwide. The 20 colorful posters, illustrated with photos, charts, and artwork from the survey's archives, were displayed in maritime museums, ports, aquaria, nature centers, schools, libraries, and lighthouses around the country to promote science and technology.

Secretary Gutierrez Announces New PORTS® Economic Benefits Study

An economics benefits study was released in May 2007 on the Houston Galveston Physical Oceanographic Real-Time System (PORTS®) showing that the program brings the Houston-Galveston area significant annual economic benefits and has helped achieve a 50 percent reduction in groundings. The study is based upon a standard methodology and was prepared for the Ports of Houston and Galveston and facilitated by the Houston Galveston Navigation Safety Advisory Committee. Knowledge of the currents, water levels, winds, and density of the water allow mariners to utilize every inch of dredged channel depth, which can increase the amount of cargo moved safely through a port and harbor. Secretary Gutierrez announced the study at the 25th World Ports Conference in Houston, saying: "Trade is a key part of America's economy, boosting jobs, expanding consumer choice and helping keep inflation in check and the Port of Houston is a major gateway for U.S. trade. The federal government can facilitate that trade by providing the key mapping information our seaborne trade needs to navigate our ports," said Secretary Gutierrez. "Indeed, NOAA's PORTS® program is estimating to bring \$14 to \$15 million in direct benefits to the Houston-Galveston economy."

Effective Partnership with Private / Public Entities Help Larger Commercial Shipping Remain Competitive

The Office of Coast Survey recently verified that deeper depths dredged in a channel leading to an oil transfer terminal in South Portland, ME were correctly surveyed and charted so that deeper-draft tankers could safely transit into port. To accommodate deeper-draft tanker vessels to its facility, the Portland Pipe Line Corporation (PPLC) acquired a U.S. Army Corps of Engineers permit to dredge the existing 45-foot deep federally-authorized channel leading to its terminal by an additional three feet. It is unusual for a private corporation to dredge a federally-maintained channel, which made coordination between PPLC, NOAA, the U.S. Army Corps of Engineers, and the U.S. Coast Guard essential to ensure that chart and survey standards were met, and that questions regarding liability and future maintenance were addressed to the satisfaction of the U.S. Coast Guard Captain of the Port. NOAA examined and combined three separate surveys into one cohesive product, and applied it to Chart 13292 for immediate publication. The greater depths reflected in NOAA's revised chart allowed the Captain of the Port to authorize harbor traffic to operate at the deeper depth. Adding three feet to a deep-draft petroleum port is a considerable undertaking; this activity showcases NOAA's ability to work with constituents and federal partners to address the needs of private industry and promote safe maritime commerce. Today's economy demands that companies like PPLC accommodate larger ships to remain competitive.



On May 14 NOAA representatives joined other federal, state, and local officials in Mobile, AL, to officially mark the installation of the Agency's 200th National Water Level Observation Network station at the Port of Alabama State Docks.



NOAA'S National Geodetic Survey (NGS) Helps Louisiana Stay Ahead of the Next Big Storm

A central NOAA mission is promoting public safety and preparedness, and NOAA's new, accurate elevations contribute significantly. After Hurricanes Katrina and Rita, NOAA supported rebuilding and restoration efforts in Louisiana by providing accurate benchmarks made possible through cooperative agreement with the Federal Emergency Management Administration (FEMA). In March, NOAA's NGS with the University of New Orleans and the U.S. Geological Survey measured coastal wetland elevations in southeastern Louisiana. The project promoted the integration of ecosystem observations through Height Modernization techniques and will provide baseline data to help researchers differentiate between potential causes of relative sea-level change in coastal areas, including subsidence, accretion, erosion, and local sea level rise. NOAA announced that new elevations for more than 340 benchmarks in southern Louisiana have been published. The published values provide official elevations in 27 parishes across the southern part of Louisiana that experienced hurricane damage. NOAA also worked closely with the Louisiana Spatial Reference Center at Louisiana State University located in Baton Rouge, LA.

Expanded Alaska Marine Weather Data Buoy Network Improves Marine Forecasts

To help improve marine forecasts, NOAA embarked upon a multi-year program to expand the limited Alaska marine weather data buoy network from only five weather buoys to a comprehensive network of 19 marine weather buoys. On May 4, 2007, the final buoy was deployed in the central Gulf of Alaska. In addition, two Coastal Marine Automated Network stations have also been deployed in Alaska's treacherous maritime waters. The expansion of the Alaska Data Buoy Network has improved wind speed and wave height verification by 25 percent and 32 percent, respectively. This improvement is the largest since the beginning of electronic verification in the mid-1990s.

Marine transportation and exports are a key driver of the Alaskan economy with 46 million tons of cargo exported from the state in 2005. Oil accounts for approximately \$26 billion worth of exports, and commercial fishing is a \$4 billion-a-year industry providing half of the seafood consumed in the United States. Providing the Alaska maritime industry with timely and accurate marine weather forecasts is crucial to the operations and safety of the fleet. At the same time, providing marine forecasts is a significant challenge because no other marine system in the United States has such extreme weather and climate, vast geographic distances (larger than the combined marine systems in the rest of the United States), and length of coastline (44,000 miles).

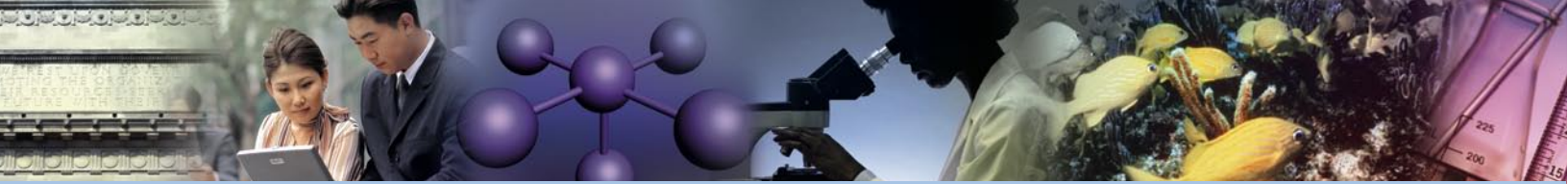
"Weather buoys provide not only marine forecasts and warnings, but they also play a significant role in science and research programs," said Senator Ted Stevens. "The expansion of the Alaska Data Buoy Network will help ensure mariners and the United States Coast Guard have the critical information they need to safely navigate our state's waters."

STRATEGIES AND FUTURE PLANS

Ecosystems

Consistent with the U.S. Ocean Action Plan and U.S. Commission on Ocean Policy Report, the Department has adopted an ecosystem approach to management that will evolve over time in collaboration with its partners. The Department uses several strategies in the NOAA strategic plan to carry out this approach.

- ◆ Engage and collaborate with the Department's partners to achieve regional objectives by delineating regional ecosystems, promoting partnerships at the ecosystem level, and implementing cooperative strategies to improve regional ecosystem health.



PERFORMANCE SECTION * STRATEGIC GOAL 3

- ◆ Manage uses of ecosystems by applying scientifically sound observations, assessments, and research findings to ensure the sustainable use of resources and to balance competing uses of coastal and marine ecosystems.
- ◆ Improve resource management by advancing the Department's understanding of ecosystems through better simulation and predictive models.
- ◆ Build and advance the capabilities of an ecological component of the NOAA global environmental observing system to monitor, assess, and predict national and regional ecosystem health, as well as to gather information consistent with established social and economic indicators.
- ◆ Develop coordinated regional and national outreach and education efforts to improve public understanding and involvement in stewardship of coastal and marine ecosystems.
- ◆ Engage in technological and scientific exchange with the Department's domestic and international partners to protect, restore, and manage marine resources within and beyond the Nation's borders.

NOAA is implementing the call by its stakeholders to move towards an ecosystem approach to managing uses of coastal and marine resources. NOAA is integrating the application of its multiple ecosystem mandates in partnership with universities; industry; non-governmental organizations; and local, state, and federal agencies by developing and implementing ecosystem approaches to management of coastal and marine resources.

NOAA is seeking improved understanding of ecosystems; identification of regional ecosystems; development of ecosystem health indicators; and new methods of governance to establish the necessary knowledge, tools, and capabilities to fully implement ecosystem approaches to managing coastal, ocean, and Great Lakes resources.

Commerce and Transportation

The Department helps transportation information users and stakeholders reach their goals with the following strategies identified in the five-year NOAA strategic plan:

- ◆ Expand and enhance advanced technology monitoring and observing systems, such as weather and oceanographic observations; hydrographic surveys; and precise positioning coordinates, to provide accurate, up-to-date information.
- ◆ Develop and apply new technologies, methods, and models to increase the capabilities, efficiencies, and accuracy of transportation-related products and services.
- ◆ Develop and implement sophisticated assessment and prediction capabilities to support decisions on aviation, marine, and surface navigation efficiencies; coastal resource management; and transportation system management, operations, and planning.
- ◆ Build public understanding of the technology involved and the role of the environment in commerce and transportation.



In the future, NOAA plans to enhance the intermodal transportation network by improving available products and services and investing in transportation related observing systems. For example, NOAA will continue to build and maintain its suite of electronic navigational charts (ENC) to supply commercial and recreational mariners with the digital navigation data they need to navigate safely in the 21st century. Additionally, NOAA will focus on equipping all 195 National Water Level Observation Network (NWLON) stations with real-time operational capability at the top 175 U.S. seaports. Enhanced ice forecasts and refinements to aviation, marine, and surface weather predictions will also contribute to NOAA's role in saving lives, property, and critical infrastructure. NOAA will continue to survey and chart U.S. waters, maintain the highly accurate positioning infrastructure the Nation relies on each day, support Satellite Search and Rescue incidents, respond to hazardous material events, and support U.S. national interests in commercial remote sensing licensing. It is through these and other important activities that NOAA strives to improve and deliver information crucial to safe and efficient transportation.

CHALLENGES FOR THE FUTURE

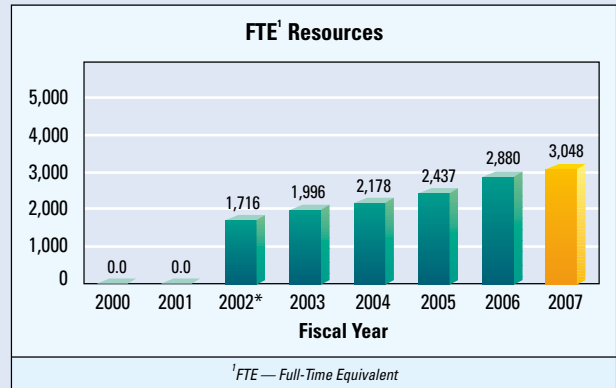
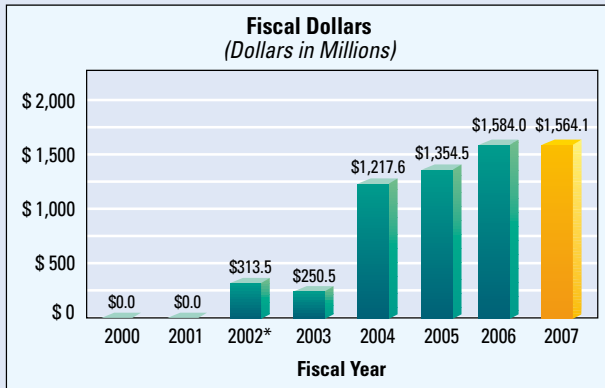
The Department will continue to address the challenges associated with delivering timely and accurate ecosystem data, information, and forecasts to stakeholders in useful formats. Ecosystem approaches to management will be an area of intense focus. Tradeoffs to address the highest priorities must continue to be made to achieve the right balance among NOAA's core natural resource and coastal management responsibilities with new and emerging needs. Navigating our increasingly complex and, at times, competing missions will be a test of NOAA's ability to effectively manage ecosystems using new tools in the years to come. NOAA will face challenges in developing unique and useful relationships with academia, non-governmental, and private sector partners to satisfy a large and growing demand for credible scientifically-based information products and management as we carry out our responsibilities across Great Lakes, coastal, and marine ecosystems.

The Department's response to addressing the transportation challenges facing the Nation include building on the foundation of expertise, research, and technology development to deliver the information, tools, and services essential to safe, efficient, and environmentally sound transport on water, land, and in the air. Impacts to the system, particularly at vulnerable choke points, affect transit time, delivery reliability, efficiency, cost of goods transported, and the environment. To improve service delivery, NOAA consults with its stakeholders to identify valid user needs that cannot be met with existing information; enhance products that support transportation systems; work with partners to conduct research and development in weather, modeling, and geopositioning; and improve the translation of research into operational value. NOAA must also focus on connecting and strengthening its observations systems that gather data for transportation information.

MISSION SUPPORT GOAL

Provide critical support for NOAA's mission

MISSION SUPPORT TOTAL RESOURCES



* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.



There are no Government Performance Results Act (GPRA) measures for the Mission Support objective since the activities of this objective support the outcomes of the Mission objectives. NOAA is developing new and improving existing internal management performance measures for the Mission Support objective.

**NOAA, GSA Officially Open New Environmental Satellite Center
Award-Winning Facility Houses \$50 Million in High-Tech Equipment, Controls Satellites Worth \$4.7 Billion**

The new home for NOAA's around-the-clock, environmental satellite operations, which provides data critical for weather and climate prediction, was officially opened on June 11, 2007 at a ribbon-cutting ceremony in Suitland, MD. Top leaders from NOAA, the General Services Administration (GSA) and several Congressional representatives from Maryland, said the NOAA Satellite Operations Facility (NSOF) signifies America's solid commitment to providing the best possible environmental satellite services.

"The NOAA Satellite Operations Facility is a first-class center, with first-class technology and operations that supply essential satellite data to forecasters in order to produce the most accurate projections possible. Such a facility has a significant role in, for example, predicting where hurricanes will form, and when and where they will strike," said NOAA Administrator Conrad C. Lautenbacher.



NOAA image of the ribbon-cutting ceremony for the new NOAA Satellite Operations Facility in Suitland, MD.

At a total cost of \$81 million, including both NOAA and GSA funding, NSOF houses 549 employees consisting of personnel from NOAA, DOD, the U.S. Coast Guard, the National Aeronautics and Space Administration (NASA), and government contractors. Each day, NSOF processes more than 16 billion bytes of environmental satellite data from NOAA's geostationary and polar-orbiting

spacecraft and DOD's Meteorological Satellite Program (DMSP). NWS uses these data for the constant tracking of severe weather, as inputs into models for medium to long-range weather forecasts, and for tracking climate change. NSOF, which spans 208,271 gross square feet, supports more than \$50 million of high technology equipment, including 16 antennas that control more than \$4.7 billion worth of environmental spacecraft.

New Satellite Coverage in South America to Limit Effects of Natural Disasters

South Americans, and millions more in the Western Hemisphere, are benefiting from the reposition of NOAA's geostationary operational environmental satellite (GOES-10) spacecraft, a move designed to lessen the effects of natural disasters in the region. The satellite's successful shift from a position above the equator in the west, to a new spot in orbit, was announced on April 10, 2007 during a news conference at the Embassy of Brazil in Washington, D.C.

"Repositioning GOES-10 provides a constant vigil over atmospheric conditions that trigger severe weather, and I am pleased that the United States can strengthen the quality and quantity of data available to our Latin American partners," said NOAA Administrator Lautenbacher.

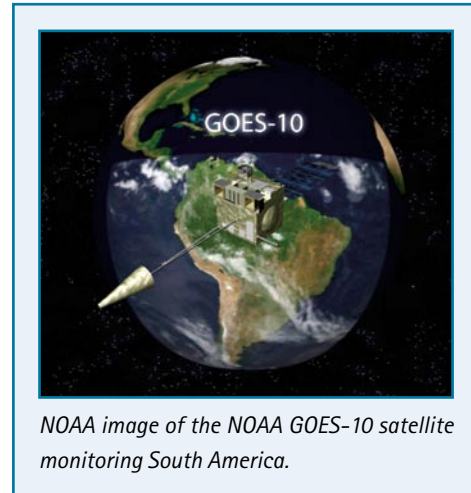
Shifting GOES-10 is part of the emerging GEOSS in the Americas, a Western Hemisphere initiative designed to advance GEOSS. Through this endeavor, NOAA is exploring partnerships with countries and scientific organizations in the Americas and Caribbean to share Earth observations and develop and strengthen data networks. Western Hemisphere nations will work together to ensure the satellite data are disseminated and training is available to enable full use of the new information.

The new satellite coverage is already having an impact in South America. On March 8, Argentina was able to trace a low pressure development and accurately issue a high-rainfall alert that helped save lives in Buenos Aires and other highly-populated areas. The new coverage also is contributing to improved fire detection in the Amazon rainforest of western Brazil. History has proven that there is a vital need for the advanced warning this additional information may provide. During the 1990s, natural disasters caused nearly 70,000 deaths in South America, more than half of which came from flooding. In May 2003, the largest flooding in 500 years hit Argentina's north-central region, displacing more than 100,000 people and causing \$1 billion in damage. Storms, cyclones, hurricanes, and mudslides caused another 20 percent of the deaths.

"The satellite is functioning well and ready for hurricane season," said Gilberto Câmara, Ph.D., director of Brazil's National Space Research Institute (Instituto Nacional de Pesquisas Espaciais). "In the past, coverage has been interrupted during hurricanes and other severe weather events in the United States. Now, South Americans will have continuing satellite coverage. We will no longer be left in the dark."

NOAA and VT Halter Marine Celebrated the "Laying of the Keel" for NOAA'S Two Newest Ships

On June 15, 2007 VT Halter Marine Inc. Shipyard and NOAA celebrated a construction milestone—the keel laying—for two new vessels at VT Halter's Moss Point, MS shipyard. A combined ceremony was held for NOAA coastal mapping vessel FERDINAND R. HASSLER and fisheries survey ship BELL M. SHIMADA. Both ships were named by student teams through regional NOAA ship-naming contests. The two teams are actively participating in today's ceremony.



NOAA image of the NOAA GOES-10 satellite monitoring South America.

"Although these ships will have very different missions, they are equally important to NOAA's success in meeting our strategic goals," said Lautenbacher. "Their state-of-the-art technologies will help NOAA more efficiently chart our waters and better assess the health of fish stocks and ecosystems on the West Coast. Celebrating this first important construction milestone together represents a great leap forward in NOAA's fleet modernization program."

Once completed, FERDINAND R. HASSLER will collect hydrographic data along the eastern seaboard of the United States for use in the creation and updating of NOAA's nautical charts, promoting safe navigation into and out of some of the Nation's busiest ports and recreational waterways. BELL M SHIMADA will collect fish stock data to support critical management decisions for some of the Nation's most economically important fisheries off of the West Coast.

NOAA Gulfstream-IV Hurricane Surveillance Jet Takes on Pacific Winter Storms to Improve Model Forecasts
Hawaii Middle School Teacher Member of Flight Crew

In an effort to improve forecasts released 24 to 96 hours before a winter storm, NOAA deployed its high-altitude Gulfstream-IV jet from a temporary base in Honolulu. The jet acquired atmospheric data from severe winter storms originating over the Pacific Ocean that will affect the continental United States, Hawaii, and Alaska. The flights are in support of the winter storms reconnaissance program of the NOAA NCEP, part of NWS.



NOAA image of the crew of the NOAA Gulfstream-IV high-altitude jet taking part in the 2007 Winter Storms Reconnaissance Program.

While conducting the winter storms project, the aircraft flew extended patterns over the North Pacific launching dropwindsonde atmospheric profiling devices to more accurately characterize the environment of developing winter cyclones and snowstorms. Data from these instruments were screened aboard the aircraft, transmitted to NCEP by satellite communication, and used in NOAA's most sophisticated forecasting models to improve warnings of severe weather events. In its seventh year, the weather surveillance radar program has improved forecast accuracy an average of 20 percent while accuracy for individual targeted events has been increased by as much as 60 percent to 80 percent in 24 to 96 hour forecasts during past missions.



Collage representing new NOAA ships, including the Small Water-Plane-Area Twin Hull (SWATH) Coastal Mapping Vessel (top) and the HENRY B. BIGELOW - launched on July 8, 2005 .



MANAGEMENT INTEGRATION GOAL

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)	3 of 6
Promote improvements to Commerce 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)	3 of 3



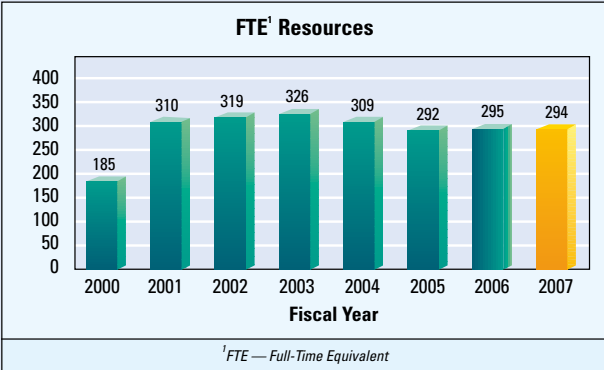
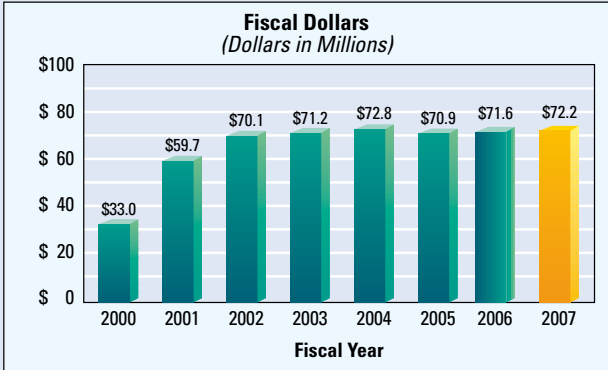
MANAGEMENT INTEGRATION GOAL * PERFORMANCE SECTION



MANAGEMENT INTEGRATION GOAL

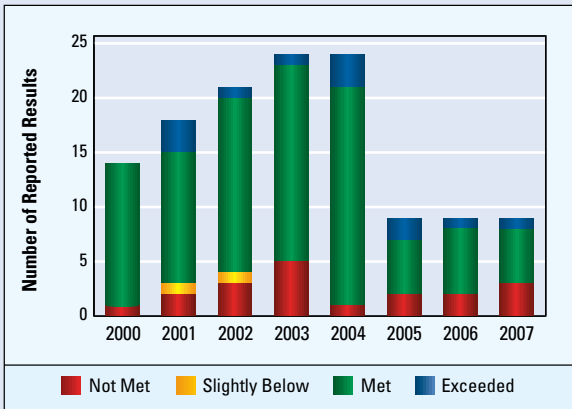
Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL TOTAL RESOURCES



Achieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. Departmental Management (DM)—consisting of the Offices of the Secretary, Deputy Secretary, Chief Financial Officer and Assistant Secretary for Administration, Chief Information Officer, and General Counsel—provides the policies and guidelines that support the management infrastructure the Department needs to carry out its mission. In addition, the Office of the Inspector General (OIG) audit and inspection programs help promote consistency and integrity throughout the Department. Most of DM's and OIG's work can be characterized as "behind-the-scenes," contributing to the efficiency with which operating units throughout the Department administer their programs.

MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS



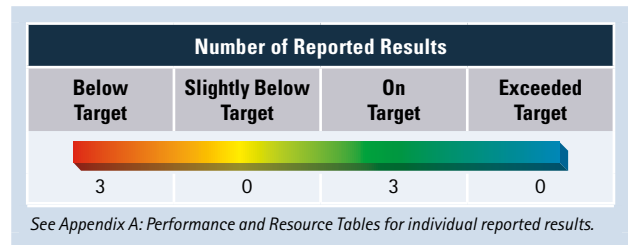
See Appendix A: Performance and Resource Tables for individual reported results.

Highlights of the Department's accomplishments are provided in the performance outcome information that follows.

Performance Outcome: Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)

The executive direction and coordination of program activities provided through centralized services contribute to the efficient administration of the Department to ensure that the overall mission is fulfilled.

The Department must have the capacity to do business with the public and its partner agencies, both as a more than \$6 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 (HR), and the implementation of laws and regulations that govern the use of those resources. This performance goal represents the Department's commitment to ensuring the wise stewardship of its resources. Because this goal encompasses a wide range of administrative and operational tasks, the measures used to assess progress are highly diverse.

There is no issue more critical to the Department's continued effective functioning than that of current and projected turnover in mission-critical positions, and the domino effect it precipitates. Separation projections are high among economists, fish biologists, mathematicians, statisticians, meteorologists, and engineers. As the Department's qualified staff departs, it must find ways to attract replacement staff, develop them to do the work of the Department, and retain them. The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in services it provides.

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.

Among the DM accomplishments in FY 2007 are:

- ◆ Developed and implemented policies for a contract review board and standard file organization to help ensure acquisition quality and effectiveness within the Office of the Secretary.
- ◆ Continued training of contracting and purchasing professionals in the required competency areas in order to close competency gaps.
- ◆ Redesigned the Enterprise Acquisition Reporting System to make it more user-friendly and developed reports used as a tool to support data accuracy efforts.



MANAGEMENT INTEGRATION GOAL * PERFORMANCE SECTION

- ◆ Continued the Acquisition Review Board which met six times in FY 2007 and reviewed 13 cases with an estimated value of \$1.6 billion.
- ◆ Revised the Acquisition Career Management Program to incorporate training and certification requirements of the Federal Acquisition Certification Program.
- ◆ Participated in the Government-wide task force to implement the Federal Funding Accountability and Transparency Act. Developed alternatives and recommendations for implementation of the act.
- ◆ Began development of a new risk management initiative to address the major investment review process.
- ◆ Completed accounts payable business process re-engineering review and developed recommendations.
- ◆ Maintained a green status in "Improving Financial Management" and in "Improving Program Performance" on the President's Management Agenda Scorecard.
- ◆ On its FY 2007 financial statements, the Department received an unqualified audit opinion for the ninth consecutive year.
- ◆ Completed migration of the code for the Commerce Business System (CBS) to Oracle Web-based technology. Bureaus have agreed to implement the migrated code in early FY 2008.
- ◆ Implemented the interface between the acquisition system and the financial management system, and completed bureau training on the interface, so as to promote greater efficiency in financial and grants management.
- ◆ Developed enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 738 facilities, thus far completed 333 in the current four-year cycle.
- ◆ Tracked implementation of recommended countermeasure designed to mitigate risks identified in the 445 anti-terrorism risk assessments (based on criticality, threat, and vulnerability) that have been conducted thus far in the current four-year cycle for the Department's 738 facilities.
- ◆ Strengthened access control measure with random screening of employees and upgraded screening of contractors at Department headquarters.
- ◆ Developed and implemented Foreign National Visitor (FNV) and Guest Risk Assessment tool designed to ensure on-site compliance with current FNV policy and procedures.
- ◆ Conducted nationwide after-hours inspections to assure that appropriate safeguards are in place in order to protect sensitive information.
- ◆ Continued the implementation of the conversion of the International Trade Administration (ITA) to the CBS/CFS (Core Financial System), with conversion in October 2007. This will move ITA from its current system, which has become non-compliant, to a compliant system.

- ◆ In FY 2007, the Department enhanced the A-123 program by developing a three-year rotational testing plan to incorporate a three-year, risk-based approach based on FY 2006 assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing; low/moderate-risk cycles are tested every three years, with selected test procedures at specific locations or on specific sub-processes performed as often as needed based on specifically identified risks; a limited controls review assessment survey is utilized for cycles that are not being tested in a given year. The Department's A-123 Appendix A review and assessment included the following:
 - The Department utilized the Senior Management Council (SMC) to implement, direct, and oversee the assessment process; and the Senior Assessment Team (SAT) to develop A-123 planning documentation, administer internal control test plans, and monitor and review the test work.
 - Updated Department-wide testing templates for selected key processes/sub-processes and modified Departmental sampling plan to ensure consistency including the use of a statistical sample size generator for attributes sampling.
 - Utilized a contractor's expertise in support of smaller bureaus' testing and review of the Department-wide testing results and workpapers.
 - Utilized a contractor's expertise to review Department-wide internal control documentation to assess the structure, breadth, and depth of the bureau-level documentation. The review encompassed comparing documentation practices among bureaus, providing comments on consistency, and whether the cycle documentation contained the expected cycle components.
 - Analyzed the results of the overall effort to assess and document the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).
- ◆ Expanded implementation of multi-tier performance appraisal system; 90 percent of the Department's full-time equivalents (FTE) are now on multi-tier systems.
- ◆ Trained HR staff and managers in category rating and implemented a pilot program to improve hiring processes.
- ◆ Implemented new Human Capital Strategic Plan that outlines what the Office of Human Resources Management (OHRM) intends regarding their three strategic goals: (1) uphold the Department mission and take a leadership role in implementing government reforms, (2) Implement and support HR policies and practices that create a positive workforce culture and establish the Department as an employer of choice, and (3) cultivate an environment that encourages and empowers all Departmental HR employees to become leaders and innovators in the HR community.
- ◆ Created and began implementing action plan addressing 2006 Federal Human Capital Survey results.
- ◆ Received full Office of Personnel Management (OPM) and Office of Management and Budget (OMB) certification for Senior Executive Service (SES) Performance Appraisal System for FY 2007-FY 2008.
- ◆ Conducted, in conjunction with OPM, all six of the accountability audits scheduled for FY 2007 to identify areas for improvement and application of best practices.
- ◆ Identified and reported positions via the Career Patterns Initiative in order to attract and recruit talent.



MANAGEMENT INTEGRATION GOAL * PERFORMANCE SECTION

- ◆ Continued implementation of the OMB mandated Information System Security Line of Business (ISSLoB) Federal Information Security Management Act (FISMA) tool to automate certification and accreditation (C&A) standards and security reporting.
- ◆ Implemented Department-wide e-mail system consolidation.
- ◆ OMB considers all Department business cases for major information technology (IT) investments acceptable. This ensures that IT funds are managed and invested wisely.
- ◆ The Department's major IT investments were, on average, within five percent of cost, schedule, and performance targets.
- ◆ Developed an FY 2007 security awareness training plan, including milestones, for authorizing officials and system owners.
- ◆ Developed IT C&A compliance and oversight controls based on OMB requirements, National Institute of Standards and Technology (NIST) standards, and past OIG recommendations.
- ◆ Installed a Herbert C. Hoover Building network intrusion prevention system for monitoring and reporting IT security violations.

The Department uses reviews and reports generated by the OIG, OMB, the Government Accountability Office (GAO), other Congressional organizations, government-wide task forces, and other objective sources to evaluate activities of the Department related to this goal. For example, DM works closely with OMB on implementing the five government-wide management initiatives established in the President's Management Agenda (PMA). The Department is rated quarterly on its success in implementing these initiatives. In addition, many of the laws pertaining to these activities have separate reporting requirements, which highlight both strengths and weaknesses of the Department's administrative functions. The Department uses the results of these efforts to assess achievement of performance targets.

The performance-based contracting measure was not met in FY 2007. Limitations within the procurement infrastructure, e.g., data accuracy and level of staff expertise, continue to frustrate efforts to meet this goal. These issues are being aggressively addressed within the procurement community.

Data on awards to small businesses are not considered to be final until the Small Business Administration issues the Small Business Goaling Report later this year. Preliminary figures, as of November 15th, indicate that the Department achieved 44 percent, pending validation and verification of data in the Federal Procurement Data System (FPDS). The preliminary number suggests that the Department did not achieve the 48 percent target, which was based on the most recent three years of activity that are not necessarily sustainable. It is important to note that significant changes have occurred or are underway which will impact the percentage of the Department's opportunities available for future small business participation. These include the transition of the Commerce Information Technology Solutions Government-Wide Acquisition Contract (COMMITTS GWAC, a small business set-aside) to the General Services Administration, and large contract awards to support the GOES-R Satellite Program, the 2010 Decennial Census, and NOAA's phased ship replacement. In light of these anticipated changes, the Department plans to negotiate its FY 2008 and out-year small business goals with the Small Business Administration to reflect more realistic goals.

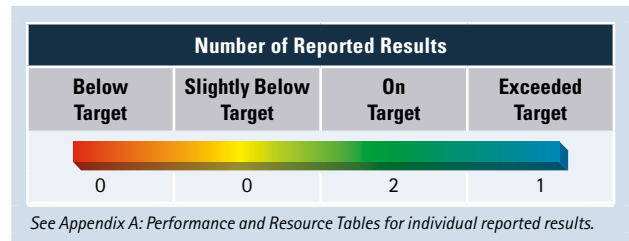
The financial management measure of eliminating any significant deficiency (previously referred to as a "reportable condition") within one year also was not met. The significant deficiency concerns consolidated IT controls. Although the Department has made progress toward eliminating this problem, more requirements were added to the OIG auditors' review of IT controls in support of the FY 2007 Consolidated Financial Statement Audit when, for the first time, the auditors used NIST Special Publication 800-53, Recommended Security Controls for Federal Information Systems, in conducting the review. The OIG auditors used a risk-

based methodology to determine the controls to be tested as well as adding the area of access controls, both of which resulted in an increased number of findings. Another contributing factor was the increased regulatory requirements (the protection of personally identifiable information) imposed additional security controls. As a result of the increased IT security focus at the Department, management has appointed a team comprising from both the Chief Information Officer (CIO) and Chief Financial Officer (CFO) staffs to actively monitor issues and resolve any outstanding corrective actions.

Performance Outcome: Promote improvements to Commerce 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)

Promotes improvements to Departmental programs through audits, inspections, evaluations, and investigations and a variety of activities geared toward averting problems.

Almost all OIG's recommendations made were accepted by senior Agency leadership; implementation of these recommendations will result in significant improvements to the Department's operations. OIG inspections and audits also captured significant financial benefits for the Department, including recovery of funds returned to the Department, expenditures that were not supported by adequate documentation, recoveries from criminal and civil investigations, future financial benefits from recommendations for more efficient use of Department funds, and expenditure of funds that may have been inconsistent with applicable laws and regulations.



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 frequently identify investigative issues, such as fraud and conflicts of interest, and refer such matters to OIG investigators.

As the Department works to accomplish its mission, the OIG provides a unique, independent voice to the Secretary and other senior Department managers, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness; and prevent and detect waste, fraud, and abuse in Department programs and operations. Moreover, the OIG strives to ensure that it:

- ◆ Performs high quality, timely work.
- ◆ Concentrates its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities.
- ◆ Achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing.

The OIG performs its activities in accordance with GAO's Government Auditing Standards and the President's Council on Integrity and Efficiency's (PCIE) Quality Standards for Inspections and Program Evaluations. OIG audit and investigations programs are subject to external peer reviews conducted under PCIE guidelines designed to evaluate their compliance with applicable standards.



STRATEGIES AND FUTURE PLANS

To meet the many management challenges facing the Department, a number of initiatives have been undertaken, some of which are described below.

◆ *Improving Information Security*

The Department will continue to enhance the protection afforded its information systems and data. Every automated system in the Department is subject to C&A, which includes documenting successful control testing or establishing a specific plan for taking remedial action. The Department's IT and security policies and requirements reflect federal standards, best practices, and state-of-the-art advances in controls, evaluation, accreditation, and contingency planning. By carefully planning how the Department invests IT funds—ensuring that it has a cohesive and well-constructed enterprise architecture, trained personnel, and safeguards over the confidentiality, integrity, and availability of the Department's IT systems—DM can provide the IT support the Department needs to carry out its missions. In FY 2008, the Department will take steps to implement two-factor authentication for remote access, and expand general security awareness training. To enhance security in the next year, the Department will take steps to implement encryption on devices used for remote computing, require strong passwords and non-use time-outs on personal digital assistants, and strengthen property management procedures and training.¹

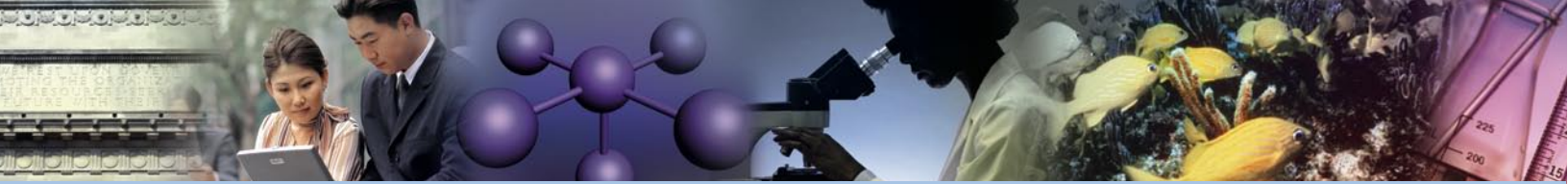
◆ *Preparing for Emergencies*

The Department will continue to aggressively improve emergency preparedness, safety, and security of Departmental personnel and facilities. Certain facilities require cyclical and anti-terrorism risk assessments. In the current four-year cycle, anti-terrorism risk assessments based on criticality, threat, and vulnerability have been conducted for 445 of 738 Department facilities. In FY 2007, bureau managers implemented countermeasures and the Anti-Terrorism Risk Index was reduced (risk methodology validated by the American Society for Industrial Security in 2004). A new self-assessment procedure for OEPs was implemented in FY 2007. The Department continues to improve Continuity of Operations Plans (COOP) preparedness with monthly working group meetings and in-depth reviews of COOP plans.

◆ *Future Workforce Requirements*

The Department will continue to be challenged in the years ahead to cope with significant changes in the way the government hires and compensates its civilian workforce. Flexible approaches to recruiting and employee pay that are based on employee performance represent challenges that, if adopted and implemented with care, are likely to result in a more competent, satisfied, and successful workforce. The Department is already, in some organizations, preparing for the potential overhaul of HR activities through its demonstration projects which highlight pay for performance. The Department will seek approaches to implementation of changes in HR management that will help it compete with private sector employers to recruit a diverse, highly specialized, and increasingly technical workforce.

¹ Resources supporting the IT security program consist of the central oversight office and IT security components of each operating unit, funded through general infrastructure accounts and specialized support for major IT investments. The central program office consists of four full-time federal employees supported by four full-time contract personnel.



CHALLENGES FOR THE FUTURE

As demands for higher productivity and service levels grow, the Department frequently must adjust program operations to meet evolving needs while facing funding limitations. Smooth and sound integration of program demands, performance results, and budget realities will continue to be an objective and a challenge of the Department.

Managing its programs from within aging physical facilities and ensuring the safety and security of staff, information, and customers is a challenge the Department plans to meet through modernization efforts which will satisfy technical, scientific, and safety and security requirements.

The growing technological orientation of its work and a highly competitive market challenge the Department's managers to attract and retain high quality workers. The Department must employ the right people in the right jobs at the right time while assuring that its workforce is representative of the Nation's population. Identification of competencies for mission-critical occupations will help the Department to perfect workable succession plans, and maintaining an ambitious fill-time with the help of automated rating tools will enable the Department to replace mission-critical employees expeditiously.

Information security, critical infrastructure protection, and privacy are among the Department's most important challenges, as the Department, and society in general, depend more and more on electronic communication. The Department puts a high priority on these issues to ensure that its systems, data, products, and services are protected; privacy is maintained; and operations continue unaffected by potential attempts at disruption. The Department also focuses attention on challenges resulting from the increasing use of the World Wide Web to provide data and information to citizens and businesses in the Department's program areas, and to support transaction-oriented e-government that offers efficiencies for both Departmental operations and the Department's customers.

The Department will continue to improve its security policies, programs, and initiatives so that its response to threats to personnel, assets, and operations is swift and effective.



FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

This FY 2007 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate what we have achieved relative to the missions and the resources entrusted to us. The report summarizes highlights of the Department's performance, provides detailed financial information, and fulfills the requirements of 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 2007 the Department of Commerce again maintained a green status rating on the Financial Management Scorecard of the President's Management Agenda and, for the ninth consecutive year, achieved an unqualified audit opinion. We also completed all testing of key internal controls for financial reporting and issued an unqualified statement of assurance over internal controls for financial reporting. These accomplishments reflect our commitment to excellence in improving financial systems and managing financial resources.

The Department's FY 2007 achievements include the completion of the migration of the Commerce Business Systems (CBS) to Web-based technology that will be promoted to production during FY 2008, thus extending the life of CBS until at least FY 2012. We also began the planning process for the next stage of the Department's financial management evolution in alignment with the President's Management Agenda and the Office of Management and Budget's financial management line of business goals of standardization, consolidation, and optimization.

In FY 2007 we completed a business process re-engineering review for accounts payable and developed recommendations for standardizing and optimizing management of that function throughout the Department. During this period, we positioned the Department to reduce the number of locations processing payments from six to five. The consolidation will occur in FY 2008, when the National Institute of Standards and Technology begins processing of payments for the International Trade Administration. Progress also continued toward co-locating the Department's financial management system support servers and software at the Census Bowie Computer Center in Bowie, MD.

The Department was unable to eliminate a reportable condition (now referred to as a "significant deficiency") concerning consolidated information technology (IT) controls. However, an increased IT security focus in the Department has resulted in significant progress towards eliminating this problem, and a special Chief Financial Officer–Chief Information Officer (CFO–CIO) team has been appointed to actively monitor IT security issues.

As FY 2008 unfolds, the Department's missions will continue to be supported by strong and effective financial management and internal controls. We will continue to enhance the administrative tools we use to manage Department programs by pursuing the objectives of the President's Management Agenda and by refining our financial and performance products to address the needs of our stakeholders. The Department remains firmly committed to maximizing the effectiveness of its programs and their benefits to the American people.



Otto J. Wolff
Chief Financial Officer
and Assistant Secretary for Administration



FINANCIAL MANAGEMENT AND ANALYSIS



FINANCIAL MANAGEMENT AND ANALYSIS

In support of the President's Management Agenda (PMA) and under 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 achievement of a green status rating on the Financial Performance Scorecard under the PMA. In addition, the Department continued to receive unqualified opinions, maintains a single integrated financial system, and continued its compliance with the Federal Financial Management Improvement Act (FFMIA). Highlights of accomplishments for FY 2007 and future initiatives are discussed further below.

I. FINANCIAL MANAGEMENT SYSTEMS

The Department maintains a FFMIA compliant financial management system, the Commerce Business Systems (CBS). CBS replaced non-compliant legacy financial management systems within the Department. Three bureaus that were previously on compliant systems continue to use those systems with one bureau, whose present system is no longer supported, converting to CBS in early FY 2008. The financial information from these systems and CBS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting, resulting in a single integrated financial system.

CBS provides reliable and 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 integrated with the Commerce Standard Acquisition and Reporting System (CSTARS), the National Finance Center Payroll System, and the Automated Standard Application for Payments (ASAP). As a result of the migration of CBS to Web-based technology, which will be promoted to production in FY 2008, the life expectancy of CBS is expected to be extended beyond 2012. The Department continued planning for the next stage of its financial management evolution in alignment with the PMA and the Financial Management Line of Business (FMLoB) goals of standardization, consolidation, and optimization.

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 2007, the Department accomplished the following initiatives:

- Completed the migration of CBS to Web-based technology that will be promoted to production during FY 2008, thus extending the life of CBS beyond 2012.
- Continued progress towards consolidation of the Department's financial management servers (hardware and software) at the Census Data Center in Bowie, MD. Developed a consolidated bureau application migration project plan for the server consolidation for business systems support and completed the server consolidation infrastructure migration planning across bureaus.



FINANCIAL MANAGEMENT AND ANALYSIS

- Completed the Accounts Payable Business Process Re-engineering Review and developed recommendations for standardizing and optimizing the Department's Accounts Payable approach and processes.
- Continued the implementation of the conversion of the International Trade Administration (ITA) to the CBS, with conversion completion in October 2007. This will move ITA from its current system, which has become non-compliant, to a compliant system.
- Implemented the initial phase of the Blueprint Modernization initiative, focused on developing a comprehensive inventory of programs, initiatives, and systems across the Office of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA). The overall intent of this initiative is to document the as-is architecture and develop a target architecture with a consolidated transition plan (roadmap) for the administrative areas within the Department consistent with the Department Enterprise Architecture (EA) and the Office of Management and Budget (OMB) Federal Enterprise Architecture (FEA).
- Began planning for the next stage of the Department's financial management evolution in alignment with the PMA and OMB's FMLoB goals of standardization, consolidation, and optimization. Developed a timeline that included the required phases and activities for this transition, and participated in several FMLoB government-wide working groups aimed at standardizing financial management activities in the federal government.

In FY 2008 and beyond, the Department will continue its efforts to enhance its financial systems and to move toward a consolidated operating environment. The Department plans to accomplish the following:

- Continue progress towards consolidation of the Department's financial management servers (hardware and software) at the Census Data Center in Bowie, MD. Reduce the number of data centers running production, development, and testing of CBS business applications by four so that the applications are run at a single location.
- Begin detailed planning to ready the Department for competing the financial management system among identified shared service providers, in alignment with the PMA and OMB's FMLoB goals of standardization, consolidation, and optimization. Continue to participate in FMLoB government-wide working groups aimed at standardizing financial management activities in the federal government.
- Begin implementation of standardized processes for identified accounting events and track and measure the Department's bureau performance pursuant to defined performance metrics.
- Complete implementation of the conversion of ITA to the CBS.
- Finalize the initial phase of the Blueprint Modernization initiative by developing a comprehensive inventory of programs, initiatives, and systems across the CFO/ASA. Begin documentation of the as-is architecture and develop a target architecture with a consolidated transition plan (roadmap) for the administrative areas within the Department consistent with the Department EA and OMB FEA.

II. 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. In addition, one bureau subject to individual audit has maintained unqualified opinions on its principal financial statements. The Department met the accelerated financial statement submission deadlines for FY 2007. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One significant deficiency cited relating to deficiencies in general information technology (IT) controls remained from the prior years. The Department has corrective action plans (CAP) in progress to address these deficiencies. In FY 2007, 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. The Performance and Accountability Report (PAR) section, Improper Payments Information Act of 2002 (IPIA), and the Appendix C on the IPIA reporting details describe the Department's efforts in complying with this act along with the results of the Department's reviews.

The Department accomplished the following initiatives that resulted in meeting the aforementioned goals:

- 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 developing a three-year rotational testing plan based on a risk assessment of the 12 key processes. 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 FMFIA.
- Prepared and monitored CAPs for the significant deficiency and management letter comments and monitored progress towards their completion throughout the year.
- 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 and accurate financial statements.
- 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.
- Held monthly 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.
- Monthly financial metrics were compiled, analyzed, and reported in the government-wide consolidated CFO measurement tracking system. Individual bureaus were provided with a monthly status report comparing and analyzing their results with the Department's goals, and the Department and government-wide results. The results of bureaus metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings.
- Facilitated intragovernmental 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 partner's participation, continued improvement is needed in order to reconcile all differences.

Although the Department has accomplished much in the area of financial management, there is still a need to improve upon these accomplishments to ensure that the Department continues to produce and report accurate, reliable, and timely financial information. In FY 2008 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 and reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups amongst the Department's financial managers and participation in government-wide financial management committees and workgroups.
- Continue to monitor and perform reviews of the Department's progress in preventing improper payments.
- Continue to work with OMB, Treasury Department, and the Government-wide Intragovernmental Subcommittee to improve the intragovernmental reconciliation process.

III. GRANTS MANAGEMENT

Under the CFO/ASA, the Office of Acquisition Management and Financial Assistance (OAMFA) 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 towards a single automated grants management system, and enhance/formalize workforce education. Targeted efforts are underway 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.

The Department is an active participant in the government-wide implementation of Public Law (PL) 106-107 (The Federal Financial Assistance Improvement Act of 1999) to simplify and automate the grants process, including participation on several related interagency workgroups. OAMFA oversees development of the Department's PL 106-107 annual report to Congress which details progress in achieving the objectives of the act. The act sunsets in 2007 and the final report will be transmitted to Congress in January 2008. Thereafter, the OAMFA Grants Management Division will continue to steer the Department's grants process streamlining efforts in accordance with guidance issued by OMB in collaboration with the government-wide Grants Policy Committee (GPC). Key to that effort will be the creation of a Department-wide training and certification program for grants staff that will align over time with that being developed by the GPC work group on training and certification.

OAMFA coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and 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. An active partner in e-grants initiatives, OAMFA serves on the Grants Executive Board and the Grants Line of Business Taskforce, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov, 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 in recognition of the rapidly



changing environment engendered by the transition to Grants.gov as the business processing model for federal financial assistance programs.

Integral to the Department's effort to move aggressively into the world of e-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's storefront. The system, which went live in January 2005, was designed to facilitate efficiencies through standardized business processes and provide a direct interface to other Departmental systems. It has demonstrated 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. This standardization effort would align internal processes/procedures for federal Grants Management Line of Business system consolidation efforts.

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 submitted by assigned grantee organizations and, based on those reviews, negotiates appropriate indirect cost rates. OAMFA'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 which resulted in financial savings to the Department through indirect cost rate adjustments from grantee's proposed rate. Program focus for the coming year will include implementation of stronger internal controls, creation of a new tracking database, and documenting/communicating new program procedures.

IV. HUMAN CAPITAL

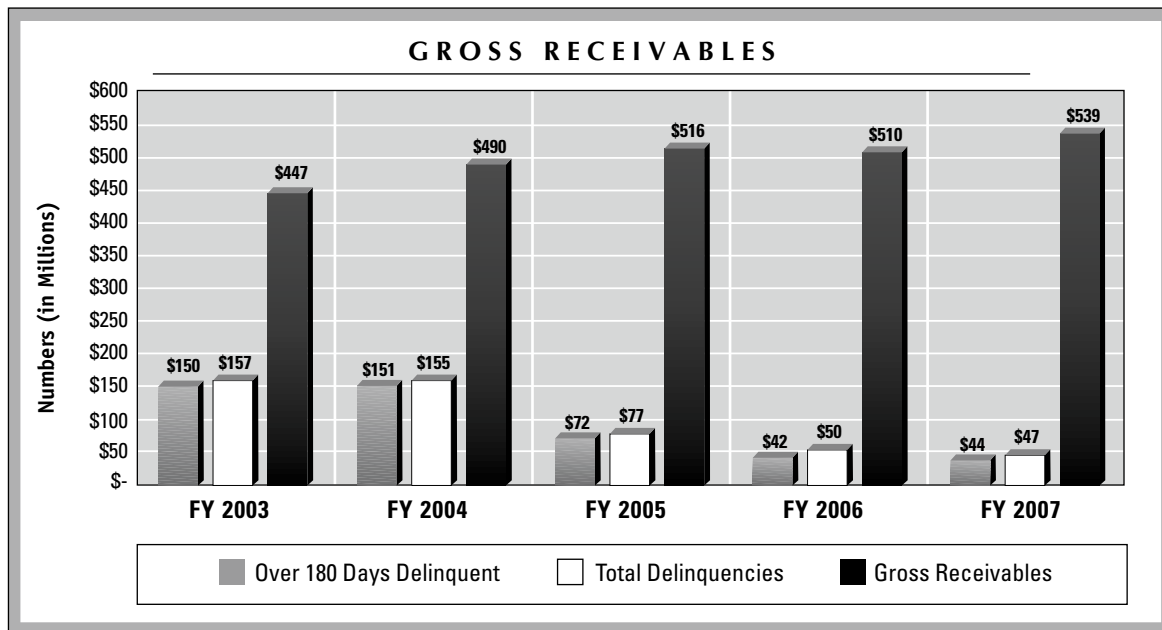
The Department's leadership recognizes the need to ensure succession planning in the area of financial management and to enhance the current workforce development initiatives. Therefore, internship programs are implemented through a variety of sources to give finance and accounting majors an opportunity to gain hands-on accounting experience, while introducing potential future employees to the opportunities that exist at the Department. In 2007, the Department continued a two-year career internship program for college-level graduates interested in pursuing a career in federal accounting. Candidates participated in finance-related training courses and rotational assignments throughout the Department. Department leadership continued its partnership with the National Academy Foundation (NAF) by employing finance interns from local high schools and participating in NAF-sponsored events.

Additionally, the Department's senior executives reviewed and approved the business case analysis to add the accounting and budgeting series to the list of Department-wide mission-critical occupations. Employees at the GS-7 through GS-15 and equivalent levels in the accounting and budgeting series are eligible to apply for the Senior Executive Service Candidate Development Program, the Executive Leadership Development Program, and the Aspiring Leaders Development Program. These programs include competency assessment, formal classroom training, developmental assignments, seminars, action learning task teams, and mentors for the participants to enhance the succession planning opportunities.

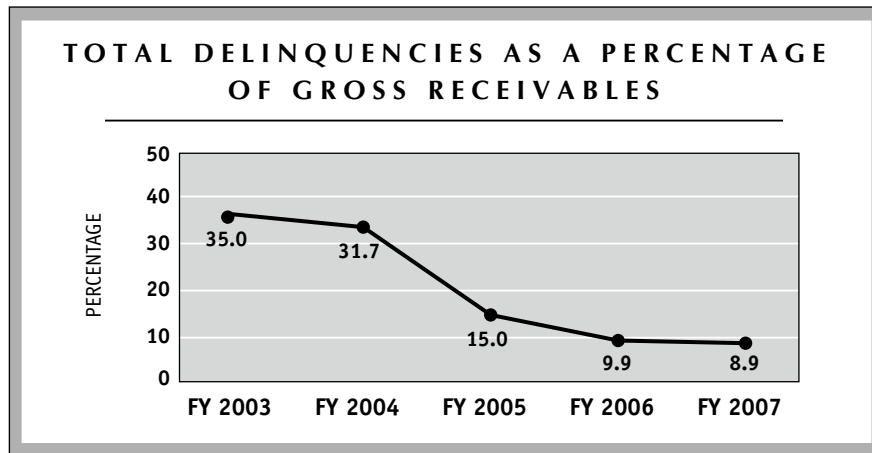
DEBT MANAGEMENT

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 5.7 percent, from \$510 million at September 30, 2006 to \$539 million at September 30, 2007, 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 increased minimally from \$42 million at September 30, 2006 to \$44 million at September 30, 2007, representing a 4.8 percent increase. Total delinquencies as a percentage of gross receivables also decreased minimally, from 9.9 percent at September 30, 2006 to 9.0 percent at September 30, 2007.



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. Over \$15 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 83 percent of the Department's overall delinquent debt that has not been referred to Treasury is in litigation with the Department of Justice for enforced collection.

During 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

Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 requires the use of EFT for most federal payments, with the exception of tax refunds. The Department closely monitors its monthly EFT performance, and submits consolidated monthly EFT activity reports to OMB, as part of the Department's Performance Metrics data.

The Department's vendor EFT percentage increased from 96 percent for FY 2006 to 97 percent for FY 2007. The Department accomplished this, in large part, by working closely with its bureaus to identify opportunities for new or improved business processes. This improved performance allowed the Department in FY 2007, on average, to meet OMB's vendor EFT performance goal of 96 percent. The Department's overall EFT percentage also increased, from 98 percent for FY 2006 to 99 percent for FY 2007. The Department believes its continued efforts to implement new or improved business processes will lead to further increases in vendor and overall EFT percentages.

The Department's achievements in this area are illustrated in the table below:

Payment Category	EFT Percentage		Total Volume (Actual Number of Transactions — EFT and Non-EFT)	
	FY 2007	FY 2006	FY 2007	FY 2006
Grants	100%	100%	25,815	23,913
Payroll	99%	99%	1,196,926	1,255,431
Retirement Benefits	100%	100%	4,527	4,529
Vendor	97%	96%	331,264	364,872
Overall	99%	98%	1,558,532	1,648,745

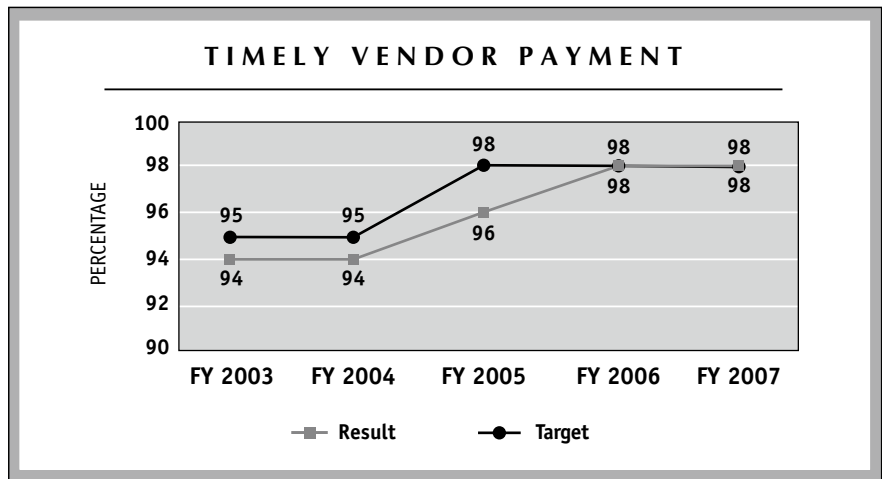
Bankcards

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. This has resulted in an overall decrease, over the past six fiscal years, in the number of bankcards in use, from 6,405 at September 30, 2001 to 5,565 at September 30, 2007. The Department's emphasis on EFT-compliant payment methods has contributed to an overall increase, over the past six fiscal years, in bankcard purchases, from \$131.6 million at September 30, 2001 to \$158.4 million at September 30, 2007. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper. As of September 30, 2007, the Department had an overall zero percent bankcard delinquency rate.

Prompt Payment

The Prompt Payment Act of 1982 requires agencies to pay their bills to vendors on a timely basis, and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and submits consolidated monthly prompt payment activity reports to OMB, as part of the Department's Performance Metrics data.

The Department has maintained its prompt payment performance at 98 percent from FY 2006 to FY 2007. Furthermore, the number of invoices with late-payment interest penalties decreased, from 5,740 in FY 2006 to 5,551 in FY 2007. 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.

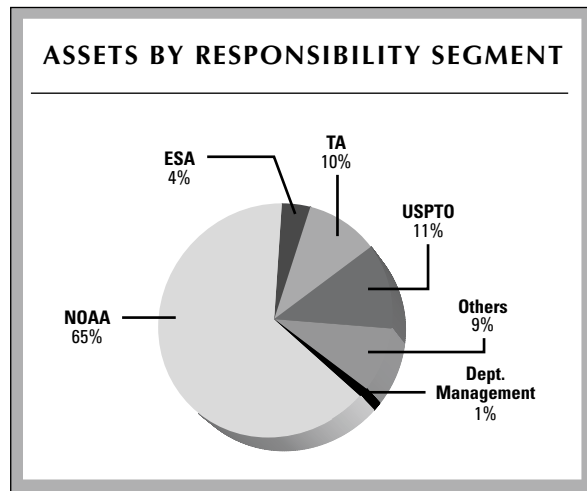
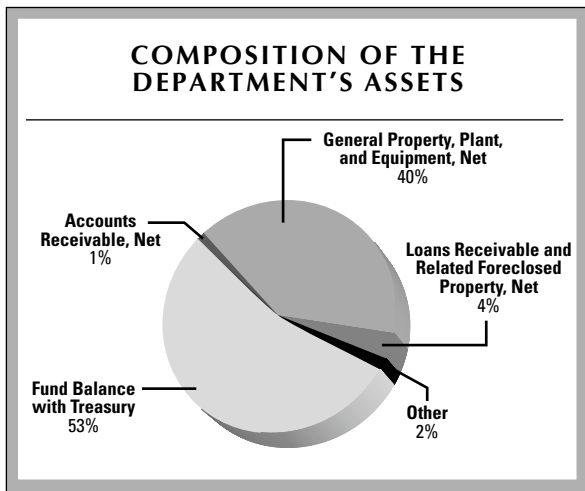


ANALYSIS OF FY 2007 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

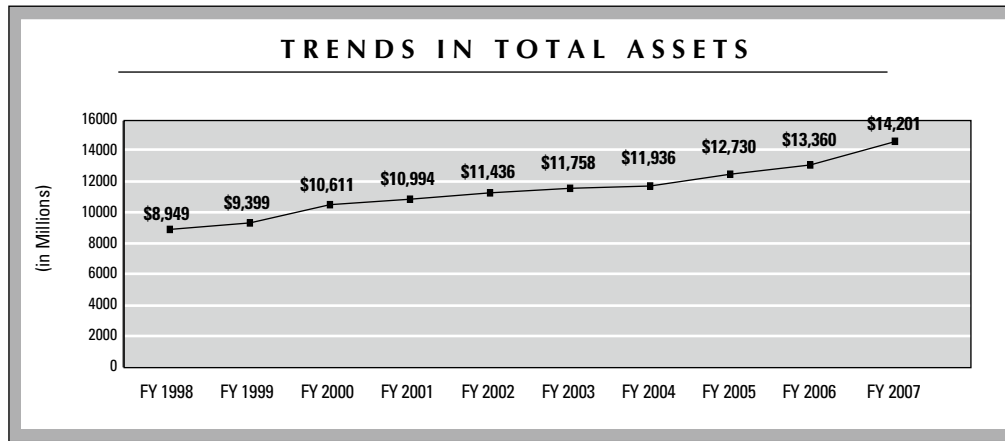
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets remained consistent from FY 2006 to FY 2007.

Total assets amounted to \$14.20 billion at September 30, 2007. Fund Balance with Treasury of \$7.60 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 \$5.73 billion includes \$3.36 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; \$858 million of satellites and weather systems; \$790 million of structures, facilities, and leasehold improvements; and \$724 million of other General PP&E. Loans Receivable and Related Foreclosed Property, Net of \$520 million primarily relates to NOAA's direct loan programs. Accounts Receivable, Net of \$102 million resulted primarily when the Department performed reimbursable services or sold goods. Other Assets of \$252 million primarily includes Inventory, Materials, and Supplies, Net of \$107 million, and Advances and Prepayments of \$130 million.



Trends in Assets

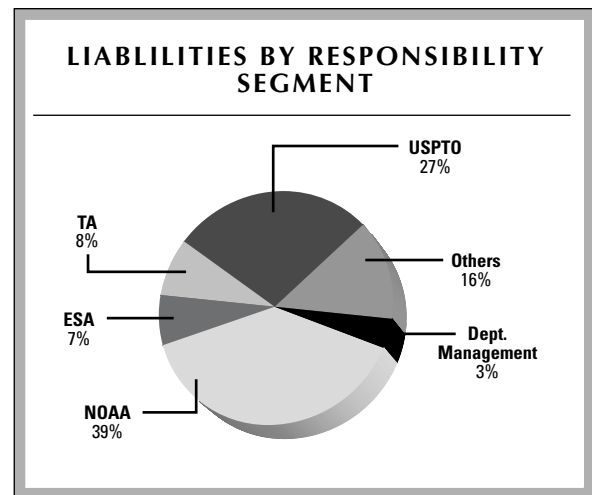
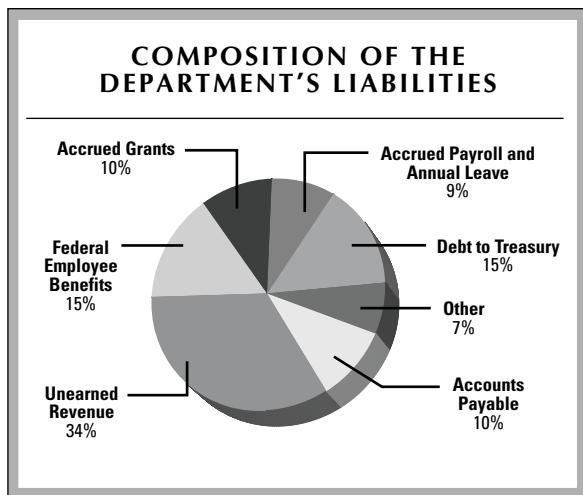
Total Assets increased \$840 million or 6 percent, from \$13.36 billion at September 30, 2006 to \$14.20 billion at September 30, 2007. Fund Balance with Treasury increased \$365 million or 5 percent, from \$7.23 billion to \$7.60 billion, which primarily resulted from an increase in obligated balances not yet disbursed of \$368 million. General PP&E, Net increased \$431 million or 8 percent, from \$5.30 billion to \$5.73 billion, mainly due to an increase of \$302 million in NOAA's Satellites/Weather Systems Personal Property, Net. Loans Receivable and Related Foreclosed Property, Net increased \$52 million or 11 percent, from \$468 million to \$520 million, primarily due to NOAA's Fisheries Finance Traditional Loans, and Bering Sea and Aleutian Islands Non-Pollock Buyback Loans.

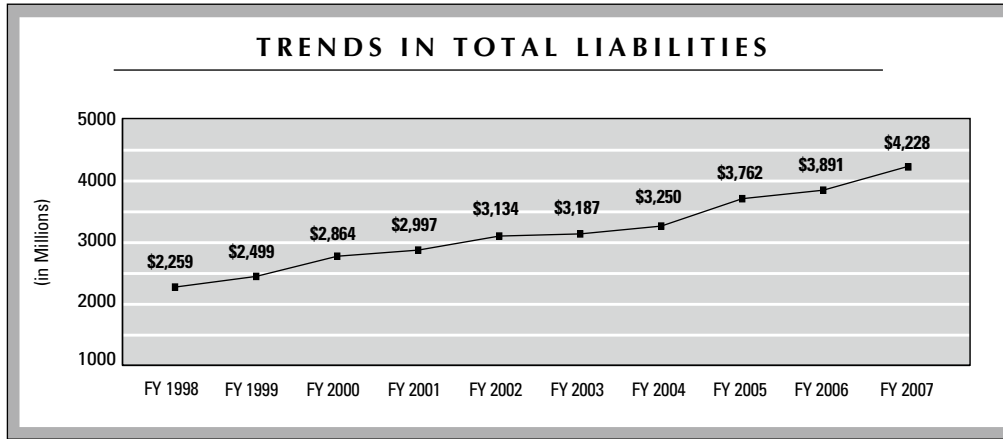


Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities also remained consistent from FY 2006 to FY 2007.

Total liabilities amounted to \$4.23 billion at September 30, 2007. Unearned Revenue of \$1.43 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 of \$626 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System (\$416 million) and the NOAA Corps Post-retirement Health Benefits (\$45 million), and Actuarial Federal Employees Compensation Act (FECA) Liability (\$165 million), which represents the liability for future workers' compensation benefits. 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. Accrued Grants of \$405 million, which relates to a diverse array of financial assistance programs and projects, includes the Economic Development Administration's (EDA) accrued grants of \$260 million for their economic development and assistance funding to state and local governments. Debt to Treasury of \$646 million consists of monies borrowed primarily for NOAA's direct loan programs and the National Telecommunications and Information Administration's (NTIA) Digital Television Transition and Public Safety Fund. Accrued Payroll and Annual Leave of \$396 million includes salaries and wages earned by employees, but not disbursed as of September 30. Other Liabilities of \$296 million primarily includes Downward Subsidy Reestimates Payable to Treasury of \$37 million, Loan Guarantee Liabilities of \$56 million, Environmental and Disposal Liabilities of \$67 million, and Resources Payable to Treasury of \$30 million.





Trends in Liabilities

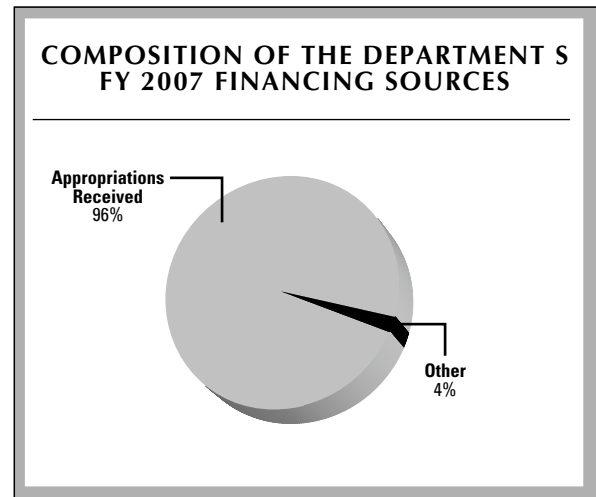
Total Liabilities increased \$337 million or 9 percent, from \$3.89 billion at September 30, 2006 to \$4.23 billion at September 30, 2007. Unearned Revenue increased \$37 million or 3 percent, from \$1.39 billion to \$1.43 billion, primarily due to increased unearned revenue from patent and trademark application and user fees that are pending action. Debt to Treasury increased \$224 million or 53 percent, from \$422 million to \$646 million, mainly due to net borrowings in FY 2007 of \$164 million for NTIA's Digital Television Transition and Public Safety Fund and \$63 million for NOAA's direct loan programs. Accounts Payable increased \$68 million or 19 percent, from \$364 million to \$432 million, primarily related to NOAA's program support activities and transactions with the National Aeronautics and Space Administration (NASA).

Composition of and Trends in Financing Sources

Most of the Department's Financing Sources, shown on the Consolidated Statements of Changes in Net Position, are obtained from Appropriations Received, net of reductions. Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, imputed financing sources from costs absorbed by other federal agencies, and Downward Subsidy Reestimates Payable to Treasury (a negative Financing Source).

The composition (by percentage) of the Department's financing sources remained consistent from FY 2006 to FY 2007.

Total Financing Sources increased \$20 million or 0.3 percent, from \$6.92 billion for FY 2006 to \$6.94 billion for FY 2007. Appropriations Received, net of reductions, decreased by \$3 million or 0.1 percent. All other financing sources had a net increase of \$23 million, from \$263 million at September 30, 2006 to \$286 million at September 30, 2007.



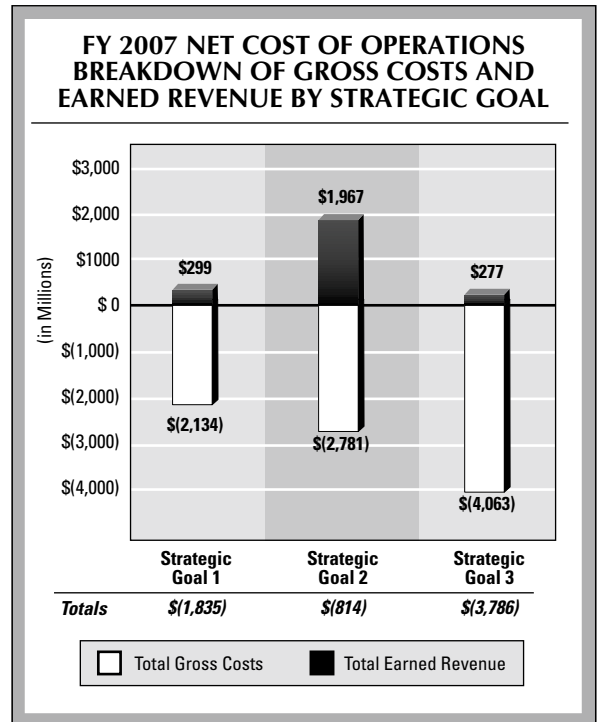
FY 2007 Net Cost of Operations by Strategic Goal

In FY 2007, Net Cost of Operations amounted to \$6.44 billion, which consists of Gross Costs of \$8.98 billion less Earned Revenue of \$2.54 billion.

Strategic Goal 1, Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers, includes Net Program Costs of \$948 million (Gross Costs of \$1.20 billion less Earned Revenue of \$250 million) for 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. The ITA's programs and activities also support Strategic Goal 1, with Net Program Costs of \$422 million (Gross Costs of \$436 million less Earned Revenue of \$14 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. Strategic Goal 1 also includes Net Program Costs of \$257 million (Gross Costs of \$275 million less Earned Revenue of \$18 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.

Strategic Goal 2, Foster Science and Technological Leadership by Protecting Intellectual Property (IP), Enhancing Technical Standards, and Advancing Measurement Science, includes Net Program Costs of \$34 million (Gross Costs of \$1.77 billion less Earned Revenue of \$1.74 billion) for the U.S. Patent and Trademark Office's (USPTO) patents and trademark programs, which includes processing patent applications and disseminating patent information. Through issuing patents, USPTO encourages technological advancement by providing incentives to invent, invest in, and disclose new technology. Strategic Goal 2 also includes Net Program Costs of \$491 million (Gross Costs of \$619 million less Earned Revenue of \$128 million) for the National Institute of Standards and Technology's (NIST) 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.

Strategic Goal 3, Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship, includes Net Program Costs of \$1.43 billion (Gross Costs of \$1.53 billion less Earned Revenue of \$101 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries, 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.



FINANCIAL MANAGEMENT AND ANALYSIS



PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2007 and 2006 (In Thousands)**

	FY 2007	FY 2006
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 7,596,655	\$ 7,231,997
Accounts Receivable (Note 3)	65,431	95,745
Other - Advances and Prepayments	64,346	3,969
Total Intragovernmental	7,726,432	7,331,711
Cash (Note 4)	7,696	7,482
Accounts Receivable, Net (Note 3)	36,909	50,161
Loans Receivable and Related Foreclosed Property, Net (Note 5)	519,854	467,985
Inventory, Materials, and Supplies, Net (Note 6)	106,801	95,914
General Property, Plant, and Equipment, Net (Note 7)	5,729,764	5,299,093
Other (Note 8)	73,267	108,072
TOTAL ASSETS	\$ 14,200,723	\$ 13,360,418
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 104,866	\$ 74,010
Debt to Treasury (Note 10)	645,997	422,071
Other		
Resources Payable to Treasury	30,197	35,484
Unearned Revenue	422,860	453,697
Other (Note 11)	98,926	96,391
Total Intragovernmental	1,302,846	1,081,653
Accounts Payable	327,328	290,240
Loan Guarantee Liabilities (Note 5)	55,732	73,675
Federal Employee Benefits (Note 12)	625,816	589,964
Environmental and Disposal Liabilities (Note 13)	67,443	74,880
Other		
Accrued Payroll and Annual Leave	396,444	370,240
Accrued Grants	404,939	420,588
Capital Lease Liabilities (Note 14)	15,558	16,568
Unearned Revenue	1,004,305	936,587
Other (Note 11)	27,685	36,521
TOTAL LIABILITIES	\$ 4,228,096	\$ 3,890,916
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 20)	\$ -	\$ 27
Unexpended Appropriations - Other Funds	4,528,905	4,306,394
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 20)	552,347	620,980
Cumulative Results of Operations - Other Funds	4,891,375	4,542,101
TOTAL NET POSITION	\$ 9,972,627	\$ 9,469,502
TOTAL LIABILITIES AND NET POSITION	\$ 14,200,723	\$ 13,360,418

The accompanying notes are an integral part of these statements.

PRINCIPAL FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2007 and 2006 (Note 17) (In Thousands)**

	FY 2007	FY 2006
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	\$ 2,133,671	\$ 2,124,582
Less: Earned Revenue	(298,730)	(308,300)
Net Program Costs	1,834,941	1,816,282
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Gross Costs	2,781,232	2,528,674
Less: Earned Revenue	(1,967,068)	(1,821,454)
Net Program Costs	814,164	707,220
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Gross Costs	4,062,583	4,171,133
Less: Earned Revenue	(276,781)	(277,747)
Net Program Costs	3,785,802	3,893,386
NET COST OF OPERATIONS	\$ 6,434,907	\$ 6,416,888

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, 2007 and 2006 (In Thousands)**

	FY 2007			FY 2006		
	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	\$ 620,980	\$ 4,542,101	\$ 5,163,081	\$ 537,757	\$ 4,192,109	\$ 4,729,866
Budgetary Financing Sources:						
Appropriations Used	-	6,433,917	6,433,917	-	6,599,730	6,599,730
Non-exchange Revenue	16,855	36	16,891	15,521	-	15,521
Donations and Forfeitures of Cash and Cash Equivalents	-	1,216	1,216	-	515	515
Transfers In/(Out) Without Reimbursement, Net	24,176	81,921	106,097	19,440	72,184	91,624
Other Budgetary Financing Sources/(Uses), Net	-	(333)	(333)	-	820	820
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	16,535	16,535	-	-	-
Transfers In/(Out) Without Reimbursement, Net	-	220	220	(350)	2,039	1,689
Imputed Financing Sources from Cost Absorbed by Others	1,044	195,859	196,903	1,155	188,023	189,178
Downward Subsidy Reestimates Payable to Treasury	-	(36,710)	(36,710)	-	(31,447)	(31,447)
Loan Modification Savings Paid to Treasury	-	(18,910)	(18,910)	-	-	-
Other Financing Sources/(Uses), Net	6,907	(7,185)	(278)	7,935	(25,462)	(17,527)
Total Financing Sources	48,982	6,666,566	6,715,548	43,701	6,806,402	6,850,103
Net Cost of Operations	(117,615)	(6,317,292)	(6,434,907)	39,522	(6,456,410)	(6,416,888)
Net Change	(68,633)	349,274	280,641	83,223	349,992	433,215
Cumulative Results of Operations	552,347	4,891,375	5,443,722	620,980	4,542,101	5,163,081
Unexpended Appropriations:						
Beginning Balance	27	4,306,394	4,306,421	27	4,238,294	4,238,321
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	6,683,664	6,683,664	-	6,771,140	6,771,140
Appropriations Transferred In/(Out), Net	(27)	13,500	13,473	-	22,366	22,366
Other Adjustments (Note 18)	-	(40,736)	(40,736)	-	(125,676)	(125,676)
Appropriations Used	-	(6,433,917)	(6,433,917)	-	(6,599,730)	(6,599,730)
Total Budgetary Financing Sources	(27)	222,511	222,484	-	68,100	68,100
Unexpended Appropriations	-	4,528,905	4,528,905	27	4,306,394	4,306,421
NET POSITION	\$ 552,347	\$ 9,420,280	\$ 9,972,627	\$ 621,007	\$ 8,848,495	9,469,502

The accompanying notes are an integral part of these statements.

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2007 and 2006 (Note 18) (In Thousands)

	FY 2007		FY 2006	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	\$ 799,694	\$ 86,727	\$ 739,626	\$ 153,108
Adjustments to Unobligated Balance, Brought Forward	(857)	-	(528)	-
Recoveries of Prior-years Unpaid Obligations	120,391	2,477	106,597	5,807
Budget Authority				
Appropriations	6,695,491	4,936	6,788,085	13
Borrowing Authority	1,084,164	72,583	-	171,224
Spending Authority From Offsetting Collections				
Earned				
Collected	3,212,048	64,940	3,003,538	73,438
Change in Receivables	(38,872)	518	14,787	-
Change in Unfilled Customer Orders				
Advances Received	31,143	-	126,971	-
Without Advances	7,232	(355)	46,229	698
Previously Unavailable	1,341	-	1,627	-
Total Budget Authority	10,992,547	142,622	9,981,237	245,373
Nonexpenditure Transfers, Net	118,736	-	110,129	-
Temporarily Not Available Pursuant to Public Law	(12,189)	-	-	-
Permanently Not Available	(36,429)	(48,538)	(126,837)	(39,530)
TOTAL BUDGETARY RESOURCES	\$ 11,981,893	\$ 183,288	\$ 10,810,224	\$ 364,758
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	\$ 8,125,038	\$ 91,071	\$ 7,119,851	\$ 189,104
Reimbursable	3,034,573	33,206	2,890,679	88,927
Total Obligations Incurred	11,159,611	124,277	10,010,530	278,031
Unobligated Balance				
Apportioned	442,461	1,932	475,201	993
Exempt From Apportionment	298,865	-	270,977	-
Total Unobligated Balance	741,326	1,932	746,178	993
Unobligated Balance Not Available	80,956	57,079	53,516	85,734
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 11,981,893	\$ 183,288	\$ 10,810,224	\$ 364,758
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	\$ 5,763,273	\$ 245,901	\$ 5,502,764	\$ 185,665
Less: Uncollected Customer Payments, Brought Forward	(312,947)	(1,090)	(251,931)	(392)
Total Unpaid Obligated Balance, Net, Brought Forward	5,450,326	244,811	5,250,833	185,273
Adjustments to Unpaid Obligations, Brought Forward				
Obligations Incurred	11,159,611	124,277	10,010,530	278,031
Less: Gross Outlays	(9,794,751)	(160,846)	(9,645,197)	(211,988)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(120,391)	(2,477)	(106,597)	(5,807)
Change in Uncollected Customer Payments	31,640	(163)	(61,016)	(698)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,726,435	\$ 205,602	\$ 5,450,326	\$ 244,811
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	\$ 7,007,742	\$ 206,855	\$ 5,763,273	\$ 245,901
Less: Uncollected Customer Payments	(281,307)	(1,253)	(312,947)	(1,090)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,726,435	\$ 205,602	\$ 5,450,326	\$ 244,811
NET OUTLAYS:				
Gross Outlays	\$ 9,794,751	\$ 160,846	\$ 9,645,197	\$ 211,988
Less: Offsetting Collections	(3,243,191)	(64,940)	(3,130,509)	(73,438)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	-	(139,872)	-
NET OUTLAYS	\$ 6,478,689	\$ 95,906	\$ 6,374,816	\$ 138,550

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 13 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), some of the Department's entities have been grouped together, based on their organizational structures, as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA)
 - Bureau of Economic Analysis (BEA)
 - Census Bureau
- Technology Administration (TA)
 - National Institute of Standards and Technology (NIST)
 - National Technical Information Service (NTIS)
- Others
 - Bureau of Industry and Security (BIS)
 - Economic Development Administration (EDA)
 - International Trade Administration (ITA)
 - Minority Business Development Agency (MBDA)
 - National Intellectual Property Law Enforcement Coordination Council (NIPC)
 - National Telecommunications and Information Administration (NTIA)
 - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)



NOTES TO THE FINANCIAL STATEMENTS

- Departmental Management (DM)
 - Franchise Fund
 - Gifts and Bequests (G&B)
 - 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 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 is a party to allocation transfers 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. Within the Department, 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 are not reported in the Department's financial statements.

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 trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 20, 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* and the *Consolidated Statements of Net Cost*. There are no intra-Departmental eliminations for 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 primarily represent the amounts held in customer deposit accounts.

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 *Loans Receivable and Related Foreclosed Property, Net*

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.

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 at 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.

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 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: The Department's general policy is 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 is 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 is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed 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. Upon completion of the work, the costs are transferred to the appropriate General PP&E account for capitalization.

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 collectibility 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. The non-entity Fund Balance with Treasury primarily represents customer deposits held by the Department until customer orders are received. Non-entity Loans Receivable and Related Foreclosed Property, 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.



NOTES TO THE FINANCIAL STATEMENTS

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 for its various credit programs: Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, Pacific Groundfish Buyback Loans, Crab Buyback Loans, Bering Sea and Aleutian Islands Non-Pollock Buyback Loans, and Emergency Steel 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.

As of September 30, 2007, the Department has also borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This NTIA fund, which was created by the Digital Television Transition and Public Safety Act of 2005, will receive proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several Departmental programs from these receipts. This Act, as well as the Security and Accountability For Every Port Act of 2006, also provides borrowing authority to the Department to commence specified programs prior to the availability of auction receipts. NTIA shall reimburse Treasury for the borrowings, without interest, as funds are deposited into the Fund. For more information on certain programs under the Digital Television Transition and Public Safety Fund, see Note 18, *Combined Statements of Budgetary Resources*.

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 Treasury. The Portfolio collections are returned to Treasury monthly, 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. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board of Actuaries economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. 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 \$67.4 million. This estimated 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.



NOTES TO THE FINANCIAL STATEMENTS

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 Island 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.

Debt to Treasury for the Department's Digital Television Transition and Public Safety Fund is considered not covered by budgetary resources in accordance with financial reporting guidance issued by OMB.

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.

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



NOTES TO THE FINANCIAL STATEMENTS

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 Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB limits Imputed Costs to be recognized by federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and (4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source From Costs 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 7.0 percent of an employee's basic pay. Employees contributed 7.0 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 Costs 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 11.2 percent (since FY 2005) of basic pay. Employees contributed .8 percent of basic pay. 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. For both FY 2007 and FY 2006, this plan was fully funded by the Department and its employees.

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, 2007, included 291 active duty officers, 331 nondisability retiree annuitants, 20 disability retiree annuitants, and 47 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. Beginning in January 2007, FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2007 may not exceed the IRS limit of \$15.5 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 amount limits.

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 benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Costs 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 Costs 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.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
General Funds	\$ 6,397,039	\$ 6,161,808
Revolving Funds	695,616	680,172
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	104,505	-
Other Special Funds	50,494	44,806
Deposit Funds	113,834	99,520
Trust Funds	646	1,125
Other Fund Types	992	11,037
Total	<u>\$ 7,596,655</u>	<u>\$ 7,231,997</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
Temporarily Not Available Pursuant to Public Law	\$ 558,468	\$ 545,582
Unobligated Balance		
Available	728,805	747,171
Unavailable	137,860	138,860
Obligated Balance Not Yet Disbursed	5,823,173	5,455,597
Non-budgetary	348,349	344,787
Total	<u>\$ 7,596,655</u>	<u>\$ 7,231,997</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2007 and FY 2006.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2007			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 65,431	\$ -	\$ 65,431
With the Public	\$ 45,261	\$ (8,352)	\$ 36,909
FY 2006			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 95,745	\$ -	\$ 95,745
With the Public	\$ 59,561	\$ (9,400)	\$ 50,161

NOTE 4. CASH

	FY 2007	FY 2006
Cash Not Yet Deposited with Treasury	\$ 7,205	\$ 6,990
Imprest Funds	491	412
Other Cash	-	80
Total	\$ 7,696	\$ 7,482

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. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, 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 ¹
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 ¹
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 ¹
NOAA	New England Lobster Buyback Loans ¹
NOAA	Pacific Groundfish Buyback Loans

¹ No loans have been issued under these programs as of September 30, 2007.

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program
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 2007</u>	<u>FY 2006</u>
Direct Loans Obligated Prior to FY 1992	\$ 34,961	\$ 36,812
Direct Loans Obligated After FY 1991	479,967	417,202
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	4,922	13,967
Total	<u>\$ 519,854</u>	<u>\$ 467,985</u>

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2007				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 21,240	\$ 4,892	\$ (17,401)	\$ 8,731
Drought Loan Portfolio	17,389	220	(177)	17,432
Economic Development Revolving Fund	8,807	77	(86)	8,798
Fisheries Loan Fund	354	39	(393)	-
Total	\$ 47,790	\$ 5,228	\$ (18,057)	\$ 34,961

FY 2006				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 21,752	\$ 4,734	\$ (21,060)	\$ 5,426
Drought Loan Portfolio	20,883	257	(211)	20,929
Economic Development Revolving Fund	10,469	93	(105)	10,457
Fisheries Loan Fund	474	40	(514)	-
Total	\$ 53,578	\$ 5,124	\$ (21,890)	\$ 36,812

NOTES TO THE FINANCIAL STATEMENTS

Direct Loans Obligated After FY 1991 consist of:

FY 2007				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 35,000	\$ 712	\$ 8,734	\$ 44,446
Bering Sea Pollock Fishery Buyback	53,935	-	4,142	58,077
Crab Buyback Loans	97,163	3,134	13,506	113,803
Fisheries Finance IFQ Loans	16,851	131	3,317	20,299
Fisheries Finance Traditional Loans	155,931	1,515	32,192	189,638
Fisheries Finance Tuna Fleet Loans	7,005	56	900	7,961
Pacific Groundfish Buyback Loans	35,354	1,152	9,237	45,743
Total	\$ 401,239	\$ 6,700	\$ 72,028	\$ 479,967

FY 2006				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	\$ 57,969	\$ 11	\$ 5,632	\$ 63,612
Crab Buyback Loans	97,162	3,136	27,936	128,234
Fisheries Finance IFQ Loans	16,954	158	2,798	19,910
Fisheries Finance Traditional Loans	133,498	841	21,017	155,356
Fisheries Finance Tuna Fleet Loans	11,204	99	1,443	12,746
Pacific Groundfish Buyback Loans	35,609	1,158	577	37,344
Total	\$ 352,396	\$ 5,403	\$ 59,403	\$ 417,202

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	FY 2007	FY 2006
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 35,000	\$ -
Fisheries Finance IFQ Loans	1,564	3,155
Fisheries Finance Traditional Loans	47,441	67,816
Total	\$ 84,005	\$ 70,971

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2007					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ -	\$ 350	\$ 350
Fisheries Finance IFQ Loans	(299)	9	(11)	119	(182)
Fisheries Finance Traditional Loans	(6,206)	114	(329)	2,219	(4,202)
Total	\$ (6,505)	\$ 123	\$ (340)	\$ 2,688	\$ (4,034)

FY 2006					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (641)	\$ 21	\$ (22)	\$ 216	\$ (426)
Fisheries Finance Traditional Loans	(9,761)	613	(466)	3,577	(6,037)
Total	\$ (10,402)	\$ 634	\$ (488)	\$ 3,793	\$ (6,463)

Modifications and Reestimates:

FY 2007		FY 2007		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ -	\$ -	\$ 8,119	\$ 8,119
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	-	-	(968)	(968)
	-	-	(15,974)	(15,974)
Fisheries Finance IFQ Loans	-	-	523	523
Fisheries Finance Traditional Loans	-	-	9,555	9,555
Fisheries Finance Tuna Fleet Loans	-	-	(343)	(343)
Pacific Groundfish Buyback Loans	-	-	9,304	9,304
Total	\$ -	\$ -	\$ 10,216	\$ 10,216

FY 2006		FY 2006		
Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyback Crab Buyback Loans	\$ -	\$ -	\$ 228	\$ 228
	-	-	(6,437)	(6,437)
Fisheries Finance IFQ Loans	-	-	(66)	(66)
Fisheries Finance Traditional Loans	-	(460)	(7,289)	(7,749)
Fisheries Finance Tuna Fleet Loans	-	-	(28)	(28)
Pacific Groundfish Buyback Loans	-	-	(1,683)	(1,683)
Total	\$ -	\$ (460)	\$ (15,275)	\$ (15,735)

NOTES TO THE FINANCIAL STATEMENTS

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2007	FY 2006
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	\$ 8,470	\$ -
Bering Sea Pollock Fishery Buyback	(968)	228
Crab Buyback Loans	(15,974)	(6,437)
Fisheries Finance IFQ Loans	340	(492)
Fisheries Finance Traditional Loans	5,353	(13,786)
Fisheries Finance Tuna Fleet Loans	(343)	(28)
Pacific Groundfish Buyback Loans	9,304	(1,683)
Total	\$ 6,182	\$ (22,198)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2007					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	11.14 %	(8.08) %
Fisheries Finance Traditional Loans	(13.56) %	0.23 %	(0.70) %	6.02 %	(8.01) %

FY 2006					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	- %	- %	- %	1.00 %	1.00 %
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	7.34 %	(11.88) %
Fisheries Finance Traditional Loans	(12.10) %	0.23 %	(0.70) %	4.50 %	(8.07) %

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 2007</u>	<u>FY 2006</u>
Beginning Balance of the Allowance for Subsidy Cost	\$ 59,403	\$ 37,589
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	6,505	10,402
Default Costs (Net of Recoveries)	(123)	(634)
Fees and Other Collections	340	488
Other Subsidy Costs	<u>(2,688)</u>	<u>(3,793)</u>
Total of the above Subsidy Expense Components	4,034	6,463
Adjustments:		
Fees Received	(358)	(359)
Subsidy Allowance Amortization	4	(3,075)
Other	<u>(1,271)</u>	<u>3,050</u>
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	61,812	43,668
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	-	460
Technical/Default Reestimates	<u>10,216</u>	<u>15,275</u>
Total of the above Reestimate Components	<u>10,216</u>	<u>15,735</u>
Ending Balance of the Allowance for Subsidy Cost	<u><u>\$ 72,028</u></u>	<u><u>\$ 59,403</u></u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2007				
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	<u>\$ 12,209</u>	<u>\$ 5</u>	<u>\$ (12,210)</u>	<u>\$ 4</u>
FY 2006				
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	<u>\$ 12,537</u>	<u>\$ 5</u>	<u>\$ (12,538)</u>	<u>\$ 4</u>

NOTES TO THE FINANCIAL STATEMENTS

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2007

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 17,661	\$ 1,254	\$ 526	\$ (14,519)	\$ 4,922

FY 2006

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Emergency Steel Loan Guarantee Program	\$ 500	\$ 38	\$ -	\$ 2,218	\$ 2,756
FVOG Program	15,446	1,254	3,031	(8,520)	11,211
Total	\$ 15,946	\$ 1,292	\$ 3,031	\$ (6,302)	\$ 13,967

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2007 and 2006, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2007		FY 2006	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	\$ 149,900	\$ 131,912	\$ 199,900	\$ 175,912
FVOG Program	12,673	12,673	17,106	17,106
Total	\$ 162,573	\$ 144,585	\$ 217,006	\$ 193,018

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2007 and FY 2006.

Loan Guarantee Liabilities:

	FY 2007	FY 2006
Loan Guarantee Program	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 245
Emergency Steel Loan Guarantee Program	54,734	67,652
FVOG Program	998	5,778
Total	\$ 55,732	\$ 73,675

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 2007 and FY 2006, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2007		FY 2007		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (253)	\$ (253)
Emergency Steel Loan Guarantee Program	(18,910)	-	2,739	2,739
FVOG Program	-	-	(1,322)	(1,322)
Total	\$ (18,910)	\$ -	\$ 1,164	\$ 1,164

FY 2006		FY 2006		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (64)	\$ (64)
Emergency Steel Loan Guarantee Program	(12)	-	(13,598)	(13,598)
FVOG Program	-	-	2,332	2,332
Total	\$ (12)	\$ -	\$ (11,330)	\$ (11,330)

NOTES TO THE FINANCIAL STATEMENTS

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2007	FY 2006
Emergency Oil and Gas Loan Guarantee Program	\$ (253)	\$ (64)
Emergency Steel Loan Guarantee Program	(16,171)	(13,610)
FVOG Program	(1,322)	2,332
Total	<u>\$ (17,746)</u>	<u>\$ (11,342)</u>

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 2007 and FY 2006.

Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):

	FY 2007	FY 2006
Beginning Balance of Loan Guarantee Liabilities	\$ 73,675	\$ 81,812
Adjustments:		
Loan Guarantee Modifications	(18,910)	(12)
Fees Received	63	204
Interest Accumulation on the Liabilities Balance	(710)	3,103
Other	4,934	1
Ending Balance of Loan Guarantee Liabilities Before Reestimates	<u>59,052</u>	<u>85,108</u>
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(662)	(11,433)
Total of the above Reestimate Components	<u>(662)</u>	<u>(11,433)</u>
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	(2,658)	-
Ending Balance of Loan Guarantee Liabilities	<u>\$ 55,732</u>	<u>\$ 73,675</u>

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2007	FY 2006
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 925	\$ 1,248
NOAA Direct Loan Programs	1,037	3,159
Total	\$ 1,962	\$ 4,407
Loan Guarantee Program	FY 2007	FY 2006
Emergency Oil and Gas Loan Guarantee Program	\$ 4	\$ (13)
Emergency Steel Loan Guarantee Program	857	119
FVOG Program	88	389
Total	\$ 949	\$ 495

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2007	FY 2006
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	\$ 20,732	\$ 19,805
Other	Various	288	1,022
Allowance for Excess, Obsolete, and Unserviceable Items		(95)	(314)
Total Inventory, Net		20,925	20,513
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	\$ 51,775	\$ 50,722
NOAA's National Reconditioning Center	Weighted-average	45,248	43,649
Other	Various	4,401	2,157
Allowance for Excess, Obsolete, and Unserviceable Items		(15,548)	(21,127)
Total Materials and Supplies, Net		85,876	75,401
Total		\$ 106,801	\$ 95,914

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.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2007				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,656	\$ -	\$ 16,656
Land Improvements	30-40	2,996	(1,010)	1,986
Structures, Facilities, and Leasehold Improvements	2-60	1,186,066	(395,995)	790,071
Satellites/Weather Systems Personal Property	3-20	4,194,763	(3,337,220)	857,543
Other Personal Property	2-30	1,823,209	(1,127,281)	695,928
Assets Under Capital Lease	3-40	31,269	(21,434)	9,835
Construction-in-progress	N/A	3,357,745	-	3,357,745
Total		\$ 10,612,704	\$ (4,882,940)	\$ 5,729,764

FY 2006				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,349	\$ -	\$ 16,349
Land Improvements	30-40	2,996	(918)	2,078
Structures, Facilities, and Leasehold Improvements	2-60	1,071,948	(361,191)	710,757
Satellites/Weather Systems Personal Property	3-20	4,090,252	(3,534,582)	555,670
Other Personal Property	2-30	1,572,122	(1,037,072)	535,050
Assets Under Capital Lease	3-40	32,831	(21,637)	11,194
Construction-in-progress	N/A	3,467,995	-	3,467,995
Total		\$ 10,254,493	\$ (4,955,400)	\$ 5,299,093

NOTE 8. OTHER ASSETS

	<u>FY 2007</u>	<u>FY 2006</u>
With the Public		
Advances and Prepayments	\$ 66,113	\$ 100,966
Notes Receivable	1,857	1,843
Bibliographic Database	5,293	5,259
Other	4	4
Total	<u>\$ 73,267</u>	<u>\$ 108,072</u>

As of September 30, 2007 and 2006, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balances include accrued interest. This note is considered fully collectible.

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 \$53.3 million and \$50.9 million, less accumulated amortization of \$48.0 million and \$45.6 million, at September 30, 2007 and 2006, respectively.

NOTE 9. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	<u>FY 2007</u>	<u>FY 2006</u>
Intragovernmental		
Fund Balance with Treasury	\$ 112,882	\$ 105,524
Total Intragovernmental	<u>112,882</u>	<u>105,524</u>
With the Public		
Cash	1,022	571
Accounts Receivable, Net	5,660	5,216
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	17,432	20,929
Total	<u>\$ 136,996</u>	<u>\$ 132,240</u>

NOTE 10. DEBT TO TREASURY

Loan Program	FY 2007		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 406,568	\$ 62,958	\$ 469,526
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	3,231	(680)	2,551
FVOG Program	12,272	(2,841)	9,431
Digital Television Transition and Public Safety Fund			
	-	164,489	164,489
Total	\$ 422,071	\$ 223,926	\$ 645,997

For the Direct Loan and Loan Guarantee Programs, maturity dates range from September 2008 to September 2037, and interest rates range from 3.26 to 7.17 percent.

The funds borrowed for the Digital Television Transition and Public Safety Fund shall be reimbursed to Treasury, without interest, as funds are deposited into the Digital Television Transition and Public Safety Fund. The maturity date for these borrowings is September 30, 2008.

Loan Program	FY 2006		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 346,575	\$ 59,993	\$ 406,568
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	-	3,231	3,231
FVOG Program	11,006	1,266	12,272
Total	\$ 357,581	\$ 64,490	\$ 422,071

Maturity dates range from September 2007 to September 2034, and interest rates range from 3.26 to 7.17 percent.

NOTE 11. OTHER LIABILITIES

	FY 2007			FY 2006
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 21,766	\$ 11,441	\$ 33,207	\$ 33,746
Accrued Benefits	25,697	-	25,697	24,064
Custodial Activity	1,004	-	1,004	4,086
Downward Subsidy Reestimates Payable to Treasury	36,710	-	36,710	31,447
Other	2,308	-	2,308	3,048
Total	\$ 87,485	\$ 11,441	\$ 98,926	\$ 96,391
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,170	\$ 7,380	\$ 9,550	\$ 9,436
Contingent Liabilities	6,634	2,083	8,717	13,063
Employment-related	2,328	-	2,328	2,450
Other	7,090	-	7,090	11,572
Total	\$ 18,222	\$ 9,463	\$ 27,685	\$ 36,521

The Current Portion represents liabilities expected to be paid by September 30, 2008, while the Non-current Portion represents liabilities expected to be paid after September 30, 2008.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2007	FY 2006
Actuarial FECA Liability	\$ 164,416	\$ 170,164
NOAA Corps Retirement System Liability	416,000	370,600
NOAA Corps Post-retirement Health Benefits Liability	45,400	49,200
Total	<u>\$ 625,816</u>	<u>\$ 589,964</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:

	FY 2007	FY 2006
Year 1	4.93%	5.17%
Year 2 and Thereafter	5.08%	5.31%

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:

FY 2007		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2008	2.63%	3.74%
2009	2.90%	4.04%
2010	2.47%	4.00%
2011	2.37%	3.94%
2012	2.30%	3.94%

FY 2006		
Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2007	3.50%	4.00%
2008	3.13%	4.01%
2009	2.40%	4.01%
2010	2.40%	4.03%
2011	2.43%	4.09%

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, 2007 and 2006 actuarial calculations used the following U.S. Department of Defense Retirement Board of Actuaries economic assumptions:

	<u>FY 2007</u>	<u>FY 2006</u>
Investment Earnings on Federal Securities	6.00%	6.25%
Annual Basic Pay Scale Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
Normal Cost	\$ 5,100	\$ 6,000
Interest on the Unfunded Liability	22,600	21,400
Prior and Past Service Cost from Plan Amendments	10,200	-
Actuarial (Gains)/Losses, Net		
Impact of New Investment Return	14,600	-
Impact of Updated Data for Active Duty Members, Retirees, and Survivors	6,100	12,200
Impact of New Demographic Assumptions	5,500	(1,900)
Total Pension Costs	<u>\$ 64,100</u>	<u>\$ 37,700</u>

The Prior and Past Service Cost from Plan Amendments for FY 2007 results from two recent law changes: a) effective January 1, 2007, the 75 percent of base pay maximum for non-disability retirements was eliminated; and b) effective April 1, 2008, the reduction in benefits payable under the Survivor Benefits Plan that applied when the survivor reached age 62 will be fully phased out.

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.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
Normal Cost	\$ 1,200	\$ 2,800
Interest on the Unfunded Liability	2,900	2,700
Actuarial (Gains)/Losses, Net	(4,900)	1,300
Total Post-retirement Health Benefits Costs	<u>\$ (800)</u>	<u>\$ 6,800</u>

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	<u>FY 2007</u>	<u>FY 2006</u>
Pribilof Island Cleanup	\$ 17,508	\$ 24,322
Nuclear Reactor	46,969	47,439
Other	2,966	3,119
Total	<u>\$ 67,443</u>	<u>\$ 74,880</u>

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	<u>FY 2007</u>	<u>FY 2006</u>
Structures, Facilities, and Leasehold Improvements	\$ 28,084	\$ 29,463
Equipment	3,185	3,368
Less: Accumulated Depreciation	(21,434)	(21,637)
Net Assets Under Capital Leases	<u>\$ 9,835</u>	<u>\$ 11,194</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:

FY 2007			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2008	\$ 4,238	\$ 1,935	\$ 6,173
2009	3,934	1,929	5,863
2010	3,965	22	3,987
2011	4,000	12	4,012
2012	3,782	-	3,782
Thereafter	19,623	-	19,623
Total Future Lease Payments	39,542	3,898	43,440
Less: Imputed Interest	(17,233)	(245)	(17,478)
Less: Executory Cost	(7,105)	(3,299)	(10,404)
Net Capital Lease Liabilities	<u>\$ 15,204</u>	<u>\$ 354</u>	<u>\$ 15,558</u>

FY 2006			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2007	\$ 4,218	\$ 1,899	\$ 6,117
2008	3,926	1,928	5,854
2009	3,958	1,920	5,878
2010	3,989	12	4,001
2011	4,024	12	4,036
Thereafter	23,516	-	23,516
Total Future Lease Payments	43,631	5,771	49,402
Less: Imputed Interest	(19,736)	(440)	(20,176)
Less: Executory Cost	(7,800)	(4,858)	(12,658)
Net Capital Lease Liabilities	<u>\$ 16,095</u>	<u>\$ 473</u>	<u>\$ 16,568</u>

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases:

Most of the Department's facilities are rented from the GSA, which generally charges rent that is intended to approximate commercial rental rates. For federal-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-federal 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 2008 through FY 2012; and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2007		
Fiscal Year	General PP&E Category	
	GSA Real Property	Non-GSA Real Property
2008	\$ 246,082	\$ 19,329
2009	252,357	16,678
2010	253,741	14,580
2011	244,685	13,741
2012	248,144	12,799
Thereafter	¹	52,497
Total Future Lease Payments		<u><u>\$ 129,624</u></u>

¹ *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>FY 2007</u>	<u>FY 2006</u>
Intragovernmental		
Debt to Treasury	\$ 164,489	\$ -
Accrued FECA Liability	32,008	30,954
Other	1,232	2,501
Total Intragovernmental	<u>197,729</u>	<u>33,455</u>
Accrued Payroll	28,896	23,584
Accrued Annual Leave	214,415	201,612
Federal Employee Benefits	625,816	589,964
Environmental and Disposal Liabilities	67,443	74,880
Contingent Liabilities	8,717	13,063
Unearned Revenue	795,468	762,463
ITA Foreign Service Nationals' Voluntary Separation Pay	9,550	9,436
Other	983	1,137
Total	<u>\$ 1,949,017</u>	<u>\$ 1,709,594</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 is shown below.

Major Long-term Commitments:

Description	FY 2007						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Thereafter	Total
Geostationary Operational							
Environmental Satellites	\$ 359,400	\$ 550,300	\$ 672,600	\$ 638,500	\$ 497,900	\$ 3,719,000	\$ 6,437,700
Convergence Satellites	331,300	288,000	381,800	420,300	415,800	2,532,400	4,369,600
Polar Operational							
Environmental Satellites	114,900	61,900	43,600	41,400	41,400	146,900	450,100
Other Weather Service	99,822	102,306	100,817	95,786	91,818	171,773	662,322
Other	1,357	-	-	-	-	-	1,357
Total	\$ 906,779	\$ 1,002,506	\$ 1,198,817	\$ 1,195,986	\$ 1,046,918	\$ 6,570,073	\$ 11,921,079

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 \$8.7 million and \$13.1 million as of September 30, 2007 and 2006, respectively. Accordingly, \$8.7 million and \$13.1 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2007 and 2006, 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 \$214.5 million as of September 30, 2007. 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 \$138.2 million as of September 30, 2007. 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, 2007 and 2006, with outstanding principal balances totaling \$12.7 million and \$17.1 million, respectively. A loan guarantee liability of \$1.0 million and \$5.8 million is recorded for the outstanding guarantees at September 30, 2007 and 2006, respectively.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2007 and 2006, with the guaranteed portion of the outstanding principal balance totaling \$131.9 million and \$175.9 million as of September 30, 2007 and 2006, respectively. The Department's guarantee percentage is 88 percent for this loan as of September 30, 2006 to present. A loan guarantee liability of \$54.7 million and \$67.7 million is recorded for the outstanding guarantee at September 30, 2007 and 2006, respectively.

Emergency Oil and Gas Loan Guarantee Program: As of June 30, 2007, the loan guarantee ended for this program. As of September 30, 2006, this program had one outstanding non-acquired guaranteed loan with a guaranteed portion of the outstanding principal balance of zero dollars. A loan liability of \$245 thousand was recorded for the outstanding guarantee at September 30, 2006, which relates to an outstanding revolving loan for which no draws have been made as of September 30, 2006.

Contingent Loss Related to the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program:

In a joint effort with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), NOAA is developing the NPOESS. NPOESS is expected to be a state-of-the-art environment-monitoring satellite system that will replace two existing polar-orbiting satellite systems. NOAA and DOD share the costs of funding NPOESS, while NASA funds specific technology projects and studies. Over the last several years, the NPOESS program has experienced schedule delays, cost increases and technical challenges. In FY 2006, the NPOESS program underwent a statutorily required review, known as a Nunn-McCurdy review. Under the law, any DOD-funded program that is more than 25 percent over budget must be reviewed to see if it should be continued, and if so, in what manner. As a result of the review, the NPOESS program will be continued, however the number of satellites and their capabilities will be scaled back. Additionally, NOAA, NASA and DOD agreed to restructure the NPOESS program from a three-orbit to a two-orbit program and to renegotiation of the contracts for the construction of the NPOESS program. The process may take several years.

As of September 30, 2007, the Department of Commerce Balance Sheet includes approximately \$1.63 billion construction-in-progress general property, plant and equipment related to the NPOESS program. This balance is net of a \$17 million write-off that NOAA recorded in FY 2006, based on a determination that certain sensors were going to be eliminated from the program, thus triggering an impairment to the property value. The potential impairment for one additional sensor, currently recorded at \$108 million in the construction-in-progress account, will not be determinable until a new contract for that sensor is in place.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2007 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 331,723	\$ -	\$ 183,097	\$ 74,612	\$ 589,432	\$ (90,690)	\$ 498,742
Gross Costs With the Public	-	-	956,602	-	633,400	44,927	1,634,929	-	1,634,929
Total Gross Costs	-	-	1,288,325	-	816,497	119,539	2,224,361	(90,690)	2,133,671
Intragovernmental Earned Revenue	-	-	(240,473)	-	(33,214)	(93,426)	(367,113)	90,690	(276,423)
Earned Revenue From the Public	-	-	(13,981)	-	(8,326)	-	(22,307)	-	(22,307)
Total Earned Revenue	-	-	(254,454)	-	(41,540)	(93,426)	(389,420)	90,690	(298,730)
Net Program Costs	-	-	1,033,871	-	774,957	26,113	1,834,941	-	1,834,941
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	338,979	-	125,907	53,596	74,615	593,097	(89,589)	503,508
Gross Costs With the Public	-	1,430,679	-	739,512	62,609	44,924	2,277,724	-	2,277,724
Total Gross Costs	-	1,769,658	-	865,419	116,205	119,539	2,870,821	(89,589)	2,781,232
Intragovernmental Earned Revenue	-	(7,944)	-	(123,852)	(30,984)	(93,426)	(256,206)	89,589	(166,617)
Earned Revenue From the Public	-	(1,727,762)	-	(72,590)	(99)	-	(1,800,451)	-	(1,800,451)
Total Earned Revenue	-	(1,735,706)	-	(196,442)	(31,083)	(93,426)	(2,056,657)	89,589	(1,967,068)
Net Program Costs	-	33,952	-	668,977	85,122	26,113	814,164	-	814,164
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	628,808	-	-	-	-	74,637	703,445	(80,375)	623,070
Gross Costs With the Public	3,394,576	-	-	-	-	44,937	3,439,513	-	3,439,513
Total Gross Costs	4,023,384	-	-	-	-	119,574	4,142,958	(80,375)	4,062,583
Intragovernmental Earned Revenue	(189,027)	-	-	-	-	(93,453)	(282,480)	80,375	(202,105)
Earned Revenue From the Public	(74,676)	-	-	-	-	-	(74,676)	-	(74,676)
Total Earned Revenue	(263,703)	-	-	-	-	(93,453)	(357,156)	80,375	(276,781)
Net Program Costs	3,759,681	-	-	-	-	26,121	3,785,802	-	3,785,802
NET COST OF OPERATIONS	\$ 3,759,681	\$ 33,952	\$ 1,033,871	\$ 668,977	\$ 860,079	\$ 78,347	\$ 6,434,907	\$ -	\$ 6,434,907

FY 2006 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 298,130	\$ -	\$ 192,762	\$ 71,902	\$ 562,794	\$ (77,055)	\$ 485,739
Gross Costs With the Public	-	-	888,687	-	699,939	50,217	1,638,843	-	1,638,843
Total Gross Costs	-	-	1,186,817	-	892,701	122,119	2,201,637	(77,055)	2,124,582
Intragovernmental Earned Revenue	-	-	(239,522)	-	(29,555)	(91,988)	(361,065)	77,055	(284,010)
Earned Revenue From the Public	-	-	(17,234)	-	(7,053)	(3)	(24,290)	-	(24,290)
Total Earned Revenue	-	-	(256,756)	-	(36,608)	(91,991)	(385,355)	77,055	(308,300)
Net Program Costs	-	-	930,061	-	856,093	30,128	1,816,282	-	1,816,282
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	305,019	-	128,200	16,243	71,898	521,360	(85,282)	436,078
Gross Costs With the Public	-	1,209,150	-	775,724	57,502	50,220	2,092,596	-	2,092,596
Total Gross Costs	-	1,514,169	-	903,924	73,745	122,118	2,613,956	(85,282)	2,528,674
Intragovernmental Earned Revenue	-	(7,121)	-	(131,797)	(30,851)	(91,988)	(261,757)	85,282	(176,475)
Earned Revenue From the Public	-	(1,587,316)	-	(57,593)	(67)	(3)	(1,644,979)	-	(1,644,979)
Total Earned Revenue	-	(1,594,437)	-	(189,390)	(30,918)	(91,991)	(1,906,736)	85,282	(1,821,454)
Net Program Costs	-	(80,268)	-	714,534	42,827	30,127	707,220	-	707,220
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	712,777	-	-	-	-	71,922	784,699	(77,511)	707,188
Gross Costs With the Public	3,413,712	-	-	-	(1)	50,234	3,463,945	-	3,463,945
Total Gross Costs	4,126,489	-	-	-	(1)	122,156	4,248,644	(77,511)	4,171,133
Intragovernmental Earned Revenue	(187,050)	-	-	-	-	(92,015)	(279,065)	77,511	(201,554)
Earned Revenue From the Public	(76,190)	-	-	-	-	(3)	(76,193)	-	(76,193)
Total Earned Revenue	(263,240)	-	-	-	-	(92,018)	(355,258)	77,511	(277,747)
Net Program Costs	3,863,249	-	-	-	(1)	30,138	3,893,386	-	3,893,386
NET COST OF OPERATIONS	\$ 3,863,249	\$ (80,268)	\$ 930,061	\$ 714,534	\$ 898,919	\$ 90,393	\$ 6,416,888	\$ -	\$ 6,416,888

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 strategic goal. 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 Totals columns on the *Consolidating Statements of Net Cost*.

FY 2007 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 230,925	\$ -	\$ -	\$ -	\$ 230,925
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	230,925	-	-	-	230,925
<i>Other Programs</i>						
Gross Costs	-	966,290	-	-	1,027,146	1,993,436
Less: Earned Revenue	-	(249,661)	-	-	(139,759)	(389,420)
Net Program Costs	-	716,629	-	-	887,387	1,604,016
Net Program Costs for Strategic Goal 1	-	947,554	-	-	887,387	1,834,941
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	618,910	-	-	618,910
Less: Earned Revenue	-	-	(128,288)	-	-	(128,288)
Net Program Costs	-	-	490,622	-	-	490,622
<i>Patents</i>						
Gross Costs	-	-	-	1,533,051	-	1,533,051
Less: Earned Revenue	-	-	-	(1,506,994)	-	(1,506,994)
Net Program Costs	-	-	-	26,057	-	26,057
<i>Trademarks</i>						
Gross Costs	-	-	-	204,527	-	204,527
Less: Earned Revenue	-	-	-	(228,712)	-	(228,712)
Net Program Costs	-	-	-	(24,185)	-	(24,185)
<i>Other Programs</i>						
Gross Costs	-	-	219,339	32,080	262,914	514,333
Less: Earned Revenue	-	-	(45,491)	-	(147,172)	(192,663)
Net Program Costs	-	-	173,848	32,080	115,742	321,670
Net Program Costs for Strategic Goal 2	-	-	664,470	33,952	115,742	814,164
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
<i>Ecosystems</i>						
Gross Costs	1,534,426	-	-	-	-	1,534,426
Less: Earned Revenue	(101,166)	-	-	-	-	(101,166)
Net Program Costs	1,433,260	-	-	-	-	1,433,260
<i>Other Programs</i>						
Gross Costs	2,488,958	-	-	-	119,574	2,608,532
Less: Earned Revenue	(162,537)	-	-	-	(93,453)	(255,990)
Net Program Costs	2,326,421	-	-	-	26,121	2,352,542
Net Program Costs for Strategic Goal 3	3,759,681	-	-	-	26,121	3,785,802
NET COST OF OPERATIONS	\$3,759,681	\$ 947,554	\$ 664,470	\$ 33,952	\$1,029,250	\$ 6,434,907

FY 2006 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 156,060	\$ -	\$ -	\$ -	\$ 156,060
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	156,060	-	-	-	156,060
<i>Other Programs</i>						
Gross Costs	-	941,013	-	-	1,104,564	2,045,577
Less: Earned Revenue	-	(252,986)	-	-	(132,369)	(385,355)
Net Program Costs	-	688,027	-	-	972,195	1,660,222
Net Program Costs for Strategic Goal 1	-	844,087	-	-	972,195	1,816,282
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	593,630	-	-	593,630
Less: Earned Revenue	-	-	(111,338)	-	-	(111,338)
Net Program Costs	-	-	482,292	-	-	482,292
<i>Patents</i>						
Gross Costs	-	-	-	1,335,632	-	1,335,632
Less: Earned Revenue	-	-	-	(1,384,274)	-	(1,384,274)
Net Program Costs	-	-	-	(48,642)	-	(48,642)
<i>Trademarks</i>						
Gross Costs	-	-	-	178,537	-	178,537
Less: Earned Revenue	-	-	-	(210,163)	-	(210,163)
Net Program Costs	-	-	-	(31,626)	-	(31,626)
<i>Other Programs</i>						
Gross Costs	-	-	279,316	-	226,841	506,157
Less: Earned Revenue	-	-	(52,387)	-	(148,574)	(200,961)
Net Program Costs	-	-	226,929	-	78,267	305,196
Net Program Costs for Strategic Goal 2	-	-	709,221	(80,268)	78,267	707,220
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
<i>Ecosystems</i>						
Gross Costs	1,428,984	-	-	-	-	1,428,984
Less: Earned Revenue	(121,513)	-	-	-	-	(121,513)
Net Program Costs	1,307,471	-	-	-	-	1,307,471
<i>Other Programs</i>						
Gross Costs	2,697,504	-	-	-	122,156	2,819,660
Less: Earned Revenue	(141,726)	-	-	-	(92,019)	(233,745)
Net Program Costs	2,555,778	-	-	-	30,137	2,585,915
Net Program Costs for Strategic Goal 3	3,863,249	-	-	-	30,137	3,893,386
NET COST OF OPERATIONS	\$ 3,863,249	\$ 844,087	\$ 709,221	\$ (80,268)	\$ 1,080,599	\$ 6,416,888

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 2007</u>	<u>FY 2006</u>
Budget Authority, Appropriations (SBR)	\$ 6,700,427	\$ 6,788,098
Less:		
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(17,836)	(17,048)
Other	1,073	90
Budgetary Financing Sources, Appropriations Received (SCNP)	<u>\$ 6,683,664</u>	<u>\$ 6,771,140</u>

Total borrowing authority available for NTIA's Digital Television Transition and Public Safety Fund amounted to \$919.7 million and \$0.0 at September 30, 2007 and 2006, respectively, while total borrowing authority available for NOAA's loan programs amounted to \$204.4 million and \$239.6 million at September 30, 2007 and 2006, 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.

Eighty-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 Law 110-05 amounted to \$32.0 million for FY 2007, while reductions for FY 2006 under Public Law 109-108 and Public Law 109-148 amounted to \$116.1 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2007 and FY 2006 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2007 and 2006 includes \$528.7 and \$516.5 million, respectively, of USPTO offsetting collections exceeding 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, *Fund Balance with Treasury*, on the lines General Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues 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. As of September 30, 2007 and 2006, \$233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, 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, 2007 and 2006 includes \$27.7 and \$30.7 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, *Fund Balance with Treasury*, on the lines Revolving Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (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 Combined Statement of Budgetary Resources for the year ended September 30, 2006 and the actual amounts reported in the FY 2008 budget of the U.S. government.

Apportionment Categories of Obligations Incurred:

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment are as follows:

	FY 2007		
	Direct	Reimbursable	Total
Category A	\$ 6,461,301	\$ 2,173,881	\$ 8,635,182
Category B	1,584,885	144,267	1,729,152
Exempt from Apportionment	169,923	749,631	919,554
Total	\$ 8,216,109	\$ 3,067,779	\$ 11,283,888

	FY 2006		
	Direct	Reimbursable	Total
Category A	\$ 2,303,837	\$ 2,043,598	\$ 4,347,435
Category B	4,814,049	204,337	5,018,386
Exempt from Apportionment	191,069	731,671	922,740
Total	\$ 7,308,955	\$ 2,979,606	\$ 10,288,561

Undelivered Orders:

Undelivered orders were \$6.41 billion and \$5.24 billion at September 30, 2007 and 2006, 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 Departmental programs from these receipts. Funding for these programs, prior to the availability of auction receipts, is also provided by Treasury borrowings, as discussed in Note 1, *Summary of Significant Accounting Policies*. There was no financial activity during FY 2006 for this Fund.

The Federal Communications Commission will conduct the auction of the licenses for recovered analog spectrum by commencing the bidding not later than January 28, 2008, and shall deposit the proceeds of such auction into the Fund not later than June 30, 2008. On September 30, 2009, the Fund shall transfer \$7.36 billion to the general fund of the Treasury.

As of September 30, 2007, payments for the programs under this Fund may currently not exceed \$2.29 billion, while Treasury borrowings under this Fund may not exceed \$2.65 billion.

Below is a brief summary of the three largest programs under this Fund, and significant financial activity recorded in the FY 2007 Combined Statement of Budgetary Resources 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 through FY 2010. 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 2007 to FEMA under the PSIC program amounted to \$974.7 million, while Treasury borrowings for FY 2007 amounted to \$56.0 million. As of September 30, 2007, FEMA executed all of the grant awards, totaling \$968.4 million.

Digital-to-Analog Converter Box Program: This program is to provide households in the U.S. with forty dollar coupons (two-per-household maximum) that can be applied toward the purchase of digital-to-analog converter boxes. The Fund may make payments not to exceed \$990.0 million through FY 2009. Furthermore, if the Department transmits to the House and Senate a statement certifying that the sum of \$990.0 million is insufficient, then maximum payments may be increased to not exceed \$1.50 billion. Budgetary obligations for FY 2007 for this program, funded by Treasury borrowings, amounted to \$87.3 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 may make payments not to exceed \$156.0 million during FY 2007 through FY 2012. The Department shall use \$50.0 million of such amounts to implement a tsunami warning and coastal vulnerability program. There were no budgetary obligations for FY 2007 for this program. Treasury borrowings for FY 2007 amounted to \$10.0 million.



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 the period ended September 30, 2007, the Department had custodial nonexchange revenue of \$14.5 million; custodial nonexchange revenue of \$1.0 million was payable to Treasury at September 30, 2007. For the period ended September 30, 2006, the Department had custodial nonexchange revenue of \$14.6 million; custodial nonexchange revenue of \$4.1 million was payable to Treasury.

NOTE 20. 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."

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS							
Fund Balance with Treasury	\$ 1,302,303	\$ 104,505	\$ 27,742	\$ 26,856	\$ 33,392	\$ 50,494	\$ 1,545,292
Cash	5,990	-	-	-	-	-	5,990
Accounts Receivable, Net	422	-	-	1,321	36	2	1,781
Loans Receivable and Related Foreclosed Property, Net	-	-	8,731	-	-	-	8,731
Inventory, Materials, and Supplies, Net	-	-	-	207	-	-	207
General Property, Plant, and Equipment, Net	204,577	-	-	212	-	-	204,789
Other	6,133	17,467	-	5,635	349	349	29,933
TOTAL ASSETS	\$ 1,519,425	\$ 121,972	\$ 36,473	\$ 34,231	\$ 33,777	\$ 50,845	\$ 1,796,723
LIABILITIES							
Accounts Payable	\$ 95,419	\$ 2,854	\$ 12	\$ 7,754	\$ 695	\$ 213	\$ 106,947
Debt to Treasury	-	164,489	-	-	-	-	164,489
Federal Employee Benefits	7,929	-	-	571	-	-	8,500
Other							
Accrued Payroll and Annual Leave	113,481	104	-	1,367	32	102	115,086
Accrued Grants	-	914	-	-	-	852	1,766
Unearned Revenue	828,070	-	-	8,828	-	-	836,898
Other	10,506	-	-	176	8	-	10,690
TOTAL LIABILITIES	\$ 1,055,405	\$ 168,361	\$ 12	\$ 18,696	\$ 735	\$ 1,167	\$ 1,244,376
NET POSITION							
Unexpended Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Results of Operations	464,020	(46,389)	36,461	15,535	33,042	49,678	552,347
TOTAL NET POSITION	\$ 464,020	\$ (46,389)	\$ 36,461	\$ 15,535	\$ 33,042	\$ 49,678	\$ 552,347
TOTAL LIABILITIES AND NET POSITION	\$ 1,519,425	\$ 121,972	\$ 36,473	\$ 34,231	\$ 33,777	\$ 50,845	\$ 1,796,723

**United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2006 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS						
Fund Balance with Treasury	\$ 1,310,612	\$ 29,083	\$ 21,917	\$ 28,438	\$ 44,805	\$ 1,434,855
Cash	6,248	80	-	-	-	6,328
Accounts Receivable, Net	1,752	-	1,772	20	5	3,549
Loans Receivable and Related Foreclosed Property, Net	-	5,426	-	-	-	5,426
Inventory, Materials, and Supplies, Net	-	-	200	-	-	200
General Property, Plant, and Equipment, Net	164,538	-	252	-	-	164,790
Other	4,315	-	5,635	-	480	10,430
TOTAL ASSETS	\$1,487,465	\$ 34,589	\$ 29,776	\$ 28,458	\$ 45,290	\$1,625,578
LIABILITIES						
Accounts Payable	\$ 101,902	\$ 12	\$ 7,841	\$ 736	\$ 45	\$ 110,536
Federal Employee Benefits	7,471	-	572	-	-	8,043
Other						-
Accrued Payroll and Annual Leave	95,194	-	1,273	38	80	96,585
Accrued Grants	-	-	-	-	744	744
Unearned Revenue	774,425	-	3,508	-	-	777,933
Other	10,474	-	198	58	-	10,730
TOTAL LIABILITIES	\$ 989,466	\$ 12	\$ 13,392	\$ 832	\$ 869	\$1,004,571
NET POSITION						
Unexpended Appropriations	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ 27
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
TOTAL NET POSITION	\$ 497,999	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 621,007
TOTAL LIABILITIES AND NET POSITION	\$1,487,465	\$ 34,589	\$ 29,776	\$ 28,458	\$ 45,290	\$1,625,578

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers							
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,332	\$ 5,332
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	-	-	-	-	-	5,332	5,332
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science							
Gross Costs	1,769,658	46,389	-	24,518	-	-	1,840,565
Less: Earned Revenue	(1,735,706)	-	-	(22,625)	-	-	(1,758,331)
Net Program Costs	33,952	46,389	-	1,893	-	-	82,234
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship							
Gross Costs	-	-	(3,657)	-	19,744	15,189	31,276
Less: Earned Revenue	-	-	(1,227)	-	-	-	(1,227)
Net Program Costs	-	-	(4,884)	-	19,744	15,189	30,049
NET COST OF OPERATIONS	\$ 33,952	\$ 46,389	\$ (4,884)	\$ 1,893	\$ 19,744	\$ 20,521	\$ 117,615

**United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2006 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ 10,664	\$ 10,664
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	-	-	-	10,664	10,664
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Gross Costs	1,514,169	-	26,419	-	-	1,540,588
Less: Earned Revenue	(1,594,437)	-	(25,554)	-	-	(1,619,991)
Net Program Costs	(80,268)	-	865	-	-	(79,403)
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Gross Costs	-	139	-	8,674	21,360	30,173
Less: Earned Revenue	-	(956)	-	-	-	(956)
Net Program Costs	-	(817)	-	8,674	21,360	29,217
NET COST OF OPERATIONS	\$ (80,268)	\$ (817)	\$ 865	\$ 8,674	\$ 32,024	\$ (39,522)

**United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2007 (In Thousands)**

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:							
Beginning Balance	\$ 497,972	\$ -	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 620,980
Budgetary Financing Sources:							
Non-exchange Revenue	-	-	-	-	7,133	9,722	16,855
Transfers In/(Out) Without Reimbursement, Net	-	-	(3,000)	-	18,027	9,149	24,176
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	1,044	-	-	1,044
Other Financing Sources/(Uses), Net	-	-	-	-	-	6,907	6,907
Total Financing Sources	-	-	(3,000)	1,044	25,160	25,778	48,982
Net Cost of Operations	(33,952)	(46,389)	4,884	(1,893)	(19,744)	(20,521)	(117,615)
Net Change	(33,952)	(46,389)	1,884	(849)	5,416	5,257	(68,633)
Cumulative Results of Operations	464,020	(46,389)	36,461	15,535	33,042	49,678	552,347
Unexpended Appropriations:							
Beginning Balance	27	-	-	-	-	-	27
Budgetary Financing Sources	(27)	-	-	-	-	-	(27)
Unexpended Appropriations	-	-	-	-	-	-	-
NET POSITION	\$ 464,020	\$ (46,389)	\$ 36,461	\$ 15,535	\$ 33,042	\$ 49,678	\$ 552,347

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2006 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:						
Beginning Balance	\$ 417,804	\$ 36,760	\$ 16,094	\$ 24,136	\$ 42,963	\$ 537,757
Budgetary Financing Sources:						
Non-exchange Revenue	-	-	-	7,590	7,931	15,521
Transfers In/(Out) Without Reimbursement, Net	(100)	(3,000)	-	4,924	17,616	19,440
Other Financing Sources (Non-exchange):						
Transfers In/(Out) Without Reimbursement, Net	-	-	-	(350)	-	(350)
Imputed Financing Sources from Cost Absorbed by Others	-	-	1,155	-	-	1,155
Other Financing Sources/(Uses), Net	-	-	-	-	7,935	7,935
Total Financing Sources	(100)	(3,000)	1,155	12,164	33,482	43,701
Net Cost of Operations	80,268	817	(865)	(8,674)	(32,024)	39,522
Net Change	80,168	(2,183)	290	3,490	1,458	83,223
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
Unexpended Appropriations:						
Beginning Balance	27	-	-	-	-	27
Budgetary Financing Sources						
Unexpended Appropriations	27	-	-	-	-	27
NET POSITION	\$ 497,999	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 621,007

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 two core business activities – granting patents and registering trademarks – 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. Since FY 1993, the Salaries and Expenses Fund has been funded primarily by the collection of fees for patent and trademark services. The USPTO may use monies from this fund 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*. The 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, 2007, \$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, assists in moving satellites that were once on the World Trade Centers, allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA receives funding from borrowings from the Bureau of Public Debt, and will repay the Bureau of Public Debt through the sale of Analog Spectrum which will be auctioned. The additional funds from the auction will be used to reduce the National Deficit. The law establishing this program can be found in Deficit Reduction Act of 2005, P.L. 109-171 Section 3001-3014.

The **Coastal Zone Management Fund** 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 **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** is established by 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. Natural Resources.

NOTE 21. 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.

In accordance with Revised OMB Circular No. A-136, *Financial Reporting Requirements*, dated June 29, 2007, the Statement of Financing is presented as a footnote disclosure and is no longer a basic financial statement, as had been presented in prior years. The information provided in the FY 2006 Statement of Financing is also presented in this footnote, to provide comparative disclosures, as required. The reconciliation of net cost of operations to budget for FY 2007 and FY 2006 is as follows:

NOTES TO THE FINANCIAL STATEMENTS

	FY 2007	FY 2006
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 11,283,888	\$ 10,288,561
Less: Spending Authority From Offsetting Collections and Recoveries	(3,400,863)	(3,379,692)
Obligations Net of Offsetting Collections and Recoveries	7,883,025	6,908,869
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	(139,872)
Net Obligations	7,810,154	6,768,997
Other Resources		
Donations and Forfeitures of Property	16,535	-
Transfers In/(Out) Without Reimbursement, Net	220	1,689
Imputed Financing From Costs Absorbed by Others	196,903	189,178
Downward Subsidy Reestimates Payable to Treasury	(36,710)	(31,447)
Loan Modification Savings Paid to Treasury	(18,910)	-
Other Financing Sources/(Uses), Net	(278)	(17,527)
Net Other Resources Used to Finance Activities	157,760	141,893
Total Resources Used to Finance Activities	7,967,914	6,910,890
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(1,174,919)	(344,059)
Resources that Fund Expenses Recognized in Prior Periods	(45,317)	(29,055)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(29,056)	(87,264)
Budgetary Obligation for Loan Modification Savings Payable to Treasury	(18,910)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	72,871	139,872
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	44,231	49,353
Budgetary Financing Sources/(Uses), Net	11,069	11,615
Resources that Finance the Acquisition of Assets	(1,008,933)	(991,262)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	38,020	173,898
Donations and Forfeitures of Property	(16,535)	-
Transfers In/(Out) Without Reimbursement, Net	(220)	(1,689)
Downward Subsidy Reestimates Payable to Treasury	36,710	31,447
Loan Modification Savings Paid to Treasury	18,910	-
Other Financing Sources/(Uses), Net	278	17,527
Other	(66)	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(2,071,867)	(1,029,617)
Total Resources Used to Finance Net Cost of Operations	5,896,047	5,881,273
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	12,803	6,841
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	41,600	24,100
Increase (Decrease) in Contingent Liabilities	(4,346)	9,680
Reestimates of Credit Subsidy Expense	14,170	(7,308)
Other	5,627	6,179
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	69,854	39,492
Components Not Requiring or Generating Resources		
Depreciation and Amortization	468,925	439,774
NOAA Issuances of Materials and Supplies	22,658	15,063
Revaluation of Assets or Liabilities	(922)	49,995
Loan Modification Savings	(18,910)	-
Other	(2,745)	(8,709)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	469,006	496,123
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	538,860	535,615
NET COST OF OPERATIONS	\$ 6,434,907	\$ 6,416,888

The accompanying notes are an integral part of these statements.

NOTE 22. 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 is the only entity within the Department that has Stewardship PP&E.

Stewardship Marine Sanctuaries, National Marine Monument, and Conservation Area:

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

National Marine Sanctuaries: These protected waters provide a secure habitat for species close to extinction, and also protect historically-significant shipwrecks and prehistoric artifacts. Each of the 13 individual sanctuary sites, which include near-shore coral reefs and open ocean, 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). The Papahānaumokuākea Marine National Monument, located off the coast of NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by NOAA, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska 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.

Additional information on the above Stewardship PP&E is presented in the Required Supplementary Information section. Written policies to guide the acquisition, maintenance, use, and disposal of the above stewardship responsibilities are currently being developed.

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.

Historical artifacts are designated heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (U. S. 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, gyro compasses, brass citations, flags, pennants, chronometers, ship's seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items which represent the uniqueness of the mission of NOAA and its predecessor agencies.



NOTES TO THE FINANCIAL STATEMENTS

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 has established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the NOAA Heritage Assets 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 condition of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans;
- 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, 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. This facility is undergoing a renovation in three phases. Phases I and II are complete.

Phase III commenced in October 2004, and is subdivided into four different projects. Phase III-A, renovation of Building 306 and mechanical/electrical site work, was completed in January 2006. Phase III-B, renovation of Buildings 301, 305, and 307, was completed of March 2007. Phase III-C-1, renovation of Building 303 and site work was completed in May 2007. Phase III-C-2 New SS Cooling Tower is ongoing with an expected completion date of October 2007. The overall renovation for the Galveston Laboratory is 90 percent complete as of September 30, 2007.

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 Island commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900's, 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, remodeling to accommodate fur seal experimental research, 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 was rehabilitated by NOAA to facilitate continued use by the National Marine Fisheries Service Alaska Region and Alaska Fisheries Science Center to achieve NOAA's mission. In addition, the U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge also use the building. The rehabilitation of the four areas of the plant has allowed the Traditional Council of St. George Island's Tribal Government to use pelt processing infrastructure to fully utilize products from the subsistence harvest of northern fur seals. 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. The NMFS Sealing Plant is considered a multi-use heritage asset.



NMFS Cottage M, St. George: The last remnants of the United States 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. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government and by the early 1900's had covered the purchase price of Alaska. 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, U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge staff also use the building. The 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 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 (IHS/BIA) through 2006. A new health center was constructed on St. Paul in 2006 and a closeout procedure and custody transfer between NMFS and IHS/BIA is still being negotiated. The NMFS has not used the building to meet its mission for at least the past 20 years.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1885 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, part of NOAA's mission. The aquarium houses 16 permanent exhibition tanks and approximately 12 free standing aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. A 10,000 gallon outdoor habitat for resident harbor seals is scheduled for renovation in 2007. The general condition of the aquarium is good. The 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.

Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). 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. 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



NOTES TO THE FINANCIAL STATEMENTS

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. Collections of the Library include a) the Charles Fitchugh Talman Special Collections Room – approximately 3 thousand titles and over 5 thousand items; b) the Coast and Geodetic Survey Collection – approximately 35 thousand items; and c) the Weather Bureau Collections – approximately 75,000 items. NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. NOAA expects to complete this review in FY 2008.

The NOAA's collection-type heritage assets also 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.



CONSOLIDATING BALANCE SHEET





CONSOLIDATING BALANCE SHEET

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2007 (In Thousands)

	Intra-Departmental		Census Bureau		DM/G88		DM/SBE		DM/WCF		EDA	ELGP		ESA/BEA		Franchise Fund	ITA	MBDA	NIPC	NUST	NOAA	NTIA	NTIS	OIG	TA	USPTO				
	Consolidating Total	Eliminations	BIS	Bureau	DM/G88	DM/SBE	DM/WCF	EDA	ELGP	ESA/BEA		Franchise Fund	ITA	MBDA	NIPC												NUST	NOAA	NTIA	NTIS
ASSETS																														
Intragovernmental:																														
Fund Balance with Treasury	\$ 7,996,655	\$ -	\$ 18,736	\$ 421,152	\$ 646	\$ 74,465	\$ 37,147	\$ 805,467	\$ 104,844	\$ 13,366	\$ 118,798	\$ 12,178	\$ 310	\$ 768,272	\$ 3,580,037	\$ 202,465	\$ 28,083	\$ 1,795	\$ 2,416	\$ 1,402,663										
Accounts Receivable	65,431	(5,100)	821	9,906	-	8,562	-	436	-	511	386	1	-	1,414	47,003	3	787	-	-	-										
Other - Advances and Prepayments	64,346	(60,297)	1,663	10,731	-	4,161	4,736	732	-	1,858	774	12,326	399	8	84,826	18,997	263	1,133	52	1,950										
Total Intragovernmental	7,726,432	(101,397)	21,220	441,789	646	87,188	41,883	806,635	105,545	15,224	131,510	12,978	318	765,720	3,711,866	221,945	29,133	2,928	2,468	1,404,613										
Cash	7,696	-	-	1,509	-	17	11	84	-	-	193	-	-	-	490	-	3	-	-	7,010										
Accounts Receivable, Net	36,909	-	1,456	-	-	-	-	-	-	5	-	119	13	1	20,656	19	534	2	-	5,078										
Loans Receivable and Related Foreclosed Property, Net	519,854	-	-	-	-	-	26,230	-	-	-	-	1	-	-	493,623	-	-	-	-	-										
Inventory, Materials, and Supplies, Net	106,801	-	267	-	-	-	12	-	-	-	-	-	-	-	81,475	-	207	-	-	-										
General Property, Plant, and Equipment, Net	5,279,764	-	380	97,485	9,136	966	14,351	-	26	643	9,532	143	-	580,171	4,804,596	7,546	212	-	-	204,577										
Other	73,267	-	-	38	4	-	272	-	2	-	213	(5)	-	54	63,134	1	5,370	-	-	4,183										
TOTAL ASSETS	\$ 14,200,723	\$ (101,397)	\$ 23,056	\$ 541,088	\$ 9,786	\$ 88,171	\$ 56,259	\$ 833,221	\$ 105,545	\$ 15,256	\$ 5,563	\$ 141,567	\$ 12,730	\$ 319	\$ 9,175,840	\$ 229,211	\$ 35,459	\$ 2,930	\$ 2,468	\$ 1,625,461										
LIABILITIES																														
Intragovernmental:																														
Accounts Payable	\$ 304,866	\$ (5,100)	\$ 293	\$ 9,432	\$ -	\$ 325	\$ 259	\$ 345	\$ -	\$ 690	\$ 6	\$ 1,425	\$ 1	\$ -	\$ 84,608	\$ 159	\$ 6,610	\$ 15	\$ 38	\$ 4,491										
Debt to Treasury	645,997	-	-	-	-	-	2,551	-	-	-	-	(1)	-	-	478,958	164,489	-	-	-	-										
Resources Payable to Treasury	30,197	-	-	-	-	-	28,336	-	-	-	-	(1)	-	-	1,862	-	-	-	-	-										
Unearned Revenue	422,860	(60,297)	3,255	99,690	-	55,339	39,534	83,735	-	50	2,017	106	14	142,421	53,959	28,949	5,144	30	135	4,779										
Other	98,926	-	1,787	16,121	-	682	1,212	382	253	395	12	2,880	582	-	3,737	60,150	308	176	389	6	9,854									
Total Intragovernmental	1,302,846	(101,397)	5,335	125,243	-	56,346	41,005	112,798	2,804	1,135	2,035	4,411	595	-	479,537	193,905	11,930	434	179	19,124										
Accounts Payable	327,328	-	1,587	45,784	64	11,099	6,111	399	-	1,170	871	4,707	1,499	-	24,822	132,072	4,928	1,144	21	162	90,928									
Loan Guarantee Liabilities	55,732	-	-	-	-	-	54,735	-	-	-	(1)	-	-	-	998	-	-	-	-	-										
Federal Employee Benefits	625,816	-	1,962	61,402	-	1,720	3,912	1,216	-	15	97	7,881	2,473	-	8,985	524,508	1,664	571	1,481	7,929										
Environmental and Disposal Liabilities	67,443	-	-	-	-	-	-	-	-	-	-	-	-	-	46,969	20,474	-	-	-	-										
Other	396,444	-	4,400	52,895	-	3,790	7,579	2,361	-	5,769	276	25,757	1,371	-	32,393	139,526	3,709	1,367	1,706	65	113,480									
Accrued Grants	404,939	-	-	-	-	-	259,968	-	-	-	8,910	2,666	-	-	26,421	85,247	21,677	-	-	50										
Capital Lease Liabilities	15,558	-	-	-	-	-	-	-	-	-	-	(1)	-	-	164	15,395	-	-	-	-										
Unearned Revenue	1,004,305	-	1,559	5,845	-	-	7	-	-	704	103	9,034	-	-	11,730	41,019	64	4,913	-	929,327										
Other	27,685	-	55	1,518	-	3,476	2,143	-	(1)	2	-	10,058	2	-	1,267	8,316	199	(1)	(1)	653										
TOTAL LIABILITIES	\$ 4,228,096	\$ (101,397)	\$ 14,898	\$ 292,687	\$ 64	\$ 76,431	\$ 60,750	\$ 376,709	\$ 57,538	\$ 8,795	\$ 3,382	\$ 70,758	\$ 8,604	\$ -	\$ 300,178	\$ 1,647,092	\$ 226,146	\$ 19,924	\$ 3,641	\$ 455	\$ 1,161,441									
NET POSITION																														
Unexpended Appropriations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unexpended Appropriations - Earmarked Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unexpended Appropriations - Other Funds	4,528,905	-	12,412	117,069	-	17,636	-	459,552	50,746	9,426	-	94,884	7,636	319	699,142	3,210,006	45,753	-	2,277	2,047										
Cumulative Results of Operations	552,347	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cumulative Results of Operations - Earmarked Funds	4,891,375	-	(4,254)	131,332	9,722	(5,896)	(4,491)	(3,040)	(2,739)	(2,965)	2,181	(24,075)	(3,510)	-	598,870	4,199,561	3,701	-	(2,988)	(34)										
Cumulative Results of Operations - Other Funds	\$ 9,972,627	\$ -	\$ 8,158	\$ 248,401	\$ 9,722	\$ 11,740	\$ (4,491)	\$ 456,512	\$ 48,007	\$ 6,461	\$ 2,181	\$ 70,809	\$ 4,126	\$ 319	\$ 1,098,012	\$ 7,528,748	\$ 3,065	\$ 15,535	\$ (711)	\$ 2,013	\$ 464,020									
TOTAL NET POSITION	\$ 14,200,723	\$ (101,397)	\$ 23,056	\$ 541,088	\$ 9,786	\$ 88,171	\$ 56,259	\$ 833,221	\$ 105,545	\$ 15,256	\$ 5,563	\$ 141,567	\$ 12,730	\$ 319	\$ 1,398,190	\$ 9,175,840	\$ 229,211	\$ 35,459	\$ 2,930	\$ 2,468	\$ 1,625,461									

See accompanying independent auditors' report.



CONSOLIDATING BALANCE SHEET



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. 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 94 percent of the Department's General PP&E, Net balance as of September 30, 2007.

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 to determine its current condition and to estimate costs to correct any deficiencies.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of September 30, 2007:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	\$ 6,671 to \$ 8,153
Heritage Assets	5,4,3	11,760 to 14,370
Total		\$ 18,431 to \$ 22,523

NOAA has established a facility condition code to classify the condition of the Buildings and Structures. Each Building and Structure is assessed an individual facility condition code. The average of the individual facility condition codes determines the CAS Asset Condition. The CAS method for Buildings and Structures 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. The amounts reported represent non-critical maintenance to bring the assets to good condition. The CAS method for heritage assets is based on the same five-point scale as the Buildings and Structures. Acceptable condition is considered to be those assets rated in fair, good, or excellent condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

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, 2007:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	\$ 376,900 to \$ 419,100
Buildings (Internal Structures)	4	57,400 to 73,800
Buildings (External Structures)	4	40,300 to 47,900
Total		\$ 474,600 to \$ 540,800

B Stewardship Marine Sanctuaries, Marine National Monument, and Conservation Area:

NOAA maintains the following sanctuaries, Marine National Monument, and conservation area, 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 discrete areas 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. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2007, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19 thousand square miles. The waters and resources of the National Marine Sanctuaries are generally in good condition, though some specific resources (e.g. certain coral reefs, some commercial and recreational fisheries, and some benthic habitats) are threatened. 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). The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001 in accordance with the National Marine Sanctuaries Amendments Act of 2000. On June 15, 2006, the President created the world's largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Papahānaumokuākea Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by the NOAA National Marine Sanctuary, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA Fisheries Service formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers 279,114 square nautical 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 will be 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.

C Collection-type Heritage Assets

The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). NOAA is currently reviewing the Library's total inventory of approximately 2 million items to determine additional items that should be classified as heritage assets. Many Library items are contemporary documents that are not expected to qualify as heritage assets. The Library's Regular Collection consists of over 700 thousand journal items (pre-1970 and current) and approximately 200 thousand books. Many Regular Collection items that are from pre-NOAA organizations are expected to be designated as additional heritage assets. NOAA expects to complete this review in FY 2008.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection, comprised primarily 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.

The table below summarizes NOAA's collection-type heritage assets balance as of September 30, 2007. 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, publications, and manuscripts, which make up the majority of the NOAA Central Library's 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.

Collection-type Heritage Assets					
Entity	Description of Assets	Quantity of Items Held September 30, 2006	FY 2007 Additions	FY 2007 Withdrawals	Quantity of Items Held September 30, 2007
NOAA Central Library	Publications, books, manuscripts, photographs, and maps	150,725	4,163	–	154,888
National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	108,179	–	–	108,179
Others	Artifacts, artwork, books, films, instruments, maps, and records	4,343	43	–	4,386
Total		263,247	4,206	–	267,453

D Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Departments budgetary resources by major budget accounts. The 'Other Programs' column refers to the Department's reporting entities and their budget accounts that are not listed.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2007 (In Thousands)

	Combining Total	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	Other Programs
BUDGETARY RESOURCES:									
Unobligated Balance, Brought Forward, October 1	\$ 886,421	\$ 197,613	\$ 5,716	\$ 65,722	\$ -	\$ 11,012	\$ 6,602	\$ 13,859	\$ 585,897
Adjustments to Unobligated Balance, Brought Forward	(857)	-	-	-	-	-	(7)	-	(850)
Recoveries of Prior-years Unpaid Obligations	122,868	22,049	9,866	7,050	-	14,347	10,692	20,649	38,215
Budget Authority	6,700,427	2,928,217	-	1,110,118	-	395,706	696,365	250,741	1,319,280
Appropriations	1,156,747	-	-	-	1,084,164	-	-	-	72,583
Borrowing Authority	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections Earned	-	-	-	-	-	-	-	-	-
Collected	3,276,988	279,476	1,735,310	1,223	-	15,156	13	18,573	1,227,237
Change in Receivables	(38,354)	(39,576)	459	-	-	(808)	-	-	1,571
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-
Advances Received	31,143	(31,860)	55,325	-	-	(286)	-	(1,625)	9,589
Without Advances	6,877	6,700	-	-	-	99	-	-	78
Previously Unavailable	1,341	-	-	-	-	-	-	-	1,341
Total Budget Authority	11,135,169	3,142,957	1,791,094	1,111,341	1,084,164	409,867	696,378	267,689	2,631,679
Nonexpenditure Transfers, Net	118,736	83,153	(27)	(1,086)	-	2,095	-	-	34,601
Temporarily Not Available Pursuant to Public Law	(12,189)	-	(12,189)	-	-	-	-	-	-
Permanently Not Available	(84,967)	(57)	-	(24,001)	-	(129)	(1,453)	-	(59,327)
TOTAL BUDGETARY RESOURCES	\$ 12,165,181	\$ 3,445,715	\$ 1,794,460	\$ 1,159,026	\$ 1,084,164	\$ 437,192	\$ 712,212	\$ 302,197	\$ 3,230,215
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	\$ 8,216,109	\$ 3,000,835	\$ -	\$ 1,118,288	\$ 1,070,272	\$ 413,201	\$ 705,965	\$ 277,453	\$ 1,630,095
Reimbursable	3,067,779	251,374	1,766,424	-	-	14,452	-	15,305	1,020,224
Total Obligations Incurred	11,283,888	3,252,209	1,766,424	1,118,288	1,070,272	427,653	705,965	292,758	2,650,319
Unobligated Balance	444,393	161,283	28,036	37,399	13,892	4,671	2,223	9,439	187,450
Exempt From Apportionment	298,865	-	-	-	-	-	-	-	298,865
Total Unobligated Balance	743,258	161,283	28,036	37,399	13,892	4,671	2,223	9,439	486,315
Unobligated Balance Not Available	138,035	32,223	-	3,339	-	4,868	4,024	-	93,581
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 12,165,181	\$ 3,445,715	\$ 1,794,460	\$ 1,159,026	\$ 1,084,164	\$ 437,192	\$ 712,212	\$ 302,197	\$ 3,230,215
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 6,009,174	\$ 1,980,556	\$ 553,827	\$ 913,829	\$ -	\$ 109,732	\$ 156,008	\$ 774,020	\$ 1,521,202
Unpaid Obligations, Brought Forward	(314,037)	(241,412)	1,043	-	-	(4,213)	-	-	(69,455)
Less: Uncollected Customer Payments, Brought Forward	-	-	-	-	-	-	-	-	-
Total Unpaid Obligated Balance, Net, Brought Forward	5,695,137	1,739,144	554,870	913,829	-	105,519	156,008	774,020	1,451,747
Adjustments to Unpaid Obligations, Brought Forward	-	(1)	(1)	-	-	-	-	-	1
Obligations Incurred	11,283,888	3,252,209	1,766,424	1,118,288	1,070,272	427,653	705,965	292,758	2,650,319
Less: Gross Outlays	(9,955,597)	(3,097,979)	(1,798,918)	(952,899)	(59,984)	(426,046)	(708,295)	(260,085)	(2,651,391)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(122,868)	(22,049)	(9,866)	(7,050)	(14,347)	(14,347)	(10,692)	(20,649)	(38,215)
Change in Uncollected Customer Payments	31,477	32,875	(459)	-	-	709	-	-	(1,648)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,932,037	\$ 1,904,199	\$ 512,050	\$ 1,072,168	\$ 1,010,288	\$ 93,488	\$ 142,986	\$ 786,046	\$ 1,410,812
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	\$ 7,214,597	\$ 2,112,736	\$ 511,466	\$ 1,072,168	\$ 1,010,288	\$ 96,992	\$ 142,986	\$ 786,046	\$ 1,481,915
Less: Uncollected Customer Payments	(282,560)	(208,537)	584	-	-	(3,504)	-	-	(71,103)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 6,932,037	\$ 1,904,199	\$ 512,050	\$ 1,072,168	\$ 1,010,288	\$ 93,488	\$ 142,986	\$ 786,046	\$ 1,410,812
NET OUTLAYS:									
Gross Outlays	\$ 9,955,597	\$ 3,097,979	\$ 1,798,918	\$ 952,899	\$ 59,984	\$ 426,046	\$ 708,295	\$ 260,085	\$ 2,651,391
Less: Offsetting Collections	(3,308,131)	(247,616)	(1,790,635)	(1,223)	-	(14,870)	(13)	(16,948)	(1,236,826)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(72,871)	-	-	-	-	-	-	-	(72,871)
NET OUTLAYS	\$ 6,574,595	\$ 2,850,363	\$ 8,283	\$ 951,676	\$ 59,984	\$ 411,176	\$ 708,282	\$ 243,137	\$ 1,341,694



**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 27 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, 2007, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. The NERRs are state-operated and managed in cooperation with NOAA. The 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 137 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. The 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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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.

The NOAA's investments in non-federal physical property for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
National Estuarine Research Reserves	\$ 24.0	\$ 0.5	\$ 15.4	\$ 6.8	\$ 11.6	\$ 58.3
Coastal and Estuarine Land Conservation Program	3.6	21.8	15.5	18.5	34.7	94.1
Total	\$ 27.6	\$ 22.3	\$ 30.9	\$ 25.3	\$ 46.3	\$ 152.4

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.

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.

The EDA's investments in non-federal physical property for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Public Works	\$ 232.8	\$ 194.8	\$ 220.1	\$ 180.1	\$ 155.5	\$ 983.3
Economic and Defense Adjustments	88.7	75.3	75.4	53.1	53.5	346.0
Disaster Recovery	22.5	18.5	10.1	24.2	4.4	79.7
Total	\$ 344.0	\$ 288.6	\$ 305.6	\$ 257.4	\$ 213.4	\$ 1,409.0

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. 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.

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. In FY 2007, 52 Graduate Research Fellowships have been 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 educated, 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. The NOAA EPP Cooperative Science Center goals are to:

- Educate, 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



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

- 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;
- Leverage NOAA funds to build the education and research capacity at the MSI.

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, business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

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. There were 15 students that started the program in FY 2007.

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 minority serving institutions (MSI) when possible. The GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. The GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. Currently, seven students were selected and were participating in the GSP in FY 2007. The program hopes to add five more students in FY 2008.

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. There were 110 students starting the program in 2007. The first scholarship recipients are expected to complete the program in May 2009.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following table summarizes NOAA's investments in human capital for FY 2003 through FY 2007:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
National Sea Grant College Program	\$ 0.7	\$ 0.6	\$ 0.7	\$ 0.7	\$ 0.5	\$ 3.2
National Estuarine Research Reserve Program	0.1	0.8	0.9	0.9	0.8	3.5
Educational Partnership Program	N/A ¹	N/A	7.0	13.9	14.2	35.1
Ernest F. Hollings Undergraduate Scholarship Program	N/A	N/A	0.3	3.8	4.1	8.2
Total	\$ 0.8	\$ 1.4	\$ 8.9	\$ 19.3	\$ 19.6	\$ 50.0

¹ Not applicable

The following table further summarizes NOAA's human capital investments for FY 2003 to FY 2007 by performance goal:

(In Millions)

Performance Goal	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 0.8	\$ 1.4	\$ 8.9	\$ 19.3	\$ 19.6

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 and 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: The NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. The NIST Laboratories foster scientific and technological leadership by helping the United States 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 American Competitiveness Initiative, 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. In this way, the laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Advanced Technology Program (ATP): The ATP is 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 by the President on August 9, 2007. However, this statute allows for continued support for previously awarded ATP projects and the 56 new FY 2007 awards. Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

The following table summarizes NIST's R&D investments for FY 2003 through FY 2007 by R&D Category:

(In Millions)

R&D Category	NIST Laboratories					Advanced Technology Program					Total				
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Basic Research	\$ 74.2	\$ 65.0	\$ 66.6	\$ 85.2	\$ 110.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74.2	\$ 65.0	\$ 66.6	\$ 85.2	\$ 110.7
Applied Research	307.9	319.7	325.6	345.8	345.3	86.8	96.9	96.1	58.0	31.0	394.7	416.6	421.7	403.8	376.3
Development	19.4	13.7	14.3	16.7	15.3	86.9	96.9	96.0	58.0	30.9	106.3	110.6	110.3	74.7	46.2
Total	\$ 401.5	\$ 398.4	\$ 406.5	\$ 447.7	\$ 471.3	\$ 173.7	\$ 193.8	\$ 192.1	\$ 116.0	\$ 61.9	\$ 575.2	\$ 592.2	\$ 598.6	\$ 563.7	\$ 533.2

The following tables further summarize NIST's R&D investments for FY 2004 through FY 2007 by performance goal. The Department did not collect this data by performance goal prior to FY 2004.

(In Millions)

FY 2007				
Performance Goal	Basic Research	Applied Research	Development	Total
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
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
Total	\$ 110.7	\$ 376.3	\$ 46.2	\$ 533.2

(In Millions)

FY 2006				
Performance Goal	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security, and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 85.2	\$ 345.8	\$ 16.7	\$ 447.7
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	58.0	58.0	116.0
Total	\$ 85.2	\$ 403.8	\$ 74.7	\$ 563.7

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

(In Millions)

FY 2005				
Performance Goal	Basic Research	Applied Research	Development	Total
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	\$ 66.6	\$ 325.6	\$ 14.3	\$ 406.5
Accelerate Private Investment in and Development of High-risk, Broad-Impact Technologies	-	96.1	96.0	192.1
Total	\$ 66.6	\$ 421.7	\$ 110.3	\$ 598.6

(In Millions)

FY 2004				
Performance Goal	Basic Research	Applied Research	Development	Total
Provide Technical Leadership for the Nation's Measurements and Standards Infrastructure; and	\$ -	\$ -	\$ -	\$ -
Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	\$ 65.0	\$ 319.7	\$ 13.7	\$ 398.4
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.9	96.9	193.8
Total	\$ 65.0	\$ 416.6	\$ 110.6	\$ 592.2

NOAA:

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks;
- Improving predictions of climate, on time scales ranging from months to centuries;
- 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.



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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. The 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. The NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: The NOAA's NMFS is responsible for the management and stewardship of living marine resources and their habitat within the Nation's Exclusive Economic Zone. The NMFS manages these resources through science-based conservation and management, and the protection and restoration of healthy ecosystems to ensure their continuation as functioning components of ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed, catch data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary bureau activities. The research and management of living marine resources is conducted in partnership with states, universities, other countries, and international organizations.

Marine Operations and Maintenance and Aircraft Services: These expenditures support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. The 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. The 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 change. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The NOAA's R&D investments by program for FY 2003 through FY 2007 were as follows:

(In Millions)

Program	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Environmental and Climate	\$ 351.4	\$ 317.9	\$ 307.8	\$ 324.2	\$ 289.3	\$ 1,590.6
Fisheries	156.4	70.6	53.5	56.3	49.3	386.1
Marine Operations and Maintenance and Aircraft Services	90.4	51.7	57.5	50.7	51.1	301.4
Weather Service	20.4	17.6	26.9	15.1	40.8	120.8
Other	83.3	116.5	124.9	124.1	120.2	569.0
Total	\$ 701.9	\$ 574.3	\$ 570.6	\$ 570.4	\$ 550.7	\$ 2,967.9

The following table summarizes NOAA's R&D investments for FY 2003 through FY 2007 by R&D category:

(In Millions)

R&D Category	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
Applied Research	\$ 680.8	\$ 546.7	\$ 514.8	\$ 523.1	\$ 475.7	\$ 2,741.1
Development	21.1	27.6	55.8	47.3	75.0	226.8
Total	\$ 701.9	\$ 574.3	\$ 570.6	\$ 570.4	\$ 550.7	\$ 2,967.9

The following tables further summarize NOAA's R&D investments for FY 2004 through FY 2007 by performance goal. The Department did not collect this data by performance goal prior to FY 2004.

(In Millions)

FY 2007			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to 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
Total	\$ 475.7	\$ 75.0	\$ 550.7

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

(In Millions)

FY 2006			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 250.7	\$ 14.0	\$ 264.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	160.2	12.3	172.5
Serve Society's Needs for Weather and Water Information	109.0	20.9	129.9
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	3.2	0.1	3.3
Total	\$ 523.1	\$ 47.3	\$ 570.4

(In Millions)

FY 2005			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	\$ 242.4	\$ 8.6	\$ 251.0
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	157.8	5.3	163.1
Serve Society's Needs for Weather and Water Information	105.4	41.9	147.3
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	9.2	-	9.2
Total	\$ 514.8	\$ 55.8	\$ 570.6

(In Millions)

FY 2004			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 271.6	\$ 10.1	\$ 281.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	163.6	4.3	167.9
Serve Society's Needs for Weather and Water Information	94.9	9.2	104.1
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	16.6	4.0	20.6
Total	\$ 546.7	\$ 27.6	\$ 574.3



INDEPENDENT AUDITORS' REPORT





UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 9, 2007

MEMORANDUM FOR: Carlos M. Gutierrez
Secretary of Commerce

FROM: Elizabeth T. Barlow
Acting Inspector General

SUBJECT: *Department of Commerce's FY 2007 Consolidated Financial Statements, Audit Report No. FSD-18530-8-0002*

I am pleased to provide you with the attached audit report required by the Chief Financial Officers Act of 1990, as amended, which presents an unqualified opinion on the Department of Commerce's FY 2007 consolidated financial statements. The audit results indicate that the Department has established an internal control structure that facilitates the preparation of reliable financial and performance information. We commend the Department for the noteworthy accomplishment of once again attaining an unqualified opinion—the ninth consecutive year.

The independent public accounting firm of KPMG LLP performed the audit of the Department's financial statements for the year ended September 30, 2007. The contract required that the audit be done 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*.

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;
- there was one significant deficiency related to weaknesses in controls over the Department's financial management systems (but not considered a material weakness in internal control as defined in the independent auditors' report);
- there were 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;
- there was one instance in which the Department did not comply with other laws and regulations (Anti-Deficiency Act violation at the National Oceanic and Atmospheric Administration); and
- there was one additional concern in which the Department's Office of General Counsel is reviewing whether the United States Patent and Trademark Office violated the Anti-Deficiency Act and the Patent and Trademark Fee Fairness Act of 1999 during fiscal year 2005. However, a conclusion has not yet been reached.



The Department implemented corrective actions during FY 2007 to resolve many of the previously identified information technology control weaknesses and agreements in violation of the Anti-Deficiency Act. These actions and management's expression of its intent to resolve the remaining and newly identified weaknesses are evidence of the Department's continued commitment to sound financial management, effective internal controls, and reliable financial/performance information.

My office oversaw the audit performance and delivery. 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 U.S. generally accepted government auditing standards. It was not intended to enable us to express, and we do not 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 9, 2007, and the conclusions expressed in the report.

An audit action plan is not required to address the significant deficiency reported by KPMG. However, we ask that you provide a plan addressing the related specific recommendations included in the separate, limited-distribution information technology general controls report (FSD-18530-8-0001) in accordance with Department Administrative Order 213-5.

If you wish to discuss the contents of this report, please call me on (202) 482-4661, or John Seeba, Assistant Inspector General for Auditing, on (202) 482-5910. We appreciate the cooperation and courtesies the Department extended to both KPMG and my staff during the audit.

Attachment

cc: Otto J. Wolff
Chief Financial Officer and Assistant Secretary for Administration

Barry C. West
Chief Information Officer

Jon W. Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office



KPMG LLP
2001 M Street, NW
Washington, DC 20036

INDEPENDENT AUDITORS' REPORT

Acting 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, 2007 and 2006, and the related consolidated statements of net cost and changes in net position, and the 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 2007 audit, we also considered the Department's internal controls over financial reporting and performance measures 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, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, the Department changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007.

Our consideration of internal controls over financial reporting resulted in the identification of one significant deficiency related to the weaknesses in the Department's general information technology controls. However, we do not consider this significant deficiency to be a material weakness.

We noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed instances of noncompliance with the *Anti-Deficiency Act* 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*.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls over financial reporting and performance measures; 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, 2007 and 2006, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2007 and 2006, 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.

As discussed in Note 21 to the consolidated financial statements, the Department changed its method of reporting the reconciliation of budgetary resources obligated to the net cost of operations in fiscal year 2007, based on new reporting requirements under OMB Circular No. A-136.

The information in the Management Discussion and Analysis, 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 and OMB Circular No. A-136, *Financial Reporting Requirements*. 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, 2007 consolidating balance sheet on page 253 is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial positions of the Department's bureaus individually. The September 30, 2007 consolidating balance sheet has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the September 30, 2007 consolidated balance sheet taken as a whole. The information in the FY 2007 Performance Section, Appendices, and the information on pages IV through VIII 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

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

In our fiscal year 2007 audit, we noted one matter relating to the Department's financial management systems, summarized below, and in more detail in Exhibit I, that we consider to be a significant deficiency. However, this significant deficiency is not believed to be a material weakness.

General information technology controls. We found that although the Department has taken corrective actions to address certain information technology (IT) control weaknesses, general IT weaknesses still exist. Despite the positive efforts made by the Department, the Department needs to make continued improvement in its IT general control environment to fully ensure that financial data being processed on the Department's systems has integrity, is confidentially maintained, and is available when needed.

A summary of the status of the Department's prior year reportable condition is included as Exhibit II.

We also noted certain additional matters that we reported to the management of the Department in two separate documents addressing information technology and other matters, respectively.



Internal Controls over Performance Measures

Our tests of internal control over performance measures, as described in the Responsibilities section of this report, disclosed no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

Compliance and Other Matters

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance with the Anti-Deficiency Act (ADA) that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and are described below.

Anti-Deficiency Act. As reported in the prior year, we were informed by the National Oceanic and Atmospheric Administration (NOAA) that during fiscal year 2005, 82 real property agreements, with the earliest signed in 1923, included indemnification clauses or provisions involving an indeterminate liability, or both. The Office of General Counsel (OGC) determined that these clauses or provisions were *prima facie* violations of the ADA, because those clauses constituted open-ended obligations of the U.S. Government, even though no liability claims were filed against the agreements. As of November 8, 2007, the date of our fiscal year 2007 Independent Auditors' Report, 79 agreements have been amended, terminated or expired, thereby eliminating future ADA concerns, and corrective actions are underway on the remaining 3 agreements, which are being renegotiated to remove the clauses. Plans are also being made to relocate the equipment covered by one of the remaining leases to another site in fiscal year 2008, because the lessor did not agree to make the necessary amendment.

Additional Concern. In fiscal year 2007, The United States Patent and Trademark Office informed us that in fiscal year 2005, obligations related to the processing of patent applications temporarily exceeded fees collected related to these applications. As a result, fees intended for use in processing trademark registrations were used temporarily to fund patent obligations. The OGC is reviewing this matter to determine whether a violation of the ADA and the *Patent and Trademark Fee Fairness Act of 1999* occurred, but a conclusion has not yet been reached. Since OGC's review is not complete, the outcome of this matter, and any resulting ramifications, is not presently known.

The results of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no other instances of



noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the three requirements discussed in the Responsibilities section of this report.

Responsibilities

Management's Responsibilities. The United States Code, Title 31, Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To meet these reporting requirements, the Department prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management Discussion and Analysis (including the performance measures), Required Supplementary Stewardship Information, and Required Supplementary Information;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to the Department, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2007 and 2006 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. Those standards and OMB Bulletin No. 07-04 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 2007 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. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express 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.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis and Performance sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2007 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, including certain provisions referred to in 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.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether the Department's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The Department's response to the significant deficiency identified in our audit is presented in Exhibit I. We did not audit the Department's response and, accordingly, we express no opinion on it.

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 9, 2007

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiency

Financial Management Systems Need Improvement (*Repeat Condition Since 1998*)

For many years, the U.S. Department of Commerce (the Department) Office of Inspector General (OIG), U.S. Government Accountability Office (GAO), and departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. As at many federal entities, information security is recognized as a top management challenge for the Department. During our fiscal year (FY) 2007 assessment of the Department's general IT and financial systems controls, performed in support of the FY 2007 consolidated financial statement audit, we found that there is continued emphasis on the need for a strong certification and accreditation (C&A) program. We also noted that the bureaus and the Department took positive steps to implement management, operational, and technical controls to help establish sound information security practices and address known weaknesses, including an IT security material weakness reported under the *Federal Managers' Financial Integrity Act* (FMFIA) in the prior year.

Despite continued progress, during our FY 2007 audit we identified weaknesses in general IT controls that we consider to be a significant deficiency as defined by the American Institute of Certified Public Accountants. As part of the Department's FY 2007 FMFIA evaluation, the Department determined (and the OIG also confirmed) that a weakness, related to IT information security, still exists.

Effective general IT controls add assurance that data used to prepare and report financial information and statements is complete, reliable, and has integrity. Our FY 2007 IT assessment was focused on the general IT controls over the Department's major financial management systems and supporting network infrastructure, using GAO's *Federal Information System Controls Audit Manual* (FISCAM) as a guide. The six FISCAM general IT control review elements, and our related findings, are as follows:

- **Entity-wide security program.** An entity-wide security program for security planning and management is the foundation of an organization's information security control structure. The program should provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of computer-related security controls.

Although the Department has made improvements in this area, during our FY 2007 audit we identified that entity-wide security can still be improved at all bureaus, primarily in the areas of: (1) updating risk assessments, (2) finalizing C&As, (3) updating system security plans to comply with current Federal guidance, (4) improving incidence response procedures and training, (5) ensuring completion of initial security awareness and specialized training, (6) establishing a memorandum of understanding for shared financial data, and (7) obtaining executed non-disclosure agreements from contracted personnel.



U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiency, Continued

Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*, provides key guidance for establishing and maintaining an entity-wide information security program. Collectively, the identified entity-wide security planning and management issues, coupled with the access control issues described below, reduce the overall effectiveness of the entity-wide security programs for the individual bureaus and operating units, and the overall Department. The *Department of Commerce IT Security Program Policy and Minimum Implementation Standards*, reiterates OMB Circular A-130 guidance, and implements key elements of such guidance as Department-wide policy.

- **Security access controls.** In close concert with an organization's entity-wide information security program, access controls for general support systems and financial systems should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, loss, or impairment. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls and logical controls.

The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to very sensitive resources, such as security software programs, is limited to very few individuals; and that employees are restricted from performing incompatible functions or functions beyond their responsibility. This is reiterated by Federal guidelines. For example, OMB Circular A-130 and supporting National Institute of Standards and Technology (NIST) security publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program and Minimum Implementation Standards* contain many requirements for operating Department IT devices in a secure manner.

During fiscal year 2007, we noted that access controls should be improved at all bureaus and at the Department level, primarily in the areas of: (1) managing user accounts, (2) logical controls over financial system and network access, (3) strengthening password controls, (4) improving data center access, (5) configuring settings of system devices, (6) monitoring user actions through the use of audit trails, and (7) consistent application of patch management practices to protect system devices against vulnerabilities associated with malicious threats and attacks. We recognize that the Department and its bureaus have some compensating controls in place to help reduce the risk of the identified vulnerabilities, and we have considered such compensating controls as part of our overall consolidated financial statement audit.

- **Application software development and change control.** The primary focus of application software development and change control is on controlling the changes that are made to software systems in operation. Establishing controls over the modification of application software programs ensures that only authorized programs

U.S. Department of Commerce
 Independent Auditors' Report
 Exhibit I – Significant Deficiency, Continued

and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques to determine that all programs and program modifications are properly authorized, tested, and approved, and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or turned off, or that processing irregularities or malicious code could be introduced into the IT environment.

During fiscal year 2007, we did not identify any weaknesses related to application software development and change controls at the bureaus within the scope of our audit.

- **System software.** System software is a set of programs designed to operate and control the processing activities of computer equipment. System software helps control the input, processing, output, and data storage associated with all of the applications that run on a system. Controls over access to and modification of system software are essential in providing reasonable assurance that operating system-based security controls are not compromised and that the system will not be impaired.

During fiscal year 2007, we noted that system software controls should be improved at one bureau by improving patch management documentation processes.

- **Segregation of duties.** Work responsibilities should be segregated so that an individual does not control more than one critical function within a process. Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes could be implemented, and computer resources could be damaged or destroyed. Key areas of concern for segregation of duties involves duties among major operating and programming activities, including duties performed by users, application programmers, and data center staff. Policies outlining individual responsibilities should be documented, communicated, and enforced. The prevention and/or detection of unauthorized or erroneous actions by personnel require effective supervision and review by management, as well as formal operating procedures.

During fiscal year 2007, we noted a weakness related to segregation of duties that affected the implementation of system software modifications at one bureau.

- **Service continuity.** Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency's ability to accomplish its mission. For this reason, an agency should have: (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions, and (2) a plan to recover critical operations should interruptions occur.

During fiscal year 2007, we noted that service continuity controls should be improved at five bureaus and at the Department level, primarily in the areas of: (1) updating



U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiency, Continued

contingency plans to include appropriate controls and reflect current processing environments, (2) testing disaster recovery and continuity plans, (3) procuring alternate processing sites, (4) establishing off-site storage locations that are geographically removed from primary processing sites, (5) developing a detailed policy and procedure for backing up key financial systems, and (6) improving data center physical and environmental controls.

Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the fiscal year 2007 consolidated financial statement audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations.

Management's Response

Management agreed with our findings, conclusions, and recommendations related to improving the Department's financial management systems controls. The Department is in the process of developing corrective action plans to address the recommendations presented in the separate limited distribution IT general controls report.



INDEPENDENT AUDITORS' REPORT

U.S. Department of Commerce
Independent Auditors' Report
Exhibit II – Status of Prior Year Reportable Condition

Reported Issue	Prior Year Recommendation	Fiscal Year 2007 Status
<i>Financial Management Systems Need Improvement</i>		
Weaknesses in general controls were identified in all six FISCAM review areas.	The Department should monitor bureau actions to ensure effective implementation of our recommendations.	Significant Deficiency (see comments in Exhibit I).



APPENDICES



PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2007 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2008 Annual Performance Plan (APP), which more accurately reflects updated targets of each performance measure. Individual bureau-specific APPs can be found on the Department Web site at 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.

The following tables provide an array of information that previously was shown in separate tables. The information should help the reader clearly understand the resources expended for each Strategic Goal, Objective, and Performance Outcome/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. It is important to note that if a performance measure has been exceeded (more than 125 percent of target), a blue circle will appear. If a performance measure has been met (100 to 125 percent of target), a green circle will appear. A measure that was slightly below target (95 to 99 percent of the target) appears as yellow, while a measure that was definitely not met appears as red. No targets that were in the form of text (e.g., a series of milestones met) would ever be considered exceeded since they can't be quantified.

The information in the tables will follow the following format:

- ◆ Strategic Goal and Resources
- ◆ Objective and Resources
- ◆ Performance Outcome/Objective and Resources
- ◆ Performance Measure

Note: Unless otherwise indicated, measures that do not have targets, are new, or are baseline are not included in any count in this document. Resources for each performance outcome/objective are estimates and may be updated in the budget for FY 2009.

Target and performance data are tracked back to FY 2000 where available. If a measure was developed after FY 2000, actual performance data is shown back to the year that the measure first appeared.

In FY 2007, the Department changed the references to "Performance Goals" to "Performance Outcomes" since this reflects changes in the Department's FY 2007 - FY 2012 Strategic Plan and better reflects the work of the Department. The exception was NOAA which used the term "Performance Objectives" rather than "Performance Outcomes" since NOAA has several performance outcomes and the Department preferred to limit the total number of outcomes.

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC GOAL 1 TOTAL RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$5,454.7	\$1,912.7	\$1,704.1	\$1,746.2	\$1,854.0	\$1,888.5	\$1,997.0	\$1,970.9
FTE ¹	89,978	13,827	11,827	11,306	11,819	11,877	12,156	10,963

¹ FTE – Full-Time Equivalent

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

OBJECTIVE 1.1 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$690.8	\$756.9	\$677.5	\$645.0	\$633.2	\$625.6	\$627.1	\$601.8
FTE ¹	2,338	2,240	1,990	2,013	1,869	1,908	1,849	1,653

¹ FTE – Full-Time Equivalent

PERFORMANCE OUTCOME: Increase private investment and job creation in economically distressed communities (EDA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding ²	\$312	\$362.3	\$296.6	\$258.3	\$254.8	\$212.5	\$208.3	\$183.7
FTE ¹	174	165	155	149	137	139	128	132

¹ FTE – Full-Time Equivalent
² Actuals reflect direct obligations for economic development assistance programs (EDAP) and salaries and expenses (S&E); totals do not include one-time, disaster investments or reimbursable funding.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 9 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	\$1,937	\$1,350.0
Year	Status	Historical Results	Historical Target
FY 2006	●	\$2,331.1	\$1,162.0

¹ EDA tracks the results of its investments and jobs created/retained at 3, 6 and 9 year periods. The FY 2007 actual is a result of investments made in FY 1998. 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.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 6 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	\$2,118	\$1,200.0
Year	Status	Historical Results	Historical Target
FY 2006	●	\$1,059.0	\$1,020.0
FY 2005	●	\$1,781.0	\$1,040.0
FY 2004	●	\$1,740.0	\$650.0
FY 2003	●	\$2,475.0	\$581.0

¹ This is the 6 year result measure. FY 2007 actuals are the result of investments made in FY 2001. FY 2006 actuals as of investments made in FY 2000 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 3 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	\$810.1	\$330.0
Year	Status	Historical Results	Historical Target
FY 2006	●	\$1,669.0	\$320.0
FY 2005	●	\$1,791.0	\$390.0
FY 2004	●	\$947.0	\$480.0
FY 2003	●	\$1,251.0	\$400.0
FY 2002	●	\$640.0	\$420.0
FY 2001	●	\$971.0	\$130.0
FY 2000	●	\$199.0	\$116.0

¹ This is the 3 year result measure. FY 2007 actuals are the result of investments made in FY 2004. FY 2006 actuals as of investments made in FY 2003 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 9 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	73,559	54,000
Year	Status	Historical Results	Historical Target
FY 2006	●	50,546	50,400

¹ EDA tracks the results of its investments and jobs created / retained at 3, 6 and 9 year periods. The FY 2007 actual is a result of investments made in FY 1998. 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.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 6 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	49,806	36,000
Year	Status	Historical Results	Historical Target
FY 2006	●	42,958	28,200
FY 2005	●	47,374	28,400
FY 2004	●	68,109	27,000
FY 2003	●	47,607	25,200

¹ This is the 6 year result measure. FY 2007 actuals are the result of investments made in FY 2001. FY 2006 actuals as of investments made in FY 2000 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 3 year totals ¹			
Year	Status	Actual	Target
FY 2007	●	16,274	8,999
Year	Status	Historical Results	Historical Target
FY 2006	●	11,833	9,170
FY 2005	●	19,672	11,500
FY 2004	●	21,901	14,400
FY 2003	●	39,841	11,300
FY 2002	●	29,912	11,300
FY 2001	●	12,898	5,400
FY 2000	●	12,056	5,040

¹ This is the 3 year result measure. FY 2007 actuals are the result of investments made in FY 2004. FY 2006 actuals as of investments made in FY 2003 and so on.

PERFORMANCE OUTCOME: Improve community capacity to achieve and sustain economic growth (EDA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding ²	\$74.0	\$76.7	\$68.8	\$67.3	\$67.3	\$68.0	\$72.1	\$67.1
FTE ¹	94	89	84	80	80	74	32	33

¹ FTE – Full-Time Equivalent

² Actuals reflect direct obligations for EDAP and S&E; totals do not include one-time, disaster investments or reimbursable funding.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of economic development districts and Indian tribes implementing economic development projects from the comprehensive economic development strategy that lead to private investment and jobs			
Year	Status	Actual	Target
FY 2007	●	95%	95%
Year	Status	Historical Results	Historical Target
FY 2006	●	96%	95%
FY 2005	●	97%	95%
FY 2004	●	95%	95%
FY 2003	●	99%	95%
FY 2002		New—no target to measure against	

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of sub-state jurisdiction members actively participating in the economic development district program			
Year	Status	Actual	Target
FY 2007	●	92%	89-93%
Year	Status	Historical Results	Historical Target
FY 2006	●	90%	89-93%
FY 2005	●	91%	89-93%
FY 2004	●	90%	89-93%
FY 2003	●	97%	89-93%
FY 2002	●	95%	93%
FY 2001	●	92%	85%
FY 2000	●	91%	75%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center			
Year	Status	Actual	Target
FY 2007	●	84%	75%
Year	Status	Historical Results	Historical Target
FY 2006	●	76%	75%
FY 2005	●	79%	75%
FY 2004	●	78%	75%
FY 2003	●	78%	75%
FY 2002		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieved the expected results			
Year	Status	Actual	Target
FY 2007	●	89%	80%
Year	Status	Historical Results	Historical Target
FY 2006	●	82%	80%
FY 2005	●	87%	80%
FY 2004	●	88%	80%
FY 2003	●	86%	80%
FY 2002		New—no target to measure against	

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs			
Year	Status	Actual	Target
FY 2007	●	99%	90%
Year	Status	Historical Results	
FY 2006	●	90%	90%
FY 2005	●	99%	90%
FY 2004	●	90%	90%
FY 2003	●	92%	90%
FY 2002		New—no target to measure against	

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results			
Year	Status	Actual	Target
FY 2007	●	95%	95%
Year	Status	Historical Results	Historical Target
FY 2006	●	96%	95%
FY 2005	●	97%	95%
FY 2004	●	98%	95%
FY 2003	●	98%	95%
FY 2002		New—no target to measure against	

PERFORMANCE OUTCOME: Enhance U.S. competitiveness in domestic and international markets (ITA)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual ²	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$151.0	\$161.0	\$208.5	\$72.7	\$56.0	\$62.6	\$52.8	\$59.7
FTE ¹	1,079	1,038	1,236	402	287	264	257	236

¹ FTE – Full-Time Equivalent
² In FY 2005 ITA reorganized its performance structure, reducing the number of outcomes from four to two outcomes for this strategic objective. FY 2002 actuals shown here reflect the level for the “Strengthen U.S. industries” outcome and the two discontinued outcomes.

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 2007	●	\$413M	\$168M
Year	Status	Historical Results	Historical Target
FY 2006	●	\$287M	\$350M
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percent reduction in per unit cost of data distribution			
Year	Status	Actual	Target
FY 2007	●	4.5%	5%
<i>Performance was not met, because:</i> This measure had baseline data that predicted a four to five percent range for FY 2007, five percent being the “stretch” end of the range.			
<i>Strategies for Improvement:</i> ITA anticipates efficiency gains growing as potential gains are realized from data integration activities but does not intend to adjust the target until trend data exists.			
Year	Status	Historical Results	Historical Target
FY 2006	●	12%	10%
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percent of agreement milestones completed			
Year	Status	Actual	Target
FY 2007	●	100%	70%
Year	Status	Historical Results	Historical Target
FY 2006	●	100%	70%
FY 2005		New—no target to measure against	

* Prior to FY 2006, this outcome was known as “Strengthen U.S. industries.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barrier milestones completed			
Year	Status	Actual	Target
FY 2007	●	54%	85%
<p><i>Performance was not met, because:</i> Aspects of this milestone metric are affected by externalities. MAS set aggressive targets and ran into challenges when Japanese, Chinese and, other counterparts were not able or willing to move as fast as U.S. negotiators were hoping to move on meeting U.S. targets.</p> <p><i>Strategies for Improvement:</i> ITA intends to review the metric and adjust the milestone target to account for external factors outside of ITA's control as a corrective action.</p>			
Year	Status	Historical Results	Historical Target
FY 2006	●	81%	85%
FY 2005		New—no target to measure against	

PERFORMANCE OUTCOME: Broaden and deepen U.S. exporter base (ITA)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$124.0	\$129.0	\$75.3	\$217.7	\$226.4	\$252.7	\$264.1	\$261.4
FTE ¹	890	858	423	1,290	1,273	1,335	1,338	1,158

¹ FTE – Full-Time Equivalent

ITA PERFORMANCE MEASURE			
MEASURE: Number of advocacy successes for the fiscal year			
Year	Status	Actual	Target
FY 2007	●	41	35
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

* Prior to FY 2006, this outcome was known as "Expand U.S. exporter base."



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-market (NTM) export successes ¹			
Year	Status	Actual	Target
FY 2007	●	4,229	4,760
<p><i>Performance was not met, because:</i> There was a conscious decision made by US&FCS management to place more focus on the “new-to-export” category of successes rather than the “new-to-market” category. Domestic field staff devoted substantial time and effort to achieve the “new-to-export” target. This is the most difficult of the three export success metrics (increase-to-market, new-to-market, and new-to-export).</p> <p><i>Strategies for Improvement:</i> ITA will work to achieve a more balanced approach to hit all targets in FY 2008 for all categories as a corrective action.</p>			
Year	Status	Historical Results	Historical Target
FY 2006	●	4,110	4,760
FY 2005	●	4,888	4,760-5,500
FY 2004	●	4,759	6,200-6,300
FY 2003	●	6,278	6,500
FY 2002	●	5,740	5,900
FY 2001	●	5,386	4,540
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was “Number of U.S. exporters entering a new market.”

ITA PERFORMANCE MEASURE			
MEASURE: Number of increase-to-market (ITM) export successes			
Year	Status	Actual	Target
FY 2007	●	6,954	5,925
Year	Status	Historical Results	Historical Target
FY 2006	●	7,258	5,925
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-export (NTE) successes ¹			
Year	Status	Actual	Target
FY 2007	●	721	700
Year	Status	Historical Results	Historical Target
FY 2006	●	551	700
FY 2005	●	620	700-850
FY 2004	●	704	880-900
FY 2003	●	896	800
FY 2002	●	699	800
FY 2001	●	742	679
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was “Number of U.S. firms exporting for the first time.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Number of export successes made as a result of ITA involvement ¹			
Year	Status	Actual	Target
FY 2007	●	11,974	11,385
Year	Status	Historical Results	Historical Target
FY 2006	●	11,919	11,385
FY 2005	●	12,518	11,385-13,500
FY 2004	●	11,382	14,000-14,500
FY 2003	●	14,090	13,500
FY 2002	●	12,178	12,300
FY 2001	●	11,160	9,253
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was "Number of export transactions made as a result of ITA involvement."

ITA PERFORMANCE MEASURE			
MEASURE: Dollar value of advocacy cases completed successfully			
Year	Status	Actual	Target
FY 2007	●	\$32.6B	\$22.2B
Year	Status	Historical Results	Historical Target
FY 2006	●	\$33.2B	\$5.0B
FY 2005		New—no target to measure against	

PERFORMANCE OUTCOME: Increase access to the marketplace and financing for minority-owned businesses (MBDA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$29.8	\$27.9	\$28.3	\$29.0	\$28.7	\$29.8	\$29.8	\$29.9
FTE ¹	101	90	92	92	92	96	94	94

¹ FTE – Full-Time Equivalent

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained (billions)			
Year	Status	Actual	Target
FY 2007	●	\$1.2	\$0.85
Year	Status	Historical Results	Historical Target
FY 2006	●	\$1.17	\$0.85
FY 2005	●	\$1.10	\$0.80
FY 2004	●	\$0.95	\$0.80
FY 2003	●	\$0.70	\$1.00
FY 2002	●	\$1.30	\$1.00
FY 2001	●	\$1.60	\$0.70
FY 2000	●	\$1.20	\$0.60

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained (billions)			
Year	Status	Actual	Target
FY 2007	●	\$0.55	\$0.45
Year	Status	Historical Results	Historical Target
FY 2006	●	\$0.41	\$0.45
FY 2005	●	\$0.50	\$0.45
FY 2004	●	\$0.60	\$0.40
FY 2003	●	\$0.40	\$0.40
FY 2002	●	\$0.40	\$0.40
FY 2001	●	\$0.60	\$1.00
FY 2000	●	\$0.20	\$0.90

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	Status	Actual	Target
FY 2007	●	3,506	2,050
Year	Status	Historical Results	Historical Target
FY 2006	●	4,254	1,800
FY 2005	●	2,270	1,800
FY 2004		New—no target to measure against	

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in client gross receipts			
Year	Status	Actual	Target
FY 2007	●	5.0%	5.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	6%	5%
FY 2005	●	15%	5%
FY 2004		New—no target to measure against	

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in American Customer Satisfaction Index (ACSI) ¹			
Year	Status	Actual	Target
FY 2007	●	4%	3%
Year	Status	Historical Results	Historical Target
FY 2006	●	N/A	N/A
FY 2005	●	13%	5%
FY 2004		New—no target to measure against	

¹ The ACSI survey occurs only in odd years so data did not appear in FY 2006

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

OBJECTIVE 1.2 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$111.6	\$126.9	\$157.4	\$164.9	\$168.5	\$192.6	\$205.4	\$196.1
FTE ¹	757	733	929	940	975	998	986	892

¹ FTE – Full-Time Equivalent

PERFORMANCE OUTCOME: Identify and resolve unfair trade practices (ITA)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$59.0	\$68.0	\$92.8	\$88.1	\$94.6	\$115.8	\$123.3	\$115.2
FTE ¹	375	360	571	574	610	638	633	526

¹ FTE – Full-Time Equivalent

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of AD/CVD proceedings completed within statutory deadlines			
Year	Status	Actual	Target
FY 2007	●	100%	100%
Year	Status	Historical Results	Historical Target
FY 2006	●	100%	100%
FY 2005	●	100%	100%
FY 2004	●	100%	100%
FY 2003	●	100%	100%
FY 2002	●	100%	100%
FY 2001		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Number of market access and trade compliance cases initiated			
Year	Status	Actual	Target
FY 2007	●	187	160
Year	Status	Historical Results	Historical Target
FY 2006	●	178	150
FY 2005	●	160	160-170
FY 2004	●	161	150-160
FY 2003	●	144	180-210
FY 2002		New—no target to measure against	

* From FY 2002 - FY 2005, this outcome was known as "Ensure fair competition in international trade."

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Number of market access and compliance cases resolved			
Year	Status	Actual	Target
FY 2007	●	158	120
Year	Status	Historical Results	Historical Target
FY 2006	●	140	80
FY 2005	●	85	75-85
FY 2004	●	116	50-60
FY 2003	●	158	30-40
FY 2002		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases resolved successfully			
Year	Status	Actual	Target
FY 2007	●	54% / quarter	25% / quarter
Year	Status	Historical Results	Historical Target
FY 2006	●	46% / quarter	20% / quarter
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases initiated for on behalf of small and medium-sized businesses			
Year	Status	Actual	Target
FY 2007	●	22%	30%
<i>Performance was not met, because:</i> The market access and compliance (MAC) program set both the FY 2006 and FY 2007 targets without a baseline to determine the accuracy of the target range. This “stretch” target was initially established at 30 percent in the MAC PART. Having now reviewed two years of trend data, a more realistic target range is 21 to 23 percent.			
<i>Strategies for Improvement:</i> ITA intends to adjust the target to an ambitious but realistic level for FY 2008 as a corrective action.			
Year	Status	Historical Results	Historical Target
FY 2006	●	28%	30%

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases that have an action plan within 10 days of initiation			
Year	Status	Actual	Target
FY 2007	●	82% / quarter	75% / quarter
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OUTCOME: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$47.8	\$53.6	\$58.7	\$68.4	\$67.7	\$71.3	\$73.0	\$70.4
FTE ¹	350	342	328	336	335	330	309	324

¹ FTE – Full-Time Equivalent

BIS PERFORMANCE MEASURE			
MEASURE: Percent of licenses requiring interagency referral referred within 9 days			
Year	Status	Actual	Target
FY 2007	●	98%	95%
Year	Status	Historical Results	Historical Target
FY 2006	●	98%	95%
FY 2005		New—no target to measure against	

BIS PERFORMANCE MEASURE			
MEASURE: Median processing time for new regime regulations (months)			
Year	Status	Actual	Target
FY 2007	●	2.0	3.0
Year	Status	Historical Results	Historical Target
FY 2006	●	2.5	3.0
FY 2005	●	1.0	3.0
FY 2004	●	2.0	3.0
FY 2003	●	7.0	3.0
FY 2002		New—no target to measure against	

BIS PERFORMANCE MEASURE			
MEASURE: Percent of attendees rating seminars highly			
Year	Status	Actual	Target
FY 2007	●	90%	85%
Year	Status	Historical Results	Historical Target
FY 2006	●	90%	85%
FY 2005		New—no target to measure against	

* From FY 2002 - FY 2005, this outcome was known as "Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system."



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2007	●	100%	100%
Year	Status	Historical Results	Historical Target
FY 2006	●	100%	100%
FY 2005		New—no target to measure against	

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 ¹			
Year	Status	Actual	Target
FY 2007	●	930	450
Year	Status	Historical Results	Historical Target
FY 2006	●	872	350
FY 2005	●	583	275
FY 2004	●	310	250
FY 2003	●	250	85
FY 2002	●	82	75
FY 2001	●	81	70
FY 2000	●	93	80

¹ Prior to FY 2007, this measure was under the outcome “Eliminate illicit export activity outside the global export control and treaty compliance system,” which was discontinued in FY 2007.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OUTCOME: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)**

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$1.5	\$1.6	\$1.8	\$4.4	\$2.7	\$1.8	\$2.8	\$4.6
FTE ¹	14	13	13	13	13	13	13	12

¹ FTE – Full-Time Equivalent

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed ¹			
Year	Status	Actual	Target
FY 2007	●	854	850
Year	Status	Historical Results	Historical Target
FY 2006	●	942	700
FY 2005		New—no target to measure against	

¹ Prior to FY 2007, this measure was under the outcome “Eliminate illicit export activity outside the global export control and treaty compliance, which was discontinued in FY 2007.”

PERFORMANCE OUTCOME: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)***

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$3.3	\$3.7	\$4.1	\$4.0	\$3.5	\$3.7	\$6.3	\$5.9
FTE ¹	18	18	17	17	17	17	31	30

¹ FTE – Full-Time Equivalent

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 2007	●	100%	100%
Year	Status	Historical Results	Historical Target
FY 2006	●	N/A ¹	100%
FY 2005		New—no target to measure against	

¹ 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.

* From FY 2000 - FY 2005, this outcome was known as “Enhance the export and transit controls of nations seeking to improve their export control systems.”

** In FY 2007, BIS eliminated the outcome, “Eliminate illicit export activity outside the global export control and treaty compliance system.” The funds that were previously shown for that outcome for FY 2000 - FY 2006, have been added to this outcome.

***Prior to FY 2006, this outcome was known as “Ensure U.S. industry compliance with the CWC agreement.”

STRATEGIC OBJECTIVE 1.3

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

OBJECTIVE 1.3 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$4,644.0	\$1,024.9	\$866.2	\$920.9	\$1,008.9	\$1,097.7	\$1,164.5	\$1,260
FTE ¹	86,867	10,854	8,908	8,223	8,563	8,976	9,321	8,954

¹ FTE – Full-Time Equivalent

PERFORMANCE OUTCOME: Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual ²	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$4,589.5	\$967.0	\$799.5	\$846.9	\$930.1	\$1,013.6	\$1,078.9	\$1,173
FTE ¹	86,399	10,380	8,420	7,729	8,038	8,433	8,778	8,418

¹ FTE – Full-Time Equivalent
² Total obligations for performance outcome excludes the Working Capital Fund obligations financed by other Census Bureau funds and are already reflected in the results for the other funds.

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 2007	●	Met percentages	90% of key censuses & surveys meet/exceed collection rates/levels of reliability
Year	Status	Historical Results	Historical Target
FY 2006	●	Met percentages	90% of key censuses & surveys meet/exceed collection rates/levels of reliability
FY 2005	●	Met percentages	Various %s - see FY 2006 APP
FY 2004	●	Met percentages	Various %s - see FY 2005 APP
FY 2003	●	Met percentages	Various %s - see FY 2004 APP
FY 2002	●	100%	100%
FY 2001	●	100%	100%
FY 2000	●	100%	100%

* In FY 2004, Census combined all their outcomes into this outcome.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2007	●	1) 100% of Economic Indicators released on time 2) >89% of other key censuses & surveys data released on time	1) 100% of Economic Indicators released on time 2) >89% of other key censuses & surveys data released on time
Year	Status	Historical Results	Historical Target
FY 2006	●	1) 100% of Economic Indicators 2) 100% of other products	1) 100% of Economic Indicators released on time 2) >89% of other key censuses & surveys data released on time
FY 2005	●	22 products	22 products
FY 2004	●	10 products	7 products
FY 2003	●	2 products	3 products
FY 2002	●	Maintained FY 1999 time	Maintain FY 1999 time
FY 2001	●	Maintained FY 1999 time	Maintain FY 1999 time
FY 2000	●	Maintained FY 1999 time	Maintain FY 1999 time

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			
Year	Status	Actual	Target
FY 2007	●	737	690
Year	Status	Historical Results	Historical Target
FY 2006	●	700	700
FY 2005	●	623	610
FY 2004	●	602	600
FY 2003	●	250	250
FY 2002	●	Prepared plan and systems to measure housing unit coverage	Prepare plan and systems to measure housing unit coverage
FY 2001		New—no target to measure against	

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 2007	●	>89% of key prep activities completed on time	>89% of key prep activities completed on time
Year	Status	Historical Results	Historical Target
FY 2006	●	100% of activities completed on time	>89% of key prep activities completed on time
FY 2005	●	Activities completed on time	Various activities with different dates
FY 2004		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI)			
Year	Status	Actual	Target
FY 2007	●	74	71
Year	Status	Historical Results	Historical Target
FY 2006	●	72	71
FY 2005	●	73	73
FY 2004	●	71	72
FY 2003		New—no target to measure against	

PERFORMANCE OUTCOME: Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual ²	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$54.5	\$57.9	\$66.7	\$74.0	\$78.8	\$84.1	\$85.6	\$87.0
FTE ¹	468	474	488	494	525	543	543	536

¹ FTE – Full-Time Equivalent

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)			
Year	Status	Actual	Target
FY 2007	●	54 of 54	54 of 54
Year	Status	Historical Results	Historical Target
FY 2006	●	54 of 54	54 of 54
FY 2005	●	54 of 54	54 of 54
FY 2004	●	54 of 54	54 of 54
FY 2003	●	48 of 48	48 of 48
FY 2002	●	50 of 50 ¹	50 of 50
FY 2001	●	100%	100%
FY 2000	●	100%	100%

¹ In FY 2002 the format was changed to express the ratio of scheduled releases to those issued on time rather than the percentage of releases successfully released on time.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)			
Year	Status	Actual	Target
FY 2007	●	4.3	Greater than 4.0
Year	Status	Historical Results	Historical Target
FY 2006	●	4.2	Greater than 4.0
FY 2005	●	4.4	Greater than 4.0
FY 2004	●	4.3	Greater than 4.0
FY 2003	●	4.4	Greater than 4.0
FY 2002	●	4.3	Greater than 4.0
FY 2001	●	N/A ¹	Greater than 4.0
FY 2000	●	4.3	Greater than 4.0

¹ Due to budget constraints, the FY 2001 survey was postponed until FY 2002.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Accuracy: Percent of GDP estimates correct ¹			
Year	Status	Actual	Target
FY 2007	●	93%	>85%
Year	Status	Historical Results	Historical Target
FY 2006	●	96%	>85%
FY 2005	●	96%	>85%
FY 2004	●	88%	>84%
FY 2003	●	88%	>84%
FY 2002	●	83%	
FY 2001	●	91%	
FY 2000	●	93%	

¹ BEA has actual data for FY 2000 - FY 2007, but did not begin tracking targets until FY 2003.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Improving GDP and the economic accounts ¹			
Year	Status	Actual	Target
FY 2007	●	Completed strategic plan milestones	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2006	●	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2005	●	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2004	●	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2003	●	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2002	●	Developed new measures to address gaps and updated BEA's accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts.	Develop new measures to address gaps and updated BEA's accounts; design prototype of new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts
FY 2001		New—no target to measure against	

¹ The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on www.bea.gov.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Accelerating economic estimates ¹			
Year	Status	Actual	Target
FY 2007	●	Completed strategic plan milestones	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2006	●	Completed all major milestones related to accelerating economic estimates	Completion of strategic plan milestones
FY 2005	●	Completed all major milestones related to accelerating economic estimates	Completion of strategic plan milestones
FY 2004	●	Completed all major milestones related to accelerating economic estimates	Completion of strategic plan milestones
FY 2003	●	Completed all major milestones related to accelerating economic estimates	Completion of strategic plan milestones
FY 2002		New—no target to measure against	

¹ The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on www.bea.gov.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Meeting U.S. international obligations ¹			
Year	Status	Actual	Target
FY 2007	●	Completed strategic plan milestones	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2006	●	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2005	●	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2004	●	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2003	●	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2002		New—no target to measure against	

¹ The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on www.bea.gov.

STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

STRATEGIC GOAL 2 TOTAL RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$1,912.6	\$1,945.0	\$2,109.2	\$2,241.3	\$2,147.5	\$2,456.8	\$2,719.5	\$3,803.5
FTE ¹	9,578	9,575	10,068	10,074	10,005	10,022	10,590	11,451

¹ FTE – Full-Time Equivalent

STRATEGIC OBJECTIVE 2.1

Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

OBJECTIVE 2.1 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$970.0	\$819.0	\$913.5	\$952.8	\$830.1	\$878.5	\$974.2	\$891.0
FTE ¹	3,351	3,207	3,231	3,242	3,109	2,938	2,896	2,891

¹ FTE – Full-Time Equivalent

PERFORMANCE OUTCOME: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation’s measurements and standards infrastructure (NIST)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 ² Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$628.5	\$502.1	\$579.2	\$614.1	\$576.8	\$621.6	\$762.4	\$662.4
FTE ¹	2,760	2,685	2,707	2,725	2,672	2,503	2,550	2,566

¹ FTE – Full-Time Equivalent
² The TA/US and NIST-Baldrige performance outcomes were discontinued in FY 2005. FY 2002 - FY 2006 funding amounts are included in this outcome.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	Status	Actual	Target
FY 2007	●	Completed	Complete annual review
Year	Status	Historical Results	Historical Target
FY 2006	●	Completed	Complete annual review
FY 2005	●	Completed	Complete annual review
FY 2004	●	Completed	Complete annual review
FY 2003	●	Completed	Complete annual review
FY 2002	●	Completed	Complete annual review
FY 2001	●	Completed	Complete annual review
FY 2000	●	Completed	Complete annual review

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	Status	Actual	Target
FY 2007	●	1,272	1,100
Year	Status	Historical Results	Historical Target
FY 2006	●	1,163	1,100
FY 2005	●	1,148	1,100
FY 2004	●	1,070	1,300
FY 2003		New—no target to measure against	1,267

NIST PERFORMANCE MEASURE			
MEASURE: Standard Reference Materials (SRM) sold ¹			
Year	Status	Actual	Target
FY 2007	●	32,614	30,000
Year	Status	Historical Results	Historical Target
FY 2006	●	31,195	30,000
FY 2005	●	32,163	29,500
FY 2004	●	30,490	29,500
FY 2003	●	1,214	1,360
FY 2002	●	1,353	1,350
FY 2001	●	1,335	1,315
FY 2000	●	1,292	1,300

¹ From FY 2000 - FY 2003 this was SRMs available.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	Status	Actual	Target
FY 2007	●	130,000,000	80,000,000
<i>Performance was exceeded, because:</i> FY 2007 measure exceeded target due to improved methods for counting. New method will include all dataset downloads from nist.gov, time.gov and other websites. FY 2008, FY 2009 targets will reflect new method			
Year	Status	Historical Results	Historical Target
FY 2006	●	94,371,001	80,000,000
FY 2005	●	93,305,136	80,000,000
FY 2004	●	73,601,352	56,000,000
FY 2003		New—no target to measure against	

NIST PERFORMANCE MEASURE			
MEASURE: Number of calibration tests performed			
Year	Status	Actual	Target
FY 2007	●	27,489 ¹	12,000
Year	Status	Historical Results	Historical Target
FY 2006	●	3,026	2,700
FY 2005	●	3,145	2,700
FY 2004	●	3,376	2,800
FY 2003	●	3,194	2,900
FY 2002	●	2,924	2,900
FY 2001	●	3,192	3,100
FY 2000	●	2,969	3,200

¹ From FY 2000 to FY 2006, this measure reflected the number of items tested, an amount considerably lower than the number of tests performed.

NIST PERFORMANCE MEASURE			
MEASURE: Citation impact of NIST-authored publications			
Year	Status	Actual	Target
FY 2007	●	>1.1 ¹	>1.1
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

¹ Actuals for this measure lag six months. The actual shown here is based on FY 2006 data.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OUTCOME: Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$198.8	\$175.8	\$198.1	\$199.7	\$187.2	\$138.3	\$72.7	\$93.4
FTE ¹	270	239	249	247	204	207	135	127

¹ FTE – Full-Time Equivalent

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of publications			
Year	Status	Actual	Target
FY 2007	●	1,910 from FY 2006 funding	1,710 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	1,701 from FY 2005 funding	1,520 from FY 2005 funding
FY 2005	●	1,452 from FY 2004 funding	990 from FY 2004 funding
FY 2004	●	1,245 from FY 2003 funding	840 from FY 2003 funding
FY 2003	●	969 from FY 2002 funding	770 from FY 2002 funding
FY 2002	●	747 from FY 2001 funding	720 from FY 2001 funding
FY 2001	●	565 from FY 2000 funding	680 from FY 2000 funding
FY 2000	●	468 from FY 1999 funding	480 from FY 1999 funding

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of patents			
Year	Status	Actual	Target
FY 2007	●	1,507 from FY 2006 funding	1,510 from FY 2006 funding
<i>Performance was not met, because:</i>			
The difference between the target and actual was extremely small. However the Commerce standard of 100% = green, precludes this from being green. The yellow category was created for such a circumstance.			
Year	Status	Historical Results	Historical Target
FY 2006	●	1,418 from FY 2005 funding	1,340 from FY 2005 funding
FY 2005	●	1,254 from FY 2004 funding	1,220 from FY 2004 funding
FY 2004	●	1,171 from FY 2003 funding	1,020 from FY 2003 funding
FY 2003	●	939 from FY 2002 funding	930 from FY 2002 funding
FY 2002	●	800 from FY 2001 funding	790 from FY 2001 funding
FY 2001	●	693 from FY 2000 funding	770 from FY 2000 funding
FY 2000	●	607 from FY 1999 funding	640 from FY 1999 funding

* Actuals for this performance outcome lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which they report actuals one year later (i.e., FY 2004 actuals are reflected in the FY 2005 PAR). This data lag, coupled with the timeline for producing the PAR, precludes the reporting of actual FY 2007 data. These 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.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of projects with technologies under commercialization			
Year	Status	Actual	Target
FY 2007	●	377 from FY 2006 funding	360 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	346 from FY 2005 funding	320 from FY 2005 funding
FY 2005	●	296 from FY 2004 funding	250 from FY 2004 funding
FY 2004	●	271 from FY 2003 funding	210 from FY 2003 funding
FY 2003	●	244 from FY 2002 funding	190 from FY 2002 funding
FY 2002	●	195 from FY 2001 funding	180 from FY 2001 funding
FY 2001	●	166 from FY 2000 funding	170 from FY 2000 funding
FY 2000	●	120 from FY 1999 funding	120 from FY 1999 funding

PERFORMANCE OUTCOME: Raise the productivity and competitiveness of small manufacturers (NIST)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 ² Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$104.4	\$106.4	\$108.5	\$111.3	\$46.9	\$102.7	\$111.9	107.3
FTE ¹	91	87	89	89	68	71	67	67

¹ FTE – Full-Time Equivalent
² FY 2005 targets were based on FY 2004 consolidated appropriations bill, which included an annual level for MEP of \$39.6 million (which, less rescissions, netted \$38.7 million). Due to the funding cycle of MEP centers, the MEP system was able (on a one-time basis) to manage the funding decrease in FY 2004 with minimal impact to actual Center funding levels. The MEP system would not be able to sustain the current number of centers in the event of future funding cuts of a similar nature.

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2007	●	24,722 from FY 2006 funding	16,440 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	16,448 from FY 2005 funding	16,640 from FY 2005 funding
FY 2005	●	16,090 from FY 2004 funding	6,517 from FY 2004 funding
FY 2004	●	18,422 from FY 2003 funding	16,684 from FY 2003 funding
FY 2003	●	18,748 from FY 2002 funding	21,543 from FY 2002 funding
FY 2002		New—no target to measure against	

* Actuals for this performance outcome lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which they report actuals one year later (i.e., FY 2004 actuals are reflected in the FY 2005 PAR). This data lag, coupled with the timeline for producing the PAR, precludes the reporting of actual FY 2007 data. These 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.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2007	●	3,460 from FY 2006 funding	\$591 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	\$2,842 from FY 2005 funding	\$591 from FY 2005 funding
FY 2005	●	\$1,889 from FY 2004 funding	\$228 from FY 2004 funding
FY 2004	●	\$1,483 from FY 2003 funding	\$522 from FY 2003 funding
FY 2003	●	\$953 from FY 2002 funding	\$728 from FY 2002 funding
FY 2002	●	\$636 from FY 2001 funding	\$708 from FY 2001 funding
FY 2001	●	\$698 from FY 2000 funding	\$670 from FY 2000 funding
FY 2000	●	\$425 from FY 1999 funding	\$443 from FY 1999 funding

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2007	●	1,270 from FY 2006 funding	\$740 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	\$2,248 from FY 2005 funding	\$740 from FY 2005 funding
FY 2005	●	\$941 from FY 2004 funding	\$285 from FY 2004 funding
FY 2004	●	\$912 from FY 2003 funding	\$559 from FY 2003 funding
FY 2003	●	\$940 from FY 2002 funding	\$910 from FY 2002 funding
FY 2002	●	\$680 from FY 2001 funding	\$913 from FY 2001 funding
FY 2001	●	\$873 from FY 2000 funding	\$864 from FY 2000 funding
FY 2000	●	\$576 from FY 1999 funding	\$359 from FY 1999 funding

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2007	●	\$919 from FY 2006 funding	\$405 from FY 2006 funding
Year	Status	Historical Results	Historical Target
FY 2006	●	\$1,304 from FY 2005 funding	\$405 from FY 2005 funding
FY 2005	●	\$721 from FY 2004 funding	\$156 from FY 2004 funding
FY 2004	●	\$586 from FY 2003 funding	\$353 from FY 2003 funding
FY 2003	●	\$681 from FY 2002 funding	\$497 from FY 2002 funding
FY 2002	●	\$442 from FY 2001 funding	\$576 from FY 2001 funding
FY 2001	●	\$482 from FY 2000 funding	\$545 from FY 2000 funding
FY 2000		New—no target to measure against	

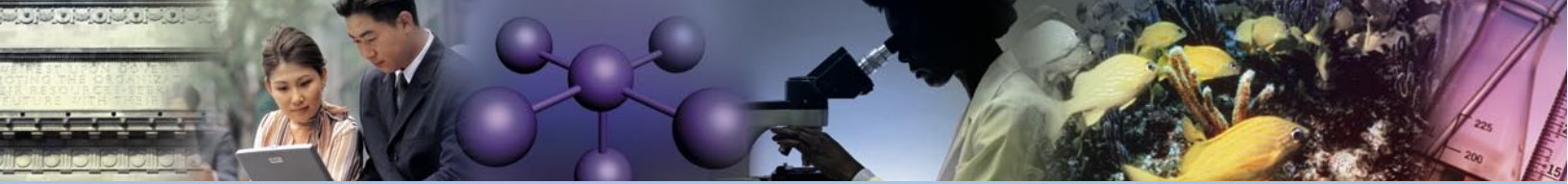
PERFORMANCE OUTCOME: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$38.3	\$34.7	\$27.7	\$27.7	\$19.2	\$15.9	\$27.2	\$27.9
FTE ¹	230	196	186	181	165	157	144	131

¹ FTE – Full-Time Equivalent

NTIS PERFORMANCE MEASURE			
MEASURE: Number of updated items available (annual)			
Year	Status	Actual	Target
FY 2007	●	744,322	665,000
Year	Status	Historical Results	Historical Target
FY 2006	●	673,807	660,000
FY 2005	●	658,138	530,000
FY 2004	●	553,235	525,000
FY 2003	●	530,910	520,000
FY 2002	●	514,129	510,000
FY 2001		New—no target to measure against	

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	Status	Actual	Target
FY 2007	●	32,027,113	27,100,000
Year	Status	Historical Results	Historical Target
FY 2006	●	30,616,338	27,000,000
FY 2005	●	26,772,015	25,800,000
FY 2004	●	25,476,424	18,000,000
FY 2003	●	29,134,050	17,000,000
FY 2002	●	16,074,862	16,000,000
FY 2001		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NTIS PERFORMANCE MEASURE			
MEASURE: Customer satisfaction			
Year	Status	Actual	Target
FY 2007	●	98%	95-98%
Year	Status	Historical Results	Historical Target
FY 2006	●	98%	95-98%
FY 2005	●	98%	98%
FY 2004	●	96%	98%
FY 2003	●	97%	98%
FY 2002	●	98%	97%
FY 2001		New—no target to measure against	

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

OBJECTIVE 2.2 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$872.2	\$1,008.5	\$1,099.5	\$1,190.9	\$1,233.3	\$1,508.4	\$1,674.4	\$1,766.4
FTE ¹	6,007	6,149	6,593	6,581	6,627	6,825	7,446	8,291

¹ FTE – Full-Time Equivalent

PERFORMANCE OUTCOME: Optimize patent quality and timeliness (USPTO)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$738.3	\$887.3	\$976.6	\$1,019.6	\$1,059.3	\$1,245.8	\$1,347.9	\$1,506.8
FTE ¹	5,136	5,316	5,720	5,815	5,899	6,021	5,994	7,073

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Patent allowance compliance rate ¹			
Year	Status	Actual	Target
FY 2007	●	96.5%	96.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	3.5%	4.0%
FY 2005	●	4.6%	4.0%
FY 2004	●	5.3%	4.0%
FY 2003	●	4.4%	4.0%
FY 2002	●	4.2%	5.0%
FY 2001	1	5.4%	
FY 2000		6.6%	

¹ Prior to FY 2007, this measure was known as “Patent error rate (allowance).” The new wording is in effect the inverse of that measure.

² Prior to FY 2002, USPTO had not yet developed targets though it had tracked the data.

* Prior to FY 2007, this outcome was known as “Improve the quality of patent products and services and optimize patent processing time.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Patent in-process examination compliance rate			
Year	Status	Actual	Target
FY 2007	●	92.2%	90.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	90.0%	86.0%
FY 2005	●	86.2%	84.0%
FY 2004		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average first action pendency (months)			
Year	Status	Actual	Target
FY 2007	●	25.3	23.7
<i>Performance was not met, because:</i> This target was not met due to the outdated patent pendency model that was used to forecast and set the target for this measure.			
<i>Strategies for Improvement:</i> USPTO plans to examine these issues by contracting with a forecast modeling expert. The expert will also provide USPTO with advice on how to best project first action pendency.			
Year	Status	Historical Results	Historical Target
FY 2006	●	22.6	22.0
FY 2005	●	21.1	21.3
FY 2004	●	20.2	20.2
FY 2003	●	18.3	18.4
FY 2002	●	16.7	14.7
FY 2001	●	14.4	13.9
FY 2000	●	13.6	14.2

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average total pendency (months)			
Year	Status	Actual	Target
FY 2007	●	31.9	33.0
Year	Status	Historical Results	Historical Target
FY 2006	●	31.1	31.3
FY 2005	●	29.1	31.0
FY 2004	●	27.6	29.8
FY 2003	●	26.7	27.7
FY 2002	●	24.0	26.5
FY 2001	●	24.7	26.2
FY 2000	●	25.0	26.2



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Patent efficiency (cost per patent production unit)			
Year	Status	Actual	Target
FY 2007	●	\$3,961	\$4,253
Year	Status	Historical Results	Historical Target
FY 2006	●	\$3,798	\$4,214
FY 2005	●	\$3,877	\$4,122
FY 2004	●	\$3,556	\$3,502
FY 2003	●	\$3,329	\$3,444
FY 2002	¹	\$3,376	
FY 2001		\$3,210	
FY 2000		\$2,917	

¹ Prior to FY 2003, USPTO had not yet developed targets though it had tracked the data.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically ¹			
Year	Status	Actual	Target
FY 2007	●	49.3%	40.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	14.2%	10.0%
FY 2005	●	2.2%	4.0%
FY 2004	●	1.5%	2.0%
FY 2003	●	1.3%	2.0%
FY 2002		New—no target to measure against	

¹ Prior to FY 2007, this measure was under the outcome “Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide,” which was reworded in FY 2007 so as to reflect a focus on worldwide activities.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications managed electronically ¹			
Year	Status	Actual	Target
FY 2007	●	99.9%	99.9%
Year	Status	Historical Results	Historical Target
FY 2006	●	99.9%	99.0%
FY 2005	●	96.7%	90.0%
FY 2004	●	88.0%	70.0%
FY 2003		New—no target to measure against	

¹ Prior to FY 2007, this measure was under the outcome “Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide,” which was reworded in FY 2007 so as to reflect a focus on worldwide activities.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OUTCOME: Optimize trademark quality and timeliness (USPTO)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$133.3	\$120.2	\$122.9	\$119.4	\$112.0	\$144.9	\$149.6	\$191.2
FTE ¹	871	942	873	719	693	730	665	897

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action compliance rate ¹			
Year	Status	Actual	Target
FY 2007	●	95.9%	95.5%
Year	Status	Historical Results	Historical Target
FY 2006	●	4.3%	6.5%
FY 2005	●	4.7%	7.5%
FY 2004	●	7.9%	8.3%
FY 2003		New—no target to measure against	

¹ Prior to FY 2007, this measure was known as “Trademark first action deficiency rate.” The new wording is in effect the inverse of that measure.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final action compliance rate ¹			
Year	Status	Actual	Target
FY 2007	●	97.4%	96.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	3.6%	6.5%
FY 2005	●	5.9%	5.0%
FY 2004	●	5.8%	5.0%
FY 2003		New—no target to measure against	

¹ Prior to FY 2007, this measure was known as “Trademark final action deficiency rate.” The new wording is in effect the inverse of that measure.

* Prior to FY 2007, this outcome was known as “Improve the quality of trademark products and services and optimize trademark processing time.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark efficiency (cost per trademark production unit)			
Year	Status	Actual	Target
FY 2007	●	\$660	\$685
Year	Status	Historical Results	Historical Target
FY 2006	●	\$565	\$635
FY 2005	●	\$677	\$701
FY 2004	●	\$542	\$583
FY 2003	●	\$433	\$683
FY 2002	1	\$487	
FY 2001		\$501	
FY 2000		\$568	

¹ Prior to FY 2003, USPTO had not yet developed targets though it had tracked the data.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	Status	Actual	Target
FY 2007	●	2.9	3.7
Year	Status	Historical Results	Historical Target
FY 2006	●	4.8	5.3
FY 2005	●	6.3	6.4
FY 2004	●	6.6	5.4
FY 2003	●	5.4	3.0
FY 2002	●	4.3	3.0
FY 2001	●	2.7	6.6
FY 2000	●	5.7	4.5

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency (months)			
Year	Status	Actual	Target
FY 2007	●	15.1	17.3
Year	Status	Historical Results	Historical Target
FY 2006	●	18.0	18.8
FY 2005	●	19.6	20.3
FY 2004	●	19.5	21.6
FY 2003	●	19.8	15.5
FY 2002	●	19.9	15.5
FY 2001	●	17.8	18.0
FY 2000	●	17.3	18.0

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications filed electronically ¹			
Year	Status	Actual	Target
FY 2007	●	95.4%	90%
Year	Status	Historical Results	Historical Target
FY 2006	●	93.8%	80.0%
FY 2005	●	88.0%	70.0%
FY 2004	●	73.0%	65.0%
FY 2003	●	57.5%	80.0%
FY 2002	●	38.0%	50.0%
FY 2001	●	24.0%	30.0%
FY 2000		New—no target to measure against	

¹ Prior to FY 2007, this measure was under the outcome "Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide;" which was reworded in FY 2007 so as to reflect a focus on worldwide activities.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications managed electronically ¹			
Year	Status	Actual	Target
FY 2007	●	99.99%	99.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	99.98%	99.0%
FY 2005	●	99.0%	99.0%
FY 2004	●	98.0%	80.0%
FY 2003		New—no target to measure against	

¹ Prior to FY 2007, this measure was under the outcome "Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide;" which was reworded in FY 2007 so as to reflect a focus on worldwide activities.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average pendency excluding suspended and inter partes cases (months)			
Year	Status	Actual	Target
FY 2007	●	13.4	14.8
Year	Status	Historical Results	Historical Target
FY 2006	●	15.5	16.3
FY 2005		New—no target to measure against	

PERFORMANCE OUTCOME: Improve intellectual property and enforcement domestically and abroad (USPTO)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	N/A	N/A	NA	\$51.9	\$62.0	\$117.7	\$176.9	\$68.4
FTE ¹				47	102	74	787	321

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards			
Year	Status	Actual	Target
FY 2007	●	461	80
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Improving worldwide IP expertise for U.S. government interests			
Year	Status	Actual	Target
FY 2007	●	17	10
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Plans of actions, mechanisms, and support programs initiated or implemented in developing countries			
Year	Status	Actual	Target
FY 2007	●	15	8
Year	Status	Historical Results	Historical Target
FY 2006		New—no target to measure against	

* Prior to FY 2007, this outcome was known as "Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide."

STRATEGIC OBJECTIVE 2.3

Advance the development of global e-commerce and enhanced telecommunications and information services

OBJECTIVE 2.3 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual ²
Total Funding	\$70.4	\$117.5	\$96.2	\$97.6	\$84.4	\$69.9	\$70.9	\$1,146.1
FTE ¹	220	219	244	251	269	259	248	269

¹ FTE – Full-Time Equivalent
² In FY 2007, \$1,070.3 was provided to the newly formed Digital Television and Public Safety Program.

PERFORMANCE OUTCOME: Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$19.8	\$21.5	\$23.4	\$24.5	\$28.5	\$30.4	\$36.8	\$36.8
FTE ¹	135	133	141	147	159	169	162	154

¹ FTE – Full-Time Equivalent

NTIA PERFORMANCE MEASURE			
MEASURE: Timeliness of processing (days)			
Year	Status	Actual	Target
FY 2007	●	9	9 or fewer
Year	Status	Historical Results	Historical Target
FY 2006	●	9	9 or fewer
FY 2005	●	10	12
FY 2004	●	<12	12
FY 2003	●	15	15
FY 2002		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Certification request processing time (months)			
Year	Status	Actual	Target
FY 2007	●	4	4 or fewer
Year	Status	Historical Results	Historical Target
FY 2006	●	4	4 or fewer
FY 2005		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NTIA PERFORMANCE MEASURE			
MEASURE: Space system coordination request processing time			
Year	Status	Actual	Target
FY 2007	●	97%	80% in 14 days or fewer
Year	Status	Historical Results	Historical Target
FY 2006	●	95%	80% in 14 days or fewer
FY 2005		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Spectrum plans and policies processing time			
Year	Status	Actual	Target
FY 2007	●	11 days	Comments in 15 days or fewer
Year	Status	Historical Results	Historical Target
FY 2006	●	13 days	Comments in 15 days or fewer
FY 2005		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Milestones completed from the implementation plan of the President's Spectrum Policy Initiative			
Year	Status	Actual	Target
FY 2007	●	23 of 29	23 of 29
Year	Status	Historical Results	Historical Target
FY 2006	●	18 out of 22	18 out of 22
FY 2005		New—no target to measure against	

PERFORMANCE OUTCOME: Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 ² Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$50.6	\$96.0	\$72.8	\$73.1	\$55.9	\$39.5	\$34.1	1,109.3
FTE ¹	85	86	103	104	110	90	86	115

¹ FTE – Full-Time Equivalent

² Amounts for FYs 2002-2004 include those for the discontinued outcome "Increase competition within the telecommunications sector and promote universal access to telecommunications services for all Americans."

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NTIA PERFORMANCE MEASURE			
MEASURE: Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings in which Administration views are advocated			
Year	Status	Actual	Target
FY 2007	●	8 dockets and proceedings	5 dockets and proceedings
Year	Status	Historical Results	Historical Target
FY 2006	●	12 dockets and proceedings	5 dockets and proceedings
FY 2005	●	5 dockets and proceedings	5 dockets and proceedings
FY 2004		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Number of Web site views for research publications			
Year	Status	Actual	Target
FY 2007	●	105,000/month	75,000/month
Year	Status	Historical Results	Historical Target
FY 2006	●	94,000/month	75,000/month
FY 2005		New—no target to measure against	75,000/month

STRATEGIC GOAL 3

Observe, protect, and manage the Earth's resources to promote environmental stewardship

STRATEGIC GOAL 3 TOTAL RESOURCES (Dollars in Millions)								
	FY 2000 ² Actual	FY 2001 ² Actual	FY 2002 ² Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$2,455.4	\$3,254.8	\$3,398.4	\$3,458.6	\$3,802.0	\$4,064.0	\$4,507.3	\$4,321.2
FTE ¹	10,329	11,473	11,585	11,898	11,868	11,918	12,896	11,933

¹ FTE – Full-Time Equivalent
² In FY 2001, NOAA shifted from seven performance objectives to four performance objectives. Funding and FTE data for FY 1999 - FY 2001 reflect the best approximations of the funding and FTE from the seven objectives as they would correspond to the new, four objectives. In FY 2002, NOAA added a "Mission Support" objective (without any measures), but with funding, resulting in a significant decrease in funding for the ecosystem objective between FY 2001 and FY 2002, and the weather and water objective between FY 2003 and FY 2004.

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

OBJECTIVE 3.1 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$1,477.3	\$1,614.8	\$1,500.8	\$1,631.6	\$1,123.1	\$1,155.0	\$1,165.3	\$1,159.4
FTE ¹	6,289	6,690	5,885	5,537	5,363	5,253	5,572	5,165

¹ FTE – Full-Time Equivalent

PERFORMANCE OBJECTIVE: Serve society's needs for weather and water information (NOAA)

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$1,260.9	\$1,376.0	\$1,188.8	\$1,284.1	\$883.6	\$898.1	\$929.2	\$900.7
FTE ¹	5,812	5,997	5,100	4,912	4,760	4,654	4,907	4,708

¹ FTE – Full-Time Equivalent

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (county-based) – Lead time (minutes) ¹			
Year	Status	Actual	Target
FY 2007	●	14 ²	13
Year	Status	Historical Results	Historical Target
FY 2006	●	13	13
FY 2005	●	13	13
FY 2004	●	13	12
FY 2003	●	13	12
FY 2002	●	12	11
FY 2001	●	10	13
FY 2000	●	10	12

¹ Prior to FY 2007, this measure was known as “Tornado warnings lead time (minutes).”

² Projected. Final – December 2007.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (county-based) – Accuracy (%) ¹			
Year	Status	Actual	Target
FY 2007	●	80% ²	76%
Year	Status	Historical Results	Historical Target
FY 2006	●	75%	76%
FY 2005	●	76%	73%
FY 2004	●	75%	72%
FY 2003	●	79%	72%
FY 2002	●	76%	69%
FY 2001	●	67%	68%
FY 2000	●	63%	70%

¹ Prior to FY 2007, this measure was known as “Tornado warnings accuracy (%).”

² Projected. Final – December 2007.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (county-based) – False alarm rate (%) ¹			
Year	Status	Actual	Target
FY 2007	●	75% ²	75%
Year	Status	Historical Results	Historical Target
FY 2006	●	79%	75%
FY 2005	●	77%	73%
FY 2004	●	74%	70%
FY 2003	●	76%	72%
FY 2002	●	73%	71%
FY 2001	●	73%	73%
FY 2000	●	76%	65%

¹ Prior to FY 2007, this measure was known as "Tornado warnings false alarm rate (%)."

² Projected. Final – December 2007.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods – Lead time (minutes) ¹			
Year	Status	Actual	Target
FY 2007	●	61 ²	48
Year	Status	Historical Results	Historical Target
FY 2006	●	49	48
FY 2005	●	54	48
FY 2004	●	47	50
FY 2003	●	41	47
FY 2002	●	52	45
FY 2001	●	46	45
FY 2000	●	43	55

¹ Prior to FY 2007, this measure was known as "Flash flood warnings lead time (minutes)."

² Projected. Final – December 2007.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods – Accuracy (%) ¹			
Year	Status	Actual	Target
FY 2007	●	91% ²	89%
Year	Status	Historical Results	Historical Target
FY 2006	●	89%	89%
FY 2005	●	89%	89%
FY 2004	●	89%	88%
FY 2003	●	89%	87%
FY 2002	●	89%	86%
FY 2001	●	86%	86%
FY 2000	●	86%	86%

¹ Prior to FY 2007, this measure was known as “Flash flood warnings accuracy (%)”

² Projected. Final – December 2007.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast track error (48 hours) (nautical miles)			
Year	Status	Actual	Target
FY 2007	●	97 ¹	110
Year	Status	Historical Results	Historical Target
FY 2006	●	97	111
FY 2005	●	101	128
FY 2004	●	94	129
FY 2003	●	107	130
FY 2002	●	122	142
FY 2001		New—no target to measure against	

¹ Since final data will not be available until February 2008, and a good estimate cannot be determined, beginning in FY 2007, NOAA will report the previous year’s results.

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts ¹			
Year	Status	Actual	Target
FY 2007	●	31	29
Year	Status	Historical Results	Historical Target
FY 2006	●	30	28
FY 2005	●	29	27
FY 2004	●	29	25
FY 2003	●	29	25
FY 2002	●	26	17
FY 2001	●	19	22
FY 2000	●	16	20

¹ From FYs 2000 - FY 2002, this was accuracy of 3-day forecast.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Lead time (hours)			
Year	Status	Actual	Target
FY 2007	●	19	15
Year	Status	Historical Results	Historical Target
FY 2006	●	17	15
FY 2005	●	17	15
FY 2004	●	15	14
FY 2003	●	14	13
FY 2002	●	13	13
FY 2001	●	13	13
FY 2000	●	9	12

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Accuracy (%)			
Year	Status	Actual	Target
FY 2007	●	92%	90%
Year	Status	Historical Results	Historical Target
FY 2006	●	89%	90%
FY 2005	●	91%	90%
FY 2004	●	91%	89%
FY 2003	●	90%	88%
FY 2002	●	89%	86%
FY 2001	●	90%	86%
FY 2000	●	85%	85%

NOAA PERFORMANCE MEASURE			
MEASURE: Cumulative percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts			
Year	Status	Actual	Target
FY 2007	●	32%	32%
Year	Status	Historical Results	Historical Target
FY 2006	●	32%	32%
FY 2005	●	28%	28%
FY 2004	●	17%	17%
FY 2003	●	17%	17%
FY 2002	●	8%	17%
FY 2001	●	8%	6%
FY 2000	●	8%	14%

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OBJECTIVE: Understand climate variability and change to enhance society's ability to plan and respond (NOAA)

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$216.4	\$238.8	\$312.0	\$347.5	\$239.5	\$256.9	\$236.1	\$258.7
FTE ¹	477	693	785	625	603	599	665	457

¹ FTE – Full-Time Equivalent

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
FY 2007	●	29	19
Year	Status	Historical Results	Historical Target
FY 2006	●	25	18
FY 2005	●	19	18
FY 2004	●	17	21
FY 2003	●	17	20
FY 2002	●	18	20
FY 2001	●	20	20
FY 2000	●	25	20

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the uncertainty in the magnitude of the North American carbon uptake			
Year	Status	Actual	Target
FY 2007	●	0.40 GtC/yr ¹	0.40 GtC/yr
Year	Status	Historical Results	Historical Target
FY 2006	●	0.40 GtC/yr	0.40 GtC/yr
FY 2005	●	0.40 GtC/yr	0.48 GtC/yr
FY 2004	●	0.50 GtC/yr	0.70 GtC/yr
FY 2003	●	0.80 GtC/yr	0.50 GtC/yr
FY 2002	●	Identified 5 pilot sites and 4 carbon tracks	Identified 5 pilot sites and 4 carbon tracks
FY 2001		New—no target to measure against	

¹ Estimate. Final – February 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the uncertainty in model simulations of the influence of aerosols on climate			
Year	Status	Actual	Target
FY 2007	●	10%	10% improvement
Year	Status	Historical Results	Historical Target
FY 2006	●	10%	Establish 10% improvement
FY 2005		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations			
Year	Status	Actual	Target
FY 2007	●	Temperature-97.7%, Precipitation-93.8%	Temperature-97.2%, Precipitation-92.6%
Year	Status	Historical Results	Historical Target
FY 2006	●	Temperature-97.1%, Precipitation-91.9%	Temperature-97.0%, Precipitation-91.4%
FY 2005	●	Temperature-96.9%, Precipitation-91.4%	Temperature-96.7%, Precipitation-90.0%
FY 2004	●	Temperature-96.0%, Precipitation-90.0%	Temperature-80.0%, Precipitation-55.0%
FY 2003	●	Temperature-95.0%, Precipitation-84.0%	Temperature-70.0%, Precipitation-40.0%
FY 2002	●	Temperature-85.0%, Precipitation-55.0%	Temperature-60.0%, Precipitation-25.0%
FY 2001		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the error in global measurement of sea surface temperature			
Year	Status	Actual	Target
FY 2007	●	0.53°C	0.5°C
<p><i>Performance was not met, because:</i> Current observing platform deployments are not spatially optimized to reduce the satellite bias error to the desired level (between 0.2 and 0.5 degrees Celsius).</p> <p><i>Strategies for Improvement:</i> As funding becomes available, deployment strategies will be optimized using charter ships and surface current models to fill the observing gaps.</p>			
Year	Status	Historical Results	Historical Target
FY 2006	●	0.53°C	0.50°C
FY 2005		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information			
Year	Status	Actual	Target
FY 2007	●	32	32 assessments/evaluations
Year	Status	Historical Results	Historical Target
FY 2006	●	33 assessments/evaluations	32 assessments/evaluations
FY 2005		New—no target to measure against	

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs

OBJECTIVE 3.2 RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$978.1	\$1,640	\$1,584.1	\$1,576.5	\$1,461.3	\$1,554.5	\$1,758.0	\$1,597.7
FTE ¹	4,040	4,783	3,984	4,365	4,327	4,228	4,444	3,720

¹ FTE – Full-Time Equivalent

PERFORMANCE OBJECTIVE: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$873.6	\$1,504	\$1,334.2	\$1,314.9	\$1,268.5	\$1,379.5	\$1,559.3	\$1,418.3
FTE ¹	3,233	3,913	3,042	3,361	3,611	3,479	3,670	3,029

¹ FTE – Full-Time Equivalent

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 2007	●	26 ¹	26
Year	Status	Historical Results	Historical Target
FY 2006	●	26	24
FY 2005		24	New—no target to measure against

¹ Projected. Final – December 2007.

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual/cumulative) ¹			
Year	Status	Actual	Target
FY 2007	●	5,974 / 38,488	5,000 / 37,514
Year	Status	Historical Results	Historical Target
FY 2006	●	7,598 / 32,514	4,500 / 29,416
FY 2005	●	8,333 / 24,916	4,500 / 21,083
FY 2004	●	5,563 / 16,583	3,700 / 14,780
FY 2003	●	5,200 / 11,020	2,829
FY 2002		New—no target to measure against	

¹ Determination of whether target was met or exceeded is based on annual amount since that is what was done in that year.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2007	●	35	35
Year	Status	Historical Results	Historical Target
FY 2006	●	31	31
FY 2005		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	Status	Actual	Target
FY 2007	●	27	27
Year	Status	Historical Results	Historical Target
FY 2006	●	62	53
FY 2005		New—no target to measure against	

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 2007	●	2,000 ¹	2,000
Year	Status	Historical Results	Historical Target
FY 2006	●	>86M ²	200,137
FY 2005		New—no target to measure against	

¹ Estimate. Final – December 2007.

² The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument.

NOAA PERFORMANCE MEASURE			
MEASURE: Fish stock sustainability index (FSSI)			
Year	Status	Actual	Target
FY 2007	●	516 ²	505
Year	Status	Historical Results	Historical Target
FY 2006		501.0	
FY 2005		481.5	
FY 2004		456	

¹ NOAA only recently developed the FSSI and therefore didn't have any targets prior to FY 2007. NOAA did, however, have data from which they could derive the FSSI index for FY 2004 - FY 2006

² Projected. Final – December 2007.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of living marine resources (LMR) with adequate population assessments and forecasts			
Year	Status	Actual	Target
FY 2007	●	40.7 ¹	40
Year	Status	Historical Results	Historical Target
FY 2006	●	38.8	New - no target to measure against
FY 2005		37.5	

¹ Projected. Final – December 2007.

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 2007	●	85	85
Year	Status	Historical Results	Historical Target
FY 2006		New - no target to measure against	

PERFORMANCE OBJECTIVE: Support the Nation’s commerce with information for safe, efficient, and environmentally sound transportation (NOAA)

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$104.5	\$136.0	\$249.9	\$261.6	\$192.8	\$175.0	\$198.7	\$179.4
FTE ¹	807	870	942	1,004	716	749	774	691

¹ FTE – Full-Time Equivalent
² In the FY 2004 PAR, the 2002-2004 amounts for the mission support objective were distributed among the four objectives. In this PAR, the 2002-2004 mission support levels were separated out resulting in lower 2002-2004 levels than as reported in the FY 2004 PAR for the other four objectives.

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) ¹			
Year	Status	Actual	Target
FY 2007	●	3,198 ²	1,350
Year	Status	Historical Results	Historical Target
FY 2006	●	2,851	2,500
FY 2005	●	3,079	2,700
FY 2004	●	2,070	2,290
FY 2003	●	1,762	2,100
FY 2002		1,514	
FY 2001		2,963	
FY 2000		1,557	

¹ Prior to FY 2003, NOAA's targets were in the form of percent reduction, not miles. NOAA changed this methodology in FY 2003, but had actual data (shown here) back to FY 2000.
² Estimate. Final – December 2007.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity			
Year	Status	Actual	Target
FY 2007	●	51.6	49.0%
Year	Status	Historical Results	Historical Target
FY 2006	●	43.3%	39.0%
FY 2005	●	32.2%	28.0%
FY 2004		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast accuracy of ceiling/visibility (1 mi/500 feet to less than 3 mi/1,000 feet)(%) ^{1,2,3}			
Year	Status	Actual	Target
FY 2007	●	62%	62%
Year	Status	Historical Results	Historical Target
FY 2006	●	43%	47%
FY 2005	●	46%	46%
FY 2004	●	45%	46%
FY 2003	●	48%	45%
FY 2002	●	13%	18%
FY 2001	●	18%	21%
FY 2000	●	15%	20%

¹ Prior to FY 2007, this measure was known as “Accuracy (%) of forecasts of ceiling and visibility (aviation forecasts).”

² From FY 2000 - 2002, NOAA used a different method to calculate accuracy - targets were significantly lower than the current method.

³ For FY 2007, the aviation measures were redefined to cover the entire 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 FY 2006 to FY 2007, they are actually measuring different things.

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast FAR for ceiling/visibility (1 mi/500 feet to less than 3 mi/1,000 ft) (%) ^{1,2,3}			
Year	Status	Actual	Target
FY 2007	●	40%	45%
Year	Status	Historical Results	Historical Target
FY 2006	●	64%	65%
FY 2005	●	63%	68%
FY 2004	●	65%	70%
FY 2003	●	64%	71%
FY 2002	●	58%	52%
FY 2001	●	51%	51%
FY 2000	●	53%	50%

¹ Prior to FY 2007, this measure was known as “False alarm rate (FAR)(%) of ceiling and visibility (aviation forecasts).”

² From FY 2000 - 2002, NOAA used a different method to calculate false alarm rate - targets were significantly lower than the current method.

³ For FY 2007, the aviation measures were redefined to cover the entire 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 FY 2006 to FY 2007, they are actually measuring different things.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind – percentage of accurate forecasts (%) ^{1,2}			
Year	Status	Actual	Target
FY 2007	●	73% ³	68%
Year	Status	Historical Results	Historical Target
FY 2006	●	55%	58%
FY 2005	●	57%	57%
FY 2004	●	57%	57%
FY 2003	●	57%	54%
FY 2002	●	53%	53%
FY 2001	●	52%	53%
FY 2000	●	51%	51%

¹ Prior to FY 2007, this measure was known as “Marine wind speed accuracy (%).”
² From FY 2000 - 2002, this was combined with “Marine Wave height accuracy.”
³ Projected. Actuals through August 2007.

NOAA PERFORMANCE MEASURE			
MEASURE: Wave heights – percentage of accurate forecasts (%) ^{1,2}			
Year	Status	Actual	Target
FY 2007	●	78% ²	73%
Year	Status	Historical Results	Historical Target
FY 2006	●	70%	68%
FY 2005	●	67%	67%
FY 2004	●	67%	69%
FY 2003	●	71%	66%
FY 2002		New—no target to measure	

¹ Prior to FY 2007, this measure was known as “Marine wave height accuracy (%).”
² From FY 2000 - FY 2002, this was combined with “Marine wind speed accuracy.”
³ Projected. Actuals through August 2007.

MISSION SUPPORT OBJECTIVE: Provide critical support for NOAA’s mission (NOAA)*

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding			\$313.5	\$250.5	\$1,217.6	\$1,354.5	\$1,584.0	\$1,564.1
FTE ¹			1,716	1,996	2,178	2,437	2,880	3,048

¹ FTE – Full-Time Equivalent

* There are no GPRA measures for the Mission Support objective since the activities of this objective support the outcomes of the four other NOAA objectives.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$33.0	\$60.6	\$70.1	\$71.2	\$72.8	\$70.9	\$71.8	\$72.2
FTE ^{1,2}	185	310	319	326	309	292	295	294

¹ FTE – Full-Time Equivalent
² The Office of Inspector General (OIG) was not included in the PAR prior to FY 2001. Therefore, its funding and FTE are not included in FY 2000.

PERFORMANCE OUTCOME: Identify and effectively manage human and material resources critical to the success of the Department’s strategic goals (DM)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	\$33.0	\$40.7	\$49.2	\$49.2	\$51.8	\$49.5	\$49.3	\$49.6
FTE ¹	185	171	183	186	181	177	177	173

¹ FTE – Full-Time Equivalent

DM PERFORMANCE MEASURE			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management ¹			
Year	Status	Actual	Target
FY 2007	●	Completed migration of Commerce Business System; completed assessment of internal controls; significant deficiency was not eliminated ²	Eliminate any significant deficiency within 1 year of determ. Complete internal control and document review. Complete FY 2007 A-123 assessment of internal controls. Migrate Commerce Business System to an all Web-based architecture.
<i>Performance was not met, because:</i> Increased requirements; imposed additional security controls and changes in review methodology resulted in increased number of findings.			
<i>Strategies for Improvement:</i> Management has appointed a team from CIO and CFO staffs to monitor issues and resolve any outstanding corrective actions.			
Year	Status	Historical Results	Historical Target
FY 2006	●	Reportable condition not eliminated	Eliminate any reportable condition within 1 year of determ; 95% of management with access to the CRS have financial data / reports by the 15th of month
FY 2005	●	Reportable condition not eliminated	Eliminate any reportable condition
FY 2004	●	100%	100%
FY 2003	●	100%	100%
FY 2002	●	100%	100%
FY 2001	●	100%	100%
FY 2000	●	100%	100%

¹ Prior to FY 2005, this was stated as “Clean audit opinion on Department’s consolidated financial statements.”
² Estimate.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Effectively use competitive sourcing ¹			
Year	Status	Actual	Target
FY 2007	●	Bureaus identified FY 2008 feasibility studies which were submitted as part of the Green Plan ²	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
Year	Status	Historical Results	Historical Target
FY 2006	●	Green Plan ² submitted to OMB on 9/28/2006	Finalize new green competition plan based on 8/2005 CFO council outcome
FY 2005	●	Feasibility studies nominated for 168 FTE	Complete feasibility studies for 168 FTE to det 2005-2006 studies
FY 2004	●	New FAIR inventory guidance developed	Multi-year plan under development
FY 2003	●	Completed competition on 6.6%	Complete competitions on 10%
FY 2002	●	Completed competition on 1%	Complete competitions on 5%
FY 2001	●	Commercial inventory - submitted 6/30/2001	Commercial inventory - completed by 6/30/01
FY 2000	●	Commercial inventory - submitted 6/30/2000	Commercial inventory - completed by 6/30/00

¹ Prior to FY 2005, this measure was known as "Clean audit opinion on Department's consolidated financial statements."

² Green plan will lay out the Department short- and long-range plans to conduct feasibility studies of all major commercial (and available) functions and will identify approved 2006-2007 competitions.

DM PERFORMANCE MEASURE			
MEASURE: Obligate funds through performance-based contracting (% of eligible service contracting \$)			
Year	Status	Actual	Target
FY 2007	●	28% ¹	40%
<i>Performance was not met, because:</i> Data problems and resource constraints prevented bureaus and program officers from receiving assistance in understanding performance-based contracting.			
<i>Strategies for Improvement:</i> Hardware and software enhancements will provide better data to bureaus and program officers.			
Year	Status	Historical Results	Historical Target
FY 2006	●	30%	50%
FY 2005	●	< 50%	50%
FY 2004	●	42%	40%
FY 2003	●	24%	30%
FY 2002	●	31%	25%
FY 2001	●	25%	10%
FY 2000		New—no target to measure against	

¹ Estimate.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Obligate contracts to small businesses¹			
Year	Status	Actual	Target
FY 2007	●	44% ²	48%
<p><i>Performance was not met, because:</i> COMMITS task orders are typically awarded for large dollar amounts. This has had an impact on the percentage of procurement dollars going to small businesses.</p> <p><i>Strategies for Improvement:</i> There is a lag time between contract award and data entry into the Federal Procurement Data System (FPDS). The Office of Acquisition Management (OAM) and the Office of Small and Disadvantaged Business Utilization (OSDBU) are focused on data accuracy. Acquisition offices are spending more time ensuring that data entered into FPDS are accurate, which contributes to the lag time for data entry into FPDS. In addition, the Department is in the process of transferring COMMITS to the General Services Administration (GSA). The COMMITS Program Office has stopped accepting new work as of the end of the second quarter.</p>			
Year	Status	Historical Results	Historical Target
FY 2006	●	48.0%	44.8%
FY 2005	●	62%	44.8%
FY 2004	●	62%	42%
FY 2003	●	45%	40%
FY 2002	●	51%	42%
FY 2001	●	S-50% / M-18% / W-9%	S-40% / M-18% / W-5%
FY 2000	●	S-34% / M-14% / W-5%	S-40% / M-18% / W-5%
<p>¹ From FY 2000 - 2001, this measure was split among small (S), minority-owned (M) and women-owned (W) businesses.</p> <p>² Estimate.</p>			

DM PERFORMANCE MEASURE			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations			
Year	Status	Actual	Target
FY 2007	●	Trained postsecondary internship program applicants to increase applicant pools; trained managers to make better hiring decisions; trained employees in project management to close skill gaps	Improve recruitment strategies via targeted activities; assist managers in making better selections, close skill gaps
Year	Status	Historical Results	Historical Target
FY 2006	●	Marketed job vacancies to organizations via automated hiring system; participated in career fairs and special programs; conducted training of managers and employees	Improve recruitment strategies via targeted activities; assist managers in making better selections, close skill gaps
FY 2005	●	Improved representation in underreported groups from 28 to 29%, maintained 30 day fill time	Improve representation in underreported groups, maintain 30 day fill-time
FY 2004		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Improve the management of information technology			
Year	Status	Actual	Target
FY 2007	●	Cost/schedule overruns /performance shortfalls less than 10%. All national critical and mission critical systems certified and accredited.	Cost/schedule overruns /performance shortfalls less than 10%. All national critical and mission critical systems certified and accredited.
Year	Status	Historical Results	Historical Target
FY 2006	●	Cost overruns and performance shortfalls less than 10%. All national critical & mission critical systems certified & accredited.	Cost/schedule overruns /performance shortfalls less than 10%. All national critical and mission critical systems certified and accredited.
FY 2005	●	Cost overruns and performance shortfalls less than 10%	Cost overruns and performance shortfalls less than 10%
FY 2004		New—no target to measure against	

PERFORMANCE OUTCOME: Promote improvements to Commerce 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)

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual
Total Funding	N/A	\$19.9	\$20.9	\$22.0	\$21.0	\$21.4	\$22.5	\$22.6
FTE ¹		139	136	140	128	115	118	121

¹ FTE – Full-Time Equivalent

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of OIG recommendations accepted by Departmental and bureau management			
Year	Status	Actual	Target
FY 2007	●	96%	95%
Year	Status	Historical Results	Historical Target
FY 2006	●	96%	95%
FY 2005	●	99%	90%
FY 2004	●	98%	90%
FY 2003	●	97%	90%
FY 2002	1	95%	
FY 2001	1	95%	
FY 2000	1	96%	

¹ Prior to FY 2003, OIG had not yet developed targets. However, IG did track data.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by the OIG			
Year	Status	Actual	Target
FY 2007	●	\$51.7M	\$29.6M
Year	Status	Historical Results	Historical Target
FY 2006	●	\$34.2M	\$30.0M
FY 2005	●	\$32.0M	\$23.0M
FY 2004	●	\$26.0M	\$20.0M
FY 2003	●	\$43.3M	\$20.0M
FY 2002		New—no target to measure against	

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of criminal and civil matters that are accepted for prosecution			
Year	Status	Actual	Target
FY 2007	●	73%	63%
Year	Status	Historical Results	Historical Target
FY 2006	●	91%	63%
FY 2005	●	81%	62%
FY 2004	●	67%	50%
FY 2003	●	50%	50%
FY 2002		New—no target to measure against	

**DISCONTINUED OR CHANGED
PERFORMANCE OUTCOMES/OBJECTIVES AND MEASURES**

In FY 2007, the Department changed the references to "Performance Goals" to "Performance Outcomes" since this reflects changes in the Department's FY 2007 - FY 2012 Strategic Plan and better reflects the work of the Department. The exception was NOAA which used the term "Performance Objectives" rather than "Performance Outcomes" since NOAA has several performance outcomes and the Department preferred to limit the total number of outcomes.

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

Performance Outcome	Enhance U.S. competitiveness in domestic and international markets (ITA)
Corresponding Measure	Exports generated annually from public/private partnerships
Change	Measure deleted
Justification	The importance of this measure was to track ITA's contributions toward increases in ITA-generated exports. However, ITA discovered that public/private partnerships were not the sole reason for increases in ITA-generated exports. While this measure did provide confirming results, collecting information for this particular measure from industry was difficult and unreliable.

Performance Outcome	Broaden and Deepen the U.S. exporter base (ITA)
Corresponding Measure	Percentage of Commercial Service fee funded programs
Change	Measure deleted
Justification	The purpose of this measure was to track ITA's efforts in collecting fees for products and services. This was a result of an OMB suggestion in the FY 2005 budget year PART review. ITA's goal was to collect 3 percent of fees by FY 2007. ITA was successful at achieving its target and by FY 2006 instituted financial management practices that allowed for the continuation of fee collections at the 3 percent level (and or above). Therefore, ITA no longer tracks this measure, as it has already been achieved/implemented.
Corresponding Measure	Percentage of undertaken advocacy cases completed successfully
Change	Measure replaced with "Number of advocacy successes for the fiscal year"
Justification	This change better reflects ITA's performance.

Performance Outcome	Increase access to the marketplace and financing for minority-owned businesses (MBDA)
Corresponding Measure	Number of national and regional strategic partnerships
Change	Measure deleted
Justification	The number of partnerships is not a result/output measure and does not respond directly to the Agency performance.



APPENDIX B: DISCONTINUED OR CHANGED PERFORMANCE OUTCOMES/OBJECTIVES AND MEASURES

Performance Goal	Increase access to the marketplace and financing for minority-owned businesses (MBDA) <i>(continued)</i>
Corresponding Measure	Percent increase in American customer satisfaction index (ACSI)
Change	Measure added back
Justification	The ACSI is conducted every other year. Therefore it was deleted for the FY 2006 PAR. In coming years for even numbered years, the target and actuals will appear as NA.

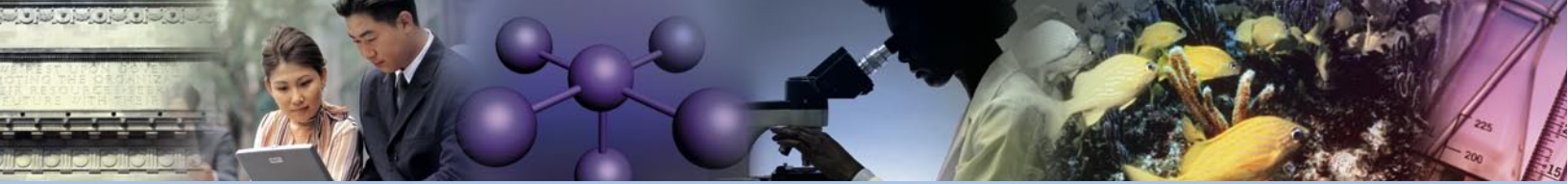
STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

Performance Outcome	Identify and resolve unfair trade practices (ITA)
Corresponding Measure	Percentage of market access and compliance cases that have an action plan within 10 days of initiation
Change	New measure
Justification	This measure better reflects the work of ITA staff, in that it shows the speed by which action plans are prepared after initiation.

Performance Outcome	Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)
Change	Outcome deleted
Justification	This outcome primarily included the Export Enforcement program. Export Enforcement (less end-use checks) was realigned under this outcome to consolidate the Export Administration and Export Enforcement programs. BIS has made an intense effort over the past two years to foster the view of a single, coordinated Export Control and Treaty Compliance System and to move away from the previous view focusing on separate Export Administration and Export Enforcement programs.
Corresponding 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
Change	Measure moved to outcome "Maintain and strengthen an adaptable and effective U.S. export and treaty compliance system"
Justification	This realignment was made to reflect the ongoing BIS effort to consolidate the Export Administration and Export Enforcement programs into a coordinated Export Control and Treaty Compliance System.
Corresponding Measure	Number of end-use checks completed
Change	Measure moved to outcome "Integrate Non-U.S. actors to create a more effective global export control and treaty compliance system"
Justification	In lieu of tracking targeted deficiencies remedied, BIS will realign this measure under this outcome. A key element of BIS's policy formulation and implementation toward other key countries is the conduct of end-use checks to verify that targeted dual-use exports will be or have been properly used by the proper end users.

Performance Outcome	Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)
Corresponding Measure	Number of targeted deficiencies remedied in the export control systems of cooperating countries
Change	Measure deleted
Justification	In FY 2008, the contract management portion only of these functions, performed by the BIS Office of International Programs (under the Export Control and Border Assistance (EXBS) program) will be consolidated in the Department of State. FY 2007 will serve as the transition year for transferring the contract management functions back to the Department of State. This will permit BIS to focus its participation on providing essential subject matter experts to the EXBS program while freeing resources previously devoted to contract management for use on other high priority BIS activities.



APPENDIX B: DISCONTINUED OR CHANGED PERFORMANCE OUTCOMES/OBJECTIVES AND MEASURES

STRATEGIC OBJECTIVE 1.3

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

Performance Outcome	Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census))
Corresponding Measure	Introduce Census-2000 based samples on time as scheduled so that the household surveys can continue through the next decade and so that policymakers, businesses, and the public can continue to be confident in the major federal socioeconomic indicators these surveys provide
Change	Measure deleted
Justification	This measure was discontinued as of the FY 2007 APP as it was no longer applicable. All 2000-based samples were introduced for all surveys as of the end of FY 2006.

STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

STRATEGIC OBJECTIVE 2.1

Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

Performance Outcome	Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)
Corresponding Measure	Number of items calibrated
Change	Measure discontinued
Justification	Beginning in FY 2007 the number of items calibrated was revised to the number of calibration tests performed to better demonstrate the service output level provided by NIST.
Corresponding Measure	Number of calibration tests performed
Change	New measure
Justification	Beginning in FY 2007 the number of items calibrated was revised to the number of calibration tests performed to better demonstrate the service output level provided by NIST.
Corresponding Measure	Citation impact of NIST authored publications
Change	New measure
Justification	Citation analysis provides an independent and objective validation of peer review findings as research has shown that high citation rates correlate with peer review judgment in terms of scientific quality and relevance. NIST's relative citation impact for the past 26 years (1981-2006) has been consistently above average. Final 2007 and 2008 data will be available in April 2008 and 2009 respectively.

Performance Outcome	Raise the productivity and competitiveness of small manufacturers (NIST)
Corresponding Measure	All four measures that appear in this outcome
Change	The phrase "MEP centers" is replaced by "Hollings MEP centers." in each measure
Justification	The formal title of the program has been changed.

Performance Outcome	Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NIST)
Corresponding Measure	Number of new items available (annual)
Change	Measure reworded as "Number of updated items available (annual)"
Justification	The change in wording better reflects NTIS activities.
Corresponding Measure	Customer service
Change	Measure reworded as "Customer satisfaction"
Justification	The change in wording better reflects the method used to reflect the impact of NTIS activities.

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

Performance Outcome	Improve the quality of patent products and services and optimize patent processing time (USPTO)
Change	Outcome reworded as "Optimize patent quality and timeliness (USPTO)"
Justification	USPTO's outcomes were further refined by USPTO's executives during the strategic planning process. These reworded outcomes are reflected in the USPTO's 2007-2012 Strategic Plan released in March 2007.
Corresponding Measure	Patent allowance error rate
Change	Measure reworded as "Patent allowance compliance rate"
Justification	The USPTO will, for consistency, report all quality metrics as compliance rates.

Performance Outcome	Improve the quality of trademark products and services and optimize trademark processing time (USPTO)
Change	Outcome reworded as "Optimize trademark quality and timeliness (USPTO)"
Justification	USPTO's outcomes were further refined by USPTO's executives during the strategic planning process. These reworded outcomes are reflected in the USPTO's 2007-2012 Strategic Plan released in March 2007.
Corresponding Measures	<ul style="list-style-type: none"> ● Trademark final action deficiency rate ● Trademark first action deficiency rate
Change	Measures reworded as: <ul style="list-style-type: none"> ● Trademark final action compliance rate ● Trademark first action compliance rate
Justification	USPTO will, for consistency, report all quality metrics as compliance rates.

Performance Outcome	Create a more flexible organization through transmitting patent and trademark operations to an e-government environment and advancing property development worldwide (USPTO)
Change	Outcome reworded as "Improve intellectual property and enforcement domestically and abroad (USPTO)"
Justification	USPTO's outcomes were further refined by USPTO's executives during the strategic planning process. These reworded outcomes are reflected in the USPTO's 2007-2012 Strategic Plan released in March 2007.
Corresponding Measures	<ul style="list-style-type: none"> ● Patent applications filed electronically ● Patent applications managed electronically
Change	Measures moved to outcome "Optimize patent quality and timeliness" (outcome formerly named "Improve the quality of patent products and services and optimize patent processing time")
Justification	Since this outcome has been reworded so as to reflect a focus on worldwide activities; these measures have been moved to the outcome that focuses on patents.
Corresponding Measures	<ul style="list-style-type: none"> ● Trademark applications filed electronically ● Trademark applications managed electronically
Change	Measures moved to outcome "Optimize trademark quality and timeliness" (outcome formerly named "Improve the quality of trademark products and services and optimize trademark processing time")
Justification	Since this outcome has been reworded so as to reflect a focus on worldwide activities; these measures have been moved to the outcome that focuses on trademarks.

APPENDIX B: DISCONTINUED OR CHANGED PERFORMANCE OUTCOMES/OBJECTIVES AND MEASURES

Performance Outcome	Create a more flexible organization through transmitting patent and trademark operations to an e-government environment and advancing property development worldwide (USPTO) <i>(continued)</i>
Corresponding Measures	<ul style="list-style-type: none"> ● IP technical activities completed (activities) ● IP technical activities completed (countries)
Change	Measures deleted
Justification	USPTO replaced these measures with more outcome oriented performance measures.
Corresponding Measures	<ul style="list-style-type: none"> ● Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards ● Improving worldwide IP expertise for U.S. government interests ● Plans of actions, mechanisms, and support programs initiated or implemented in developing countries
Change	Measures added
Justification	Measures reflect the change in focus of this outcome.

STRATEGIC OBJECTIVE 2.3

Advance the development of global e-Commerce and enhanced telecommunications and information services

Performance Outcome	Promote the availability, and support new sources, of advanced telecommunications (NTIA)
Change	Outcome reworded as “Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)”
Justification	Outcome better reflects the work of NTIA.
Corresponding Measure	Support new telecom and information technology by advocating Administration views in FCC docket filings and Congressional proceedings
Change	Measure reworded as “Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings in which Administration views are advocated”
Justification	Rewording better reflects the work of NTIA.

STRATEGIC GOAL 3

Observe, protect and manage the Earth's resources to promote environmental stewardship

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

Performance Objective	Serve society's needs for weather and water information (NOAA)
Corresponding Measures	<ul style="list-style-type: none"> ● Tornado warnings lead time (minutes) ● Tornado warnings accuracy (%) ● Tornado warnings false alarm rate (%) ● Flash flood warnings lead time (minutes) ● Flash flood warnings accuracy (%)
Change	<p>Measures reworded as:</p> <ul style="list-style-type: none"> ● Severe weather warnings for tornadoes (county-based) – Lead time (minutes) ● Severe weather warnings for tornadoes (county-based) – Accuracy (%) ● Severe weather warnings for tornadoes (county-based) – False alarm rate (%) ● Severe weather warnings for flash floods – Lead time (minutes) ● Severe weather warnings for flash floods – Accuracy (%)
Justification	NOAA changed the names of these measures to better reflect their origins in severe weather. The name change did not impact the methodology used to calculate the measures. The addition of "county-based" to the tornado measures is to distinguish them from the storm-based measures that will come online in FY 2009.

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social and environmental needs (NOAA)

Performance Objective	Protect, restore, and manage the use of coastal and ocean resource through an ecosystem approach to management (NOAA)
Corresponding Measures	<ul style="list-style-type: none"> ● Number of overfished major stocks of fish ● Number of major stocks with an "unknown" stock status ● Number of stocks of protected species with adequate population assessments
Change	Measures deleted
Justification	NOAA determined that the first of these measures was too narrow to adequately reflect its work to improve the sustainability of marine fisheries. The second measure had technical problems that made it difficult to report comparable results from year to year. The third measure became a component of the new measure "Percentage of living marine resources (LMR) with adequate population assessments and forecasts."
Corresponding Measures	<ul style="list-style-type: none"> ● Fish stock sustainability index (FSSI) ● Percentage of living marine resources (LMR) with adequate population assessments and forecasts ● Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management
Change	New measures
Justification	Measures better reflect the outcomes and activities of NOAA programs.



APPENDIX B: DISCONTINUED OR CHANGED PERFORMANCE OUTCOMES/OBJECTIVES AND MEASURES

Performance Objective	Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)
Corresponding Measures	<ul style="list-style-type: none"> ● Accuracy (%) of forecasts of ceiling and visibility (aviation forecasts) ● False alarm rate (FAR) (%) of ceiling and visibility (aviation forecasts) ● Marine wind speed accuracy (%) ● Marine wave height accuracy (%)
Change	<p>Measures reworded as:</p> <ul style="list-style-type: none"> ● Aviation forecast accuracy of ceiling/visibility (1 mi/500 feet to less than 3 mi/1,000 feet)(%) ● Aviation forecast FAR for ceiling/visibility (1 mi/500 feet to less than 3 mi/1000 ft)(%) ● Marine wind – percentage of accurate forecasts ● Wave heights – percentage of accurate forecasts
Justification	Measures are more specific than before.

PERFORMANCE MEASURES DEFINITIONS

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

PERFORMANCE OUTCOME: Increase private investment and job creation in economically distress communities (EDA)

Performance Measures:

- *Private investment leveraged*
- *Jobs created/retained*

The actual FY 2007 outcomes reported are the three-year performance results of FY 2004 Public Works and Economic Development and Economic Adjustment Assistance infrastructure and Revolving Loan Fund investments, the six-year performance results of the FY 2001 Public Works and Economic Development and Economic Adjustment Assistance investments, and the nine-year performance results of the FY 1998 Public Works and Economic Development and Economic Adjustment Assistance investments. Based on a study done by Rutgers University, the formula-driven calculation projected investment data at three, six, and nine-year intervals from the investment award. The Economic Development Administration (EDA) initially estimated that 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years. Actual results for FY 1997 and FY 1998 performance measures showed that 20 percent of the nine-year projections was realized within the first three years, so EDA adjusted the three-year target to 20 percent. EDA will continue to analyze actual private investment and job creation/retention results to collect smooth trend data prior to modifying the targets further. Actual results reported here reflect a 25 percent discount to account for the attribution of jobs to dollars and economic conditions other than EDA dollars.

Data Source	Investment Recipient Performance Reports
Frequency	At three-year intervals (typically three, six, and nine years after investment award)
Data Storage	EDA Management Information System
Internal Controls	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA will perform regional validation on-site visit with some recipients.
Data Limitations	Universe—Regular Appropriation for Public Works and Economic Development and Economic Adjustment Assistance implementation and Revolving Loan Fund investments. Private investment may vary along with economic cycles.
Actions to be Taken	EDA will continue to monitor investment and job creation data.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

PERFORMANCE OUTCOME: Improve community capacity to achieve and sustain economic growth (EDA)

Performance Measure:

- *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*

This measure indicates whether the CEDS process is market-based and whether EDA helps to create an environment conducive to the creation and retention of higher-skill, higher-wage jobs. FY 2002 research established a baseline measure for subsequent years.

Data Source	Investment Recipient Performance Evaluations and CEDS
Frequency	Annually
Data Storage	EDA Management Information System
Internal Controls	EDA will conduct periodic performance reviews and site visits.
Data Limitations	This measure may vary with economic cycles due to limited local resources during downturns for project investments.
Actions to be Taken	EDA established a baseline from FY 2002 data and will continue to monitor and develop trend data.

Performance Measure:

- *Percentage of sub-state jurisdiction members actively participating in the economic development district (EDD) program*

EDDs generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation indicates the District's responsiveness to the area it serves and shows that the services it provides are of value. EDA defined active participation as either attendance at meetings or financial support of the EDD during the reporting period. Sub-state jurisdiction members are independent units of government (cities, towns, villages, counties, etc.) and eligible entities substantially associated with economic development, as set forth by the District's by-laws or alternate enabling document.

Data Source	Investment Recipient Performance Evaluations
Frequency	Annually
Data Storage	EDA Management Information System
Internal Controls	EDA conducts performance reviews and site visits on approximately one-third of the District and Indian tribe investments per year.
Data Limitations	While an EDD may be effective, members still may not participate for other reasons.
Actions to be Taken	EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions.

Performance Measures:

- *Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center*
- *Percentage of those actions taken by University Center clients that achieved the expected results*
- *Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs*
- *Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results*

The first two measures focus on the perceived value added by University Centers and TAACs to their clients. EDA funds 59 University Centers that provide technical assistance and specialized services (e.g., feasibility studies, marketing research) to local officials and communities. This assistance improves the community's capacity to plan and manage successful development

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

projects. University Centers develop client profiles and report findings to EDA, which evaluates the performance of each center once every three years and verifies the data. EDA funds 11 TAACs that work with U.S. firms and industries adversely impacted as a result of increased imports of similar or competitive goods, to identify specific actions to improve each firm's competitive position in world markets. Taking action as a result of the assistance facilitated means to implement an aspect of the technical assistance provided by the University Center or TAAC in one or several areas. For University Centers it involves economic development initiatives and training session development; linkages to crucial resources; economic development planning; project management; community investment package development; geographic information system services; strategic partnering to public or private-sector entities; increased organizational capacity; feasibility plans; marketing studies; technology transfer; new company, product, or patent developed; and other services. For TAACs, it involves three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA in order for the firm to receive technical assistance), analysis of the firm's strengths and weaknesses and development of an adjustment proposal, and in-depth assistance for implementation of the recovery strategy as set forth in the adjustment proposal.

The second two measures are follow-ups to the previous two measures. These measures determine if the assistance provided by the University Center or TAAC is market-based and results in desired outcomes. University Centers develop client profiles and report to EDA, which will evaluate and verify the performance of each University Center once every three years. TAACs conduct client surveys and report findings to EDA.

Data Source	University Center/TAAC client profiles
Frequency	Annually
Data Storage	EDA Management Information System
Internal Controls	Performance data will be verified by the University Centers and TAACs. EDA headquarters will annually review profile data.
Data Limitations	While the assistance may be valued, clients may choose not to act for other reasons. Outside mitigating factors such as the local economy may affect the measure.
Actions to be Taken	EDA established the baseline from FY 2002 data and will continue to monitor and develop trend data.

PERFORMANCE OUTCOME: Enhance U.S. competitiveness in domestic and international markets (ITA)

Performance Measure:

- *Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis*

This measure captures the work of Manufacturing and Services (MAS) analysts who evaluate the upstream and downstream impact of various regulations on U.S. manufacturers and service providers with the goal of reducing the cost of regulation.

Data Source	MAS analytical reports and studies
Frequency	Annual
Data Storage	PBViews
Internal Controls	Chief Financial Officer (CFO) staff will perform analysis to verify results and data sources.
Data Limitations	A number of factors, including U.S. business cooperation, global trade trends, political developments, and other federal regulatory agencies may impact the actual numbers.
Actions to be Taken	N/A



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- ***Percent reduction in per unit cost of data distribution***

This measure captures the per unit dollar cost for MAS to distribute economic data electronically. This measure focuses on how efficiently MAS carries out the specific services it provides to U.S. industry.

Data Source	MAS planning staff
Frequency	Annual
Data Storage	PBViews
Internal Controls	CFO staff will perform analysis to verify results and data sources.
Data Limitations	None
Actions to be Taken	N/A

Performance Measure:

- ***Percent of agreement milestones completed***

This measure captures the work of MAS industry analysts and trade negotiators who work on multi-year free trade agreements (FTA) that benefit U.S. exporters and are intended to enhance U.S. competitiveness. These milestones ensure that MAS efforts are aligned to the President's American Competitiveness Initiative, as well as to the Department's Standards Initiative. These milestones track the MAS program's progress toward accomplishing key tasks associated with strengthening domestic and international competitiveness.

Data Source	MAS sector analysis
Frequency	Annual
Data Storage	PBViews
Internal Controls	CFO staff will perform analysis to verify results and data sources.
Data Limitations	These agreement milestones are occasionally subject to externalities such as delays in trade meetings with foreign governments.
Actions to be Taken	N/A

Performance Measure:

- ***Percent of industry-specific trade barrier milestones completed***

This measure reports on the success of MAS industry analysis staff to target and remove industry-specific trade barriers. MAS tracks its progress in achieving market openings through the removal or prevention of these barriers. MAS tracks key milestones for each barrier. Industry has identified, and MAS program staff assessed, barriers to establish their commercial and strategic value. An example includes MAS efforts to prevent the adoption of wireless encryption standards in China that would adversely affect U.S. manufacturers of wireless devices. MAS anticipates that it will complete an ambitious number of milestones annually.

Data Source	MAS sector analysis
Frequency	Annual
Data Storage	PBViews
Internal Controls	CFO staff will perform analysis to verify results and data sources.
Data Limitations	These agreement milestones are occasionally subject to externalities such as delays in trade meetings with foreign governments.
Actions to be Taken	N/A

PERFORMANCE OUTCOME: Broaden and deepen U.S. exporter base (ITA)

Performance Measure:

- *Number of advocacy successes for the fiscal year*

This measure captures information about the effectiveness of Commercial Services advocacy efforts by measuring the percentage of successful advocacy awards made to U.S. firms during a fiscal year. The International Trade Administration's (ITA) Advocacy Center helps U.S. exporters win foreign government procurement contracts, and each contract creates and retains U.S. jobs over the life of each project. The Advocacy Center advances trade promotion and deal making to support three basic U.S. firm needs: (1) access to new markets, (2) entry to markets, and (3) expansion of export activities.

Data Source	U.S. companies that benefit from U.S. government advocacy.
Frequency	Annual
Data Storage	PBViews
Internal Controls	The Advocacy Center conducts annual verifications with customers to confirm the dollar value of exports generated through the support of U.S. government effort.
Data Limitations	In some cases a host government overturns awards, and the winning U.S. company then loses the project. Quality of data is dependent on client's willingness to provide the data. Some clients elect not to provide information to ITA due to business proprietary concerns. U.S. embassies in some instances do not report all advocacy projects they have worked on in a given fiscal year.
Actions to be Taken	N/A

Performance Measures:

- *Number of new-to-market (NTM) export successes*
- *Number of increase-to-market (ITM) export successes*
- *Number of new-to-export (NTE) successes*

The first measure assesses Commercial Services success in assisting U.S. exporters to export into a new overseas market. The second measure gauges the success of ITA in helping U.S. suppliers expand their export transactions in markets where they have already sold U.S. products and services. The third measure focuses on small, export-ready businesses that haven't yet exported. All three of these measures focus on Commercial Services effectiveness in promoting trade.

Data Source	U.S. exporters/firms
Frequency	Quarterly
Data Storage	Client Management System and PBViews
Internal Controls	ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.
Data Limitations	Data reported are wholly dependent on a client's willingness to provide such information and underreporting is likely.
Actions to be Taken	N/A



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- ***Number of export successes made as a result of ITA involvement***

This performance measure captures information on the number of export transactions executed by U.S. firms that resulted directly from Commercial Services counseling, matchmaking, research, information products, or other export promotion activities. An export transaction occurs when the Commercial Service: facilitates an actual verifiable export sale, a shipment of goods or delivery of services; helps a client identify and sign with an agent or distributor or sign a contract that ensures the expectation of future sales, where there is a direct link between the assistance provided and the resulting outcome; and helps a U.S. firm avoid harm or loss, for example, by helping it obtain payment or resolve some other kind of trade dispute.

Data Source	U.S. exporters/firms
Frequency	Quarterly
Data Storage	Client Management System and PBViews
Internal Controls	ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.
Data Limitations	Data reported are wholly dependent on a client's willingness to provide such information and underreporting is likely.
Actions to be Taken	N/A

Performance Measure:

- ***Dollar value of advocacy cases completed successfully***

This measure provides specific information about the effectiveness of Commercial Services advocacy efforts by determining the associated dollar volume of ITA's success in providing U.S. companies with coordinated, strategic government support. The measure indicates the specific dollar value of U.S. export content of advocacy cases completed successfully as evidenced by a contract award, signed contract or other significant export-related benefit. There are occasions where completed significant advocacy projects cause excessive variance with the annual target.

Data Source	U.S. companies that benefit from U.S. government advocacy.
Frequency	Annual
Data Storage	Client Management System and PBViews
Internal Controls	The Advocacy Center conducts annual verifications with customers to confirm the dollar value of exports generated through the support of U.S. government effort.
Data Limitations	In some cases a host government overturns awards, and the winning U.S. company then loses the project. Quality of data is dependent on client's willingness to provide the data. Some clients elect not to provide information to ITA due to business proprietary concerns. U.S. embassies in some instances do not report all advocacy projects they have worked on in a given fiscal year.
Actions to be Taken	N/A

PERFORMANCE OUTCOME: Increase access to the marketplace and financing for minority-owned businesses (MBDA)

Performance Measures:

- *Dollar value of contract awards obtained (billions)*
- *Dollar value of financial awards obtained (billions)*
- *Number of new job opportunities created*
- *Percent increase in client gross receipts*

The Minority Business Development Agency (MBDA) accomplishes its performance outcome through the implementation of several business development programs. The success of these programs is reflected in the first measure—the dollar value of contract awards obtained by minority business enterprises (MBE) and facilitated by MBDA's grantees and staff. The certainty that MBEs will realize the proceeds associated with these awards varies from contract to contract. Multiple year contracts with option years are less certain as the options may or may not be exercised. MBDA includes the full potential value of multiple year contract awards obtained in its annual reporting for this performance measure, and discloses the dollar value of option years in a footnote. For indefinite-delivery contracts, only actual dollar values realized or guaranteed are included in the annual reporting of this performance measure. The second measure reflects the cumulative dollar value of transactions that have been approved, verified, and validated for each financial package (loans, lines of credit, surety bonds, etc.) obtained for clients serviced by MBDA-funded projects, Agency staff, or the MBDA portal online tools. The third measure focuses specifically on the number of jobs created within MBEs as a result of contract and financial services provided by MBDA-funded projects and Agency staff. The fourth measure tracks increases in MBE gross receipts to determine the growth in firm size to further achieve entrepreneurial parity. This measure focuses specifically on the increase to individual MBE receipts as a result of the services provided by MBDA-funded projects and staff.

Data Source	Secured Internet transmission to Program Performance System
Frequency	Semi-annual reports
Data Storage	Oracle platform
Verification:	Source verification by regional project managers.
Data Limitations	Data integrity dependent on Agency verification policy.
Actions to be Taken	Review quarterly by Office of Performance and Program Evaluation (OPPE) staff.

Performance Measure:

- *Percent increase in American Customer Satisfaction Index (ACSI)*

Working with the Federal Consulting Group at the Department of Treasury and the University of Michigan, MBDA has developed a program module to measure customer satisfaction and has established an ACSI. This survey is taken in odd numbered years.

Data Source	Contracted survey
Frequency	Two year follow-up Survey
Data Storage	Established model for benchmark
Verification:	Client performance system database for Agency programs.
Data Limitations	Data integrity dependent on Agency verification policy.
Actions to be Taken	Review quarterly by OPPE staff.



STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

PERFORMANCE OUTCOME: Identify and resolve unfair trade practices (ITA)

Performance Measure:

- ***Percentage of AD/CVD proceedings completed within statutory deadlines***

The percentage of antidumping/countervailing duty (AD/CVD) cases completed on time is a reflection of the vigilance of ITA staff to complete its casework within the statutory timeframe. Domestic industry generates AD/CVD cases, and the timeliness of case activity is a critical factor for delivering customer satisfaction and essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests. The timely completion of these cases may have a direct correlation to the ability of petitioning U.S. firms to remain viable when a firm may be subjected to unfair trading practices. Ensuring expedient completion of cases offers firms the best timeframe for determining if they are being injured by an unfair trading practice. The stated target reflects management's prioritization of adherence to statutory requirements. ITA is required to complete these cases within the time limits set forth in law.

Data Source	Import Administration (IA) cases completed in accordance with the statutory deadline.
Frequency	Quarterly
Data Storage	IA cases completed in accordance with the statutory deadline.
Internal Controls	Each case is supported by final determinations, including Federal Register notices.
Data Limitations	None
Actions to be Taken	N/A

Performance Measures:

- ***Number of market access and trade compliance cases initiated***
- ***Number of market access and compliance cases resolved***
- ***Percentage of market access and compliance cases resolved successfully***
- ***Percentage of market access and compliance cases that have an action plan within 10 days of initiation***
- ***Percentage of market access and compliance cases initiated for on behalf of small and medium-sized businesses***

Market access cases arise from complaints received by ITA from U.S. companies encountering overseas barriers to U.S. exports, which are not covered by trade agreements. Compliance cases rise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the United States and through monitoring efforts by ITA compliance officers. The first measure assesses the extent of ITA's efforts to monitor trade agreements, identify and initiate market access and compliance (MAC) cases on behalf of U.S. businesses, and work to their resolution. The second measure addresses ITA's efforts in obtaining market access for U.S. exporters and achieving foreign-government compliance with trade agreements. The number of MAC cases resolved is based on the number of cases processed by ITA where no further action by ITA is warranted. The third measure is a subset of the number of MAC cases resolved. A success is determined via collaborative effort between the MAC team working on the case and the company/industry that initiated the case. Examples of successes include prompting a country to remove or suspend a trade barrier, ensuring U.S. concerns are incorporated into a trade agreement or foreign regulation, and prompting a foreign government to adopt an internationally recognized standard or legal statute that

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either encourages fair trade or prevents restrictive trade barriers. The fourth measure gauges ITA's effectiveness in developing a timely and actionable plan with the client to resolve a case and looks at the percentage of cases over a longer period of time, as well as on an annual basis to encourage more rapid action. The action plan must include a list of specific measures or actions to be taken by either the U.S. government or the company in order to resolve the trade problem. This measure also assesses ITA's ability to communicate with the client and manage the client relationship between ITA and the company.

Data Source	Petitions from U.S. firms encountering trade barriers and compliance by foreign governments with U.S. negotiated international trade agreements. ITA Compliance and Market Access Management System database, which contains data on U.S. firms encountering foreign trade barriers.
Frequency	Quarterly
Data Storage	Data from the ITA compliance activity database maintained by the Trade Compliance Center (TCC) are stored in Client Management System and PBViews.
Internal Controls	Records support each case and many of the cases have been highlighted in the Secretary of Commerce's Monthly Compliance Case Report. MAC ensures the integrity of the ITA-wide Compliance and Market Access Case Management System. The Compliance and Market Access Case Management System is updated daily. Performance data are monitored and certified internally.
Data Limitations	A number of factors, including U.S. business cooperation, global trade trends, political developments, and the extent to which foreign governments create barriers or act inconsistently with trade obligations (an exogenous factor) will impact the actual numbers.
Actions to be Taken	N/A

PERFORMANCE OUTCOME: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)

Performance Measure:

- *Percent of licenses requiring interagency referral referred within 9 days*

The Bureau of Industry and Security (BIS) administers dual-use commodity export controls. Dual-use commodities include any product that may have both civilian and military applications. To export dual-use commodities outside the United States, companies must apply for an approval license from BIS. Generally, dual-use commodity license applications fall into two categories: (1) referred licenses (approximately 85 percent of applications), including those licenses that require an opinion from another agency (e.g., Departments of State and Energy, Central Intelligence Agency, etc.); and (2) non-referred licenses, license requests that BIS may review/approve without being referred to any other federal agency. Executive Order 12981 stipulates that BIS refer 100 percent of the licenses needing referral within nine days. However, the licensing process is subject to uncontrollable delays. Therefore, BIS used historical data to set a target of 95 percent. This measure focuses on the effectiveness of BIS meeting the target of referring 95 percent of those licenses requiring referral within nine days.

Data Source	Export Control Automated Support System (ECASS)
Frequency	Quarterly
Data Storage	ECASS
Internal Controls	Export Administration will verify ECASS reports by running similar reports to determine if they produce the same results.
Data Limitations	None
Actions to be Taken	None



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- Median processing time for new regime regulations (months)

BIS routinely issues new and amended regulations to effectuate its responsibilities under the Export Administration Act (EAA). Whether regulations liberalize or restrict industry activity, their prompt promulgation benefits the United States from a trade, economic, and national security perspective. Regulatory changes can, for example, reduce the number of license requirements imposed on U.S. exporters, close loopholes in the regulations, implement international agreements, adapt controls to geopolitical developments, or address new export control challenges. The majority of BIS regulations issued implement changes agreed to in the four multilateral control regimes in which the United States participates: Wassenaar Arrangement (conventional arms and related sensitive dual-use goods), Nuclear Suppliers Group, Missile Technology Control Regime, and the Australia Group (chemical and biological controls). This measure tracks the length of time it takes BIS to issue a draft regulation after regime changes have been received and analyzed. There is a significant amount of time that is spent analyzing each regime resolution before actual drafting of a regulation can begin.

Data Source	Paper records and Webcims (BIS internal document tracking system)
Frequency	Quarterly
Data Storage	Export Administration office files
Internal Controls	BIS will verify the information used to report on this performance measure against supporting documentation.
Data Limitations	None
Actions to be Taken	None

Performance Measure:

- *Percent of attendees rating seminars highly*

BIS advances trade while promoting national security with an industry outreach program to facilitate compliance with U.S. export controls. Seminars include one-day programs on the major elements of the U.S. dual-use export control system and intensive two-day programs that provide comprehensive presentation of exporter obligations under the Export Administration Regulations (EAR). BIS conducts special topic seminars, such as exporter obligations, doing business with key trading partners, or key technologies. This metric focuses on overall effectiveness of the export control outreach seminar program. The target is for at least 85 percent of the seminar attendees to give the seminar an overall rating of at least 4 (out of a 5 level scale).

Data Source	Seminar evaluations
Frequency	Quarterly
Data Storage	Export Administration office files
Internal Controls	BIS will verify the information used to report on this performance measure against supporting documentation.
Data Limitations	Data are dependent on the voluntary responses of seminar participants and are based on respondent opinion. Opinions may or may not be a factual indicator of performance.
Actions to be Taken	None

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance 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 for so the United States can meet its treaty obligations***

The Chemical Weapons Convention (CWC) establishes a verification regime for weapons-related toxic chemicals and precursors that have peaceful applications. BIS's CWC regulations require U.S. industry exceeding certain chemical activity thresholds to submit declarations and reports. BIS processes, validates, and aggregates the declarations and reports to develop the U.S. CWC industrial declaration, which is forwarded to the Department of State in time to submit it to the Organization for the Prohibition of Chemical Weapons, within established time frames mandated under the CWC. This measure is designed to measure the rate of U.S. industry in complying with the declaration provisions of the CWC regulations.

Data Source	Paper records of declarations
Frequency	Quarterly
Data Storage	Export administration office files
Internal Controls	BIS will verify the information used to report on this performance measure against supporting documentation.
Data Limitations	None
Actions to be Taken	None

Performance 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***

This measure captures the actual number of Export Enforcement leads and cases that result in a deterrence or prevention of a violation. Prevention may be accomplished by an investigative lead which results in agent outreach to a business, a freight forwarder, or any party to an export, and deters or prevents an unauthorized export. This measure will reflect the actual number and type of preventive enforcement actions conducted, including detentions of suspect exports, seizures of unauthorized shipments, industry outreach and issuance of warning letters for first time and/or minor export offenses, screened licenses targeted for enforcement concerns, recommended denials of license applications based on diversion or false statement indicators, recommended placement of parties on the Unverified List and denials on visa requests, detection of violations of license conditions, and other preventive actions that identify and prevent suspect transactions. The implementation of this measure allows BIS to gauge its overall effectiveness in terms of successful prosecutions and preventive enforcement. BIS monitors and enhances compliance with license conditions by detecting and prosecuting violations of such conditions.

Data Source	Export Enforcement Investigation Management System (IMS)
Frequency	Monthly
Data Storage	IMS
Internal Controls	The Office of Export Enforcement and the Office of Antiboycott Compliance will both perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid.
Data Limitations	None
Actions to be Taken	None



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

PERFORMANCE OUTCOME: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)

Performance Measure:

- *Number of end-use checks completed*

BIS conducts end-use verification checks with a primary means being Sentinel visits conducted under the Sentinel Program. During Sentinel trips, BIS agents attempt to verify bona fides of consignees named on a BIS license, and confirm that the equipment is being used in conformance with conditions on the license. Each trip requires a team of two special agents for nearly six weeks to perform target analysis, pre-departure technical training, actual travel, and the subsequent post-trip briefings and final report. The end-use check workload is likely to increase significantly.

Data Source	ECASS and IMS
Frequency	Monthly
Data Storage	ECASS and IMS
Internal Controls	BIS will both perform two types of checks to ensure data are entered where they should be (system integrity) and to ensure that the data are accurate and valid. Export Administration will verify ECASS reports by running similar reports to determine if they produce the same results.
Data Limitations	None
Actions to be Taken	None

PERFORMANCE OUTCOME: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)

Performance Measure:

- *Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls*

BIS assesses the current status of technologies employed in U.S. industries whose products are subject to export controls to determine: (1) if those technologies have changed in such ways that existing controls should be revised or new controls should be imposed, and (2) if the control criteria remain pertinent and relevant or should be altered so the controls achieve the greatest possible beneficial effect and avoid unintended consequences. BIS anticipates that such assessments will be of such importance to its decision-making concerning revising existing or imposing new controls that 100 percent of the export control-focused industry assessments BIS conducts will be instrumental in determining whether—and, if so, how—to revise existing or establish new export controls.

Data Source	Paper records
Frequency	Quarterly
Data Storage	Export Administration office files
Internal Controls	BIS will verify the information used to report on this performance measure against supporting documentation.
Data Limitations	None
Actions to be Taken	None

STRATEGIC OBJECTIVE 1.3

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

PERFORMANCE OUTCOME: Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)

Performance 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*

This measure focuses on the reliability of census data in that maintaining a high level of response for both demographic and economic surveys ensures that information from the Economics and Statistics Administration's (ESA) Census Bureau surveys and censuses is always reliable and widely accepted by customers over the long term. Reliability of Census Bureau statistics is essential for the Census Bureau to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, the American public, and others.

Data Source	Census Bureau censuses and surveys are the initial collection source. Internal control files and systems are the source of the response rate data.
Frequency	Response rates are tied to data collection. Frequency varies by survey or census.
Data Storage	All data are stored in Census Bureau databases and are published in public press releases.
Internal Controls	Quality assurance analyses, Automated Data Processing (ADP) routines, and peer reviews.
Data Limitations	Data that are released must adhere to Title 13 requirements to protect respondents' confidentiality.
Actions to be Taken	Continue quarterly reviews of performance data.

Performance Measure:

- *Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public*

Ensuring that data products are released on schedule is essential for the Census Bureau to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses and the American public. The Census Bureau acknowledges an important distinction between release of the Economic Indicators and the other survey and census data products. Office of Management and Budget (OMB) Statistical Directive Number 3 requires that data for the principal economic indicators be released within prescribed time periods. The impact of not meeting release dates for the economic indicators is much more serious, so two separate targets are noted.

Data Source	Actual data releases by Census Bureau programs.
Frequency	The frequency of data releases varies. Release dates are often published in advance.
Data Storage	Data release information is stored in Census Bureau systems and public data releases.
Internal Controls	Performance data are verified by comparing actual release dates with scheduled release dates. Methodological standards for surveys are publicly reported.
Data Limitations	Data that are released must adhere to Title 13 requirements to protect respondents' confidentiality.
Actions to be Taken	Continue quarterly reviews of performance data.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- ***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***

Correctly locating every street in the Master Address File and Topologically Integrated Geographic Encoding and Referencing System (MAF/TIGER) is integral to providing geographic products and services that meet the accuracy expectations of the 2010 Census field data collection staff, the Census Bureau’s data product customers, and the needs of the U.S. Geological Survey/ The National Map. Many local and tribal governments that participated in the Census 2000 geographic partnership programs and many potential customers for MAF/TIGER geographic products indicated that they would not consider future geographic partnerships or use without substantial improvements in location accuracy. Investing in the identification and correct location of new housing units and streets or roads in small towns and rural areas will ensure uniform address and street coverage in the MAF/TIGER database and in the Census Bureau’s data products, both for the American Community Survey (ACS) and the 2010 Decennial Census. The global positioning system (GPS) alignment will not be done for some remote areas of Alaska where handheld computers will not be used for the census. Alaska officials have been informed of these plans.

Data Source	MAF/TIGER activity schedule
Frequency	As scheduled
Data Storage	Census Bureau MAF/TIGER database
Internal Controls	The Census Bureau compares actual completion dates with scheduled dates.
Data Limitations	None
Actions to be Taken	Continue quarterly reviews of performance data.

Performance 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***

Due to the cyclical nature of these programs, it is important to track annual key activities that support the programs. Census tracks the internal activities that are considered to be the most important in meeting the long-term goals of the cyclical census programs.

Data Source	Activity schedules kept by each of the cyclical census programs.
Frequency	Ongoing, based on activity schedules
Data Storage	The Census Bureau program offices maintain activity schedules and performance data.
Internal Controls	The Census Bureau compares actual completion dates with scheduled dates. Performance data are reviewed quarterly.
Data Limitations	None
Actions to be Taken	Continue quarterly reviews of performance data.

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- **Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI)**

The University of Michigan conducts the ACSI in cooperation with other groups. It tracks trends in customer satisfaction and provides benchmarks that can be compared across industries and between the public and private sectors. The Census Bureau traditionally focuses on key communications, services, and products: data products, Web products, and overall customer service as these relate to customers' perceived quality, expectations, overall customer satisfaction, complaints, and loyalty. Results from the ACSI are available during the first quarter of the fiscal year.

Data Source	Census Bureau data users at State Data Centers, Business Information Data Centers, Census Information Centers, and Regional Federal Depository Libraries.
Frequency	Annually
Data Storage	Primary storage system is a mainframe computer at the Ross School of Business at the University of Michigan.
Internal Controls	Data are collected electronically and cross-tabulated. Interviewers are continuously monitored with supervisors randomly listening in on interviews. The computer-assisted telephone interviewing (CATI) system will not accept wild scores, out of range of allowable scales.
Data Limitations	Sample size determines the limits of statements that can be made based on the data. All Census Bureau-related ACSI reports are careful to report confidence intervals.
Actions to be Taken	Continue quarterly reviews of performance data.

PERFORMANCE OUTCOME: Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)

Performance Measure:

- **Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)**

The importance of ESA's Bureau of Economic Analysis (BEA) data as an ingredient for sound economic decision-making requires BEA to deliver data into the hands of decisionmakers on schedule. BEA has made significant improvements in its information processing systems so as to continue to post its principal economic indicators on the BEA Web site at release time, as well as upload volumes of supporting documentation and tables that were previously unavailable until days after the release. In addition, BEA established an e-mail subscription service that allows users to sign up to receive prompt e-mail delivery of gross domestic product (GDP), international trade, state personal income, gross state product, local area personal income, and other major economic measures at the time of their release.

Data Source	A schedule of release dates for the calendar year is published each fall in the <i>Survey of Current Business</i> and is posted on the BEA Web site. BEA maintains a record of subsequent actual release dates.
Frequency	Quarterly
Data Storage	BEA maintains the schedule of future release dates and the record of actual release dates. Both sets of information are available on the BEA Web site.
Internal Controls	Scheduled and actual release dates are a matter of public record and can be verified via the Internet at www.bea.gov .
Data Limitations	Not all releases may be included in the published annual schedule because their release dates cannot be established that far in advance.
Actions to be Taken	FY 2008 target will be added when the schedule is made available to OMB and published in the <i>Survey of Current Business</i> in the fall of the preceding year.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- **Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)**

Customer satisfaction is a critical measure of BEA's success in accomplishing its mission. Achieving the targets of this measure requires BEA to provide the types of data that are relevant, accurate, and needed by users. To measure levels of satisfaction, BEA conducts a regular online survey of users. The survey asks respondents about their satisfaction with BEA products and services.

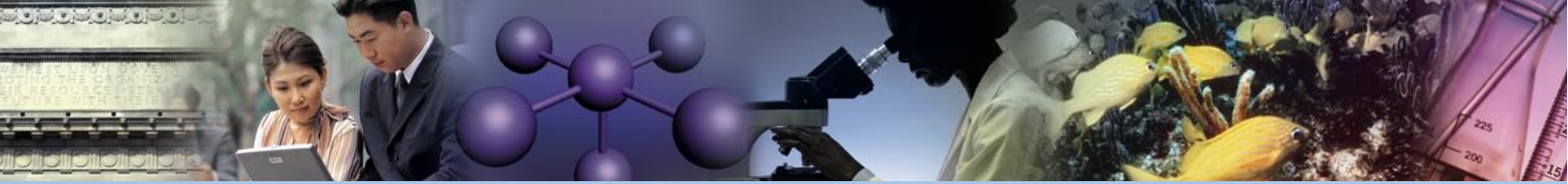
Data Source	BEA customer satisfaction survey conducted online at BEA's Web site, www.bea.gov .
Frequency	Continually
Data Storage	BEA conducts the survey, compiles the results, and retains records of raw data and computations that lead to the final results. A report is written and made available to the public at www.bea.gov .
Internal Controls	BEA provides a copy of the survey results to OMB, the Department Budget Office, and ESA. The report is made available on the BEA Web site.
Data Limitations	The customer satisfaction survey is an ongoing, voluntary survey conducted via the Web site. As a voluntary survey, responses are representative of those who choose to respond.
Actions to be Taken	Survey is continually conducted with results collected after the end of the fiscal year.

Performance Measure:

- **Accuracy: Percent of GDP estimates correct**

This measure tracks the ability of BEA to accurately estimate its most important statistic, GDP. The measure is a composite index of six indicators of accuracy that are readily available to the public. These six indicators measure the accuracy of the GDP estimate with respect to: (1) whether the economy is expanding or contracting, (2) whether the economy is growing faster or slower, (3) whether the economy is strong or weak, (4) the trend GDP growth rate, (5) the average quarterly GDP growth rate, and (6) the level of current-dollar GDP. These indicators are applied using three-year rolling averages to develop a single measure of the correctness of the GDP estimate. Three-year rolling averages were chosen because (1) at least 12 quarters of estimates are needed for statistical reliability, (2) BEA's annual revisions cover three years, (3) the impact of statistical improvements occur over time, and (4) reasonable balance must be struck between statistical reliability and a measure of current performance.

Data Source	Data used for this measure are produced by BEA and made available in press releases; BEA's monthly publication, the <i>Survey of Current Business</i> ; and the Web site www.bea.gov . Background research studies are published in the <i>Survey of Current Business</i> .
Frequency	Annually
Data Storage	The <i>Survey of Current Business</i> is published monthly and available online.
Internal Controls	The Department has evaluated this measure and BEA has submitted a <i>Validation and Verification</i> report. The <i>Survey of Current Business</i> is a matter of public record and can be verified via the Internet or hardcopy.
Data Limitations	The measure is the best single point estimation of the accuracy of GDP. Economic conditions, rather than statistical practices, could dramatically change the measure. In benchmark years, the calculation of the GDP revision is delayed until December.
Actions to be Taken	Research to calculate the new measure will be conducted, following the completion of the annual revisions, in August 2007.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measures:

- ***Budget-Related: Improving GDP and the economic accounts***
- ***Budget-Related: Accelerating economic estimates***
- ***Budget-Related: Meeting U.S. international obligations***

BEA must continually update its economic accounts to keep pace with the increasingly complex and rapidly changing U.S. economy. The GDP, the balance of payments, state personal income, and other data series must be as timely, relevant, and accurate as possible to inform the decisions made by public and private leaders. The 5-year Strategic Plan lays out ambitious steps that BEA will take to achieve quality improvements in all of its accounts. Based on the Strategic Plan milestones, specific budget initiatives have been proposed for improving the accounts. The Strategic Plan tracks BEA's progress toward achieving the milestones established for new initiatives and provides public accountability.

The second measure tracks BEA's progress toward accelerating the release of its major economic estimates in order to meet the demands of public and private sector data users. BEA has completed an accelerated release schedule for some of the Nation's most widely relied upon economic statistics, including international trade in goods and services, GDP by industry, the annual input-output accounts, state personal income, and an experimental acceleration in GDP by state. The third measure introduced in FY 2003, monitors BEA's progress in meeting milestones related to international commitments and provides accountability for a multiyear initiative. BEA is responsible for making its data series conform to standards agreed to by the U.S. government with international organizations and other countries. Meeting these commitments is important to maintaining U.S. leadership in economic measurement. Also, the statistical information required for these international commitments is useful to U.S. policymakers.

Data Source	The BEA 5-year Strategic Plan provides annual milestones for this budget-related measure. At the end of each fiscal year, BEA evaluates and reports its progress in achieving the scheduled milestones.
Frequency	Annually
Data Storage	BEA compiles and maintains data annually via the BEA Scorecard, available on the BEA Web site.
Internal Controls	Internal review and analysis by BEA.
Data Limitations	BEA's annual review and update of its Strategic Plan could result in changes to the milestones.
Actions to be Taken	Milestones will be adjusted as necessary to match the BEA Strategic Plan.



STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

STRATEGIC OBJECTIVE 2.1

Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

PERFORMANCE OUTCOME: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation’s measurements and standards infrastructure (NIST)

Performance Measure:

- *Qualitative assessment and review of technical quality and merit using peer review*

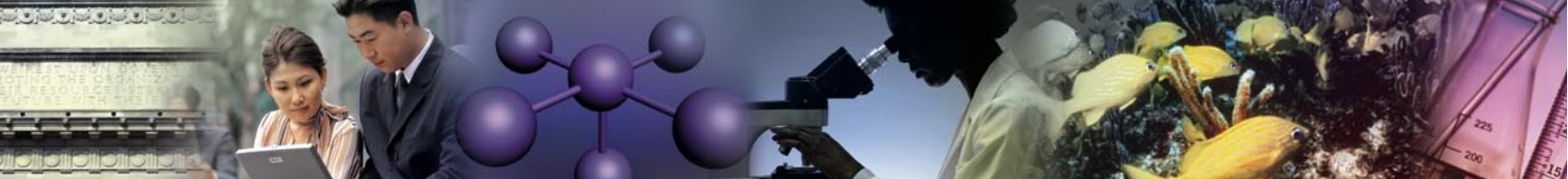
Since 1959, the National Research Council (NRC) has annually reviewed the National Institute for Standards and Technology (NIST) Laboratories. The annual NRC Board on Assessment (BOA) of NIST programs review is independent, technically sophisticated, and extensive. The assessment process focuses on the quality, relevance, and technical merit of the NIST Laboratories program to ensure it is developing and promoting the infrastructure tools and measurement standards needed by industry, academia, and other government agencies. The review board consists of approximately 150 scientists and engineers organized into seven panels (one for each of the seven NIST Laboratories), plus two sub-panels for specialized programs. Each year the laboratory-specific panels conduct a two to three-day on-site review of each laboratory’s technical quality. This measure simply reflects whether NRC conducted the review.

Data Source	On-site interviews and discussions with NIST management and research staff by independent external scientific and technical experts, managed by the NRC.
Frequency	Annual reviews, biennial reports
Data Storage	NRC
Internal Controls	Oversight of laboratory-specific expert review panels provided by the NRC BOA of NIST programs.
Data Limitations	Data are qualitative in nature.
Actions to be Taken	None

Performance Measure:

- *Peer-reviewed technical publications produced*

Technical publications represent a way NIST transfers the results of its research and provide measurements and standards to those in industry, academia, and other government agencies. Each year, NIST produces between 2,000 and 2,200 manuscripts and publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. This measure is a direct count of NIST technical manuscripts that have been reviewed and approved for publication in peer-reviewed journals by the NIST Editorial Review Boards at both the Gaithersburg and Boulder sites, and the number of approved manuscripts published in peer-reviewed journals in that fiscal year. A peer-reviewed journal is a publication in which articles are formally reviewed by the journal’s editors and/or a panel of experts and respected researchers in a specific field of study before being accepted for



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

publication. This measure reflects in part the quality and demand for NIST publications. In addition to peer-reviewed journals, NIST publishes its measurement methods and standards through conference proceedings, NIST interagency reports, and special publications.

Data Source	NIST Office of Information Services
Frequency	Ongoing
Data Storage	Publications data are gathered and maintained by NIST Office of Information Services.
Internal Controls	Data represent direct and verifiable counts of NIST technical manuscripts to be published in peer-reviewed journals and have been cleared for publication by the internal Washington and Boulder Editorial Review Boards. Internal controls include verification using random checks of review paper work with approved publications by the Intelligent Systems Division (ISD) staff and data review by the NIST Director's Office.
Data Limitations	Output only
Actions to be Taken	None

Performance Measures:

- ***Standard Reference Materials (SRM) sold***
- ***NIST-maintained datasets downloaded***
- ***Number of calibration tests performed***
- ***Citation impact of NIST-authored publications***

These four measures share the same methods of validation and verification. SRMs are the definitive source of measurement traceability in the United States; all measurements using SRMs can be traced to a common and recognized set of basic standards that provides the basis for compatibility of measurements among different laboratories. SRMs 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.

NIST provides online access to over 80 scientific and technical databases. These databases cover a broad range of substances and properties from a variety of scientific disciplines. Some datasets, such as the NIST Chemistry WebBook, NIST Physical Reference Data Systems, and the NIST Ceramics WebBook, are comprehensive and contain a large number of databases, while others serve very specific applications. Industry, academia, other government agencies, and the general public use of NIST's online data systems with this measure representing another method NIST uses to deliver its measurements and standards tools, data, and information. This measure is a direct count of the average annual number of downloads of NIST-maintained data.

NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and impedance. NIST calibration services provide the customer with direct traceability to national and international primary standards. This measure illustrates the quantity of physical measurement services provided by NIST for its customers, including calibration services, special tests, and Measurement Assurance programs. The output data represent a direct count of calibration tests performed.

The citation impact measure demonstrates that NIST consistently produces relevant scientific and technical publications. Citation impact reflects the utility and relevance of NIST research and is outcome-oriented. Citation impact has remained consistently above average for the past 26 years (1981–2006).



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Data Source	NIST Technology Services
Frequency	Ongoing
Data Storage	NIST Technology Services
Internal Controls	Data represent direct and verifiable counts of: (1) the number of SRMs sold to customers, (2) the number of times a NIST-maintained dataset has been downloaded, and (3) items of calibration tests performed by the NIST Laboratories. Internal controls include verification and review by NIST Technology Services and the NIST Director's Office and Budget Division.
Data Limitations	Data provide information on output levels only. NIST measure "NIST-maintained datasets downloaded" reflects the number of users accessing these datasets; it does not reflect unique users or capture how the data were used.
Actions to be Taken	None

PERFORMANCE OUTCOME: Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)

Performance Measures:

- *Cumulative number of publications*
- *Cumulative number of patents*
- *Cumulative number of projects with technologies under commercialization*

These three measures reflect the outcomes of the Advanced Technology Program (ATP). Publications indicate the diffusion of technical knowledge that results from ATP investment in the development of new technologies, and participants in more than half of ATP-funded projects have published and presented papers in technical professional journals. The cumulative count of publications generated by all ATP-funded research through the close of a given fiscal year represents a major channel for the diffusion of technical knowledge that results from ATP funding.

Patents focuses on the creation of new knowledge resulting from ATP-funded projects, tracking the cumulative direct count of the number of patents filed by all ATP-funded research project participants through the close of a given fiscal year.

Projects under commercialization tabulates the cumulative number of projects with new technologies under commercialization that are traceable to all ATP-funded projects through the close of a given fiscal year. The measure indicates the extent to which ATP-funded research and development has either leveraged or catalyzed new products or services, which in turn improve the prospects for technology-led economic growth.

Data Source	Data are gathered from the portfolio of ATP project participants (funded since 1993) through company filings of patent information to the NIST Grants Office (a legal requirement) and an electronic survey instrument under ATP's Business Reporting System (BRS). Separate portfolio-based telephone surveys are conducted of project participants funded prior to 1993 and for post-project data collection.
Frequency	Annual over the course of ATP funding for projects funded since 1993; intermittent for projects funded prior to 1993; every two years (up to six years) after ATP funding ends.
Data Storage	ATP's Office of Economic Assessment maintains BRS data in an integrated set of databases covering both descriptive information about the funded organizations and survey responses for all participants in ATP-funded research projects.
Internal Controls	All ATP reports using BRS data and patent reports filed through the NIST Grants Office are monitored closely by ATP for research quality and are subject to extensive NIST-wide review and critique prior to being issued.
Data Limitations	The BRS electronic survey and other telephone survey instruments represent a standardized reporting system. Standard sources of uncertainty include variation in interpretation of specific questions, variation in the estimation techniques used in response to specific questions, variation in the quality of industry data, and missing values.
Actions to be Taken	None

PERFORMANCE OUTCOME: Raise the productivity and competitiveness of small manufacturers (NIST)

Performance Measures:

- *Number of clients served by Hollings MEP centers receiving federal funding*
- *Increased sales attributed to Hollings MEP centers receiving federal funding*
- *Capital investment attributed to Hollings MEP centers receiving federal funding*
- *Cost savings attributed to Hollings MEP centers receiving federal funding*

The Manufacturing Extension Partnership (MEP) works with the Nation's small manufacturing firms to provide assistance to overcome barriers to productivity growth and competitiveness. These measures provide quantitative indicators of the bottom-line impacts MEP services provide. The number of clients represents the annual number of new and repeat clients served by MEP centers who received training, technical, and business assistance ranging from informational seminars and training classes to in-depth technical assistance in areas such as lean implementation, ISO 9000, and quality improvement practices. Increased sales, capital investment and cost savings indicate changes that are positively associated with productivity growth and competitiveness—two factors that are crucial for U.S. manufacturers to manage and succeed in the rapidly changing manufacturing environment. Data are collected through an annual survey of clients receiving services from MEP centers.

Data Source	The client impact survey is administered by a private firm, Synovate, located in Arlington Heights, IL.
Frequency	The survey is conducted four times per year, and clients are selected based on when they completed the first project with an MEP center in the previous year. For example, a client that completed a project with an MEP center in February 2004 was surveyed in January/February 2005. This process is used to reduce respondent burden, raise overall response rates, and improve data quality. Clients are asked to estimate how the group of MEP-provided services over the previous two years has affected their business performance in the 12-month period prior to the survey date.
Data Storage	Survey data are sent directly to MEP for analysis. MEP reviews and stores survey data received from Synovate.
Internal Controls	Internal controls include review of the Synovate data by MEP staff. Criteria are in place for identifying outliers in the data. Centers verify the outlier and if necessary, the data are revised based on the center review.
Data Limitations	Sources of uncertainty include variation in interpretation of specific questions, variation in the estimation techniques used in response to specific questions, variation in the quality of industry data, missing values, and other common survey problems. Synovate uses standard survey techniques to clean the data, ensure accuracy and reliability, and improve the response rate. Reported data reflect the impact of MEP services primarily on small manufacturing establishments; on some occasions, centers may elect to serve establishments with over 500 employees.
Actions to be Taken	None

PERFORMANCE OUTCOME: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

Performance Measure:

- *Number of updated items available (annual)*

The number of items available for sale to the public from the National Technical Information Service (NTIS) includes scientific, technical, and engineering information products added to the permanent collection, as well as items made available through online electronic subscriptions. Each publication added to the permanent collection is abstracted, catalogued, and indexed so that it can be identified and merged into the permanent bibliographic database for future generations of researchers and the public who may benefit from this valuable research. Other information products are available as full text documents in electronic format through numerous NTIS online information services. This material is acquired primarily from U.S. government agencies,



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

their contractors and grantees, and also from international sources. The number of new information products available each year from NTIS is approximately 665,000, but the number largely depends on input from other government agencies.

Data Source	NTIS operates and maintains internal systems for collecting acquisition statistics.
Frequency	Data are available daily. Reports are produced monthly.
Data Storage	All data are stored within NTIS systems.
Internal Controls	NTIS accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal independent auditor reporting.
Data Limitations	Output only
Actions to be Taken	None

Performance Measure:

- **Number of information products disseminated (annual)**

This measure represents information disseminated and includes compact discs, diskettes, tapes, online subscriptions, Web site pages, as well as traditional paper and microfiche products. The shift in information dissemination practices from traditional paper copy to electronic-based dissemination has improved NTIS's ability to provide quality products, increase the number of products distributed, and increase the number of customers that have access to valuable scientific and technical information.

Data Source	NTIS records every transaction using a commercial order processing system modified to meet its specific needs together with a standard Web analysis software package used by industry.
Frequency	Internal management activity reports are produced daily, summaries are produced monthly.
Data Storage	All data are stored within NTIS systems.
Internal Controls	NTIS accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal independent auditor reporting.
Data Limitations	Output only
Actions to be Taken	None

Performance Measure:

- **Customer satisfaction**

This measure represents the percentage of NTIS customers who are satisfied with the quality of their order, the ease of order placement, and the timely processing of that order. Orders are received by phone, fax, mail, and online, and are filled in a variety of formats. The percentage of satisfied customers is derived from the number of customer complaints compared to the total number of orders taken. It does not take into account inquiries about the status of an order or other general questions.

Data Source	NTIS operates and maintains internal systems for processing collected information. NTIS records every transaction using a commercial order processing system modified to meet its specific needs.
Frequency	Internal management activity reports are produced daily, summaries are produced monthly.
Data Storage	All information is stored within NTIS systems.
Internal Controls	NTIS accounting and budget offices analyze and report performance data to management. Data verification is provided through regular internal and independent auditor reporting.
Data Limitations	None
Actions to be Taken	None

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

PERFORMANCE OUTCOME: Optimize patent quality and timeliness (USPTO)

Performance Measure:

- ***Patent allowance compliance rate***

This measure assesses product quality as measured by the internal quality review processes. The quality of patent examination decisions are measured by the reopening rate or similar internal quality measures.

Data Source	Office of Patent Quality Review Report
Frequency	Daily input, monthly reporting
Data Storage	Automated systems, reports
Internal Controls	Manual reports and analysis
Data Limitations	None
Actions to be Taken	N/A

Performance Measure:

- ***Patent in-process examination compliance rate***

This measure assesses patent examination process quality by the internal quality review of office actions from first action on the merits to issue or abandonment. The quality of patent examination decisions will be measured by the ratio of office actions that do not include a deficiency that has a significant impact on the ability of the applicant to advance the prosecution on the merits of the application, to the total number of office actions reviewed. The results of these reviews will be used as part of a continuous quality improvement program to identify problem areas and determine appropriate training needs and other corrective actions.

Data Source	Office of Patent Quality Review Report
Frequency	Daily input, monthly reporting
Data Storage	Automated systems, reports
Internal Controls	Manual reports and analysis
Data Limitations	None
Actions to be Taken	N/A



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measures:

- **Patent average first action pendency (months)**
- **Patent average total pendency (months)**

These two measures reflect the time it takes to grant a patent. The first measure tracks the timeliness of first office actions on patent applications. It measures the time from the application filing date to the date of mailing the first office actions. The second measure identifies the timeliness related to issuance of the patent or abandonment of the application. It measures the average time from the application filing date to the date of issue or abandonment.

Data Source	PALM system
Frequency	Daily input, monthly reporting
Data Storage	PALM, automated systems, reports
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners, supervisors, and program management analysts.
Data Limitations	None
Actions to be Taken	N/A

Performance Measure:

- **Patent efficiency (cost per patent production unit)**

The labor productivity measure is generally defined as production output divided by labor input. It measures the overall effectiveness of labor deployment at the U.S. Patent and Trademark Office (USPTO) in terms of patent production. The measure is in the form of a ratio so that production output relative to labor input can be tracked and analyzed. It is designed to incorporate the widest possible labor input from USPTO employees in all work areas, both directly and indirectly supporting the Patent organization, and from contractor staff on the same basis.

Indirect labor is assigned to patent support on the basis of cost accounting distributions. All labor hours include actual work hours, excluding annual leave, sick leave, and holidays. In addition, contractor labor for significant one-time projects, such as space acquisition, is excluded. Production is measured in terms of production units. The productivity measure viewed over time serves to provide a helpful insight into changes in the effectiveness of labor deployment throughout USPTO.

Data Source	PALM system
Frequency	Daily input, monthly reporting
Data Storage	PALM, Data Warehouse, Activity Based Management (ABM) system
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the PALM, Momentum, and ABM system. Quality control review of data by Activity Based Cost Accounting (ABC) system and program business teams.
Data Limitations	None
Actions to be Taken	N/A

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measures:

- *Patent applications filed electronically*
- *Patent applications managed electronically*

These two measures show USPTO's progress in moving toward operating in a fully electronic environment. Applications filed electronically indicates USPTO's support of, and applicants' willingness to operate in, an e-government environment and identifies the percent of basic applications filed electronically. USPTO has instituted an aggressive outreach program to hopefully see significant growth in the number of patent applications filed electronically over the next few years. Applications managed electronically reflects how that all incoming and outgoing paper documents are captured electronically in the system and any remaining pending paper applications were scanned into the system by the end of the first quarter of FY 2005, with the electronic version of an application now considered the official file.

Data Source	PALM system
Frequency	Daily input, weekly reporting
Data Storage	PALM and automated systems
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the PALM system and cross checks against other automated systems.
Data Limitations	None
Actions to be Taken	N/A

PERFORMANCE OUTCOME: Optimize trademark quality and timeliness (USPTO)

Performance Measure:

- *Trademark first action compliance rate*

This measure assesses product quality as measured by the internal quality review processes. The quality of trademark examination decisions will be measured by the reopening rate or similar internal quality measures.

Data Source	Office of Trademark Quality Review Report
Frequency	Daily input, monthly reporting
Data Storage	Automated systems, reports
Internal Controls	Manual reports and analysis
Data Limitations	None
Actions to be Taken	N/A

Performance Measure:

- *Trademark final action compliance rate*

This measure assesses trademark examination process quality by the internal quality review of office actions from first action on the merits to issue or abandonment. The quality of patent examination decisions will be measured by the ratio of office actions that do not include a deficiency that has a significant impact on the ability of the applicant to advance the prosecution on the merits of the application, to the total number of office actions reviewed. The results of these reviews will be used as part of a continuous quality improvement program to identify problem areas and determine appropriate training needs and other corrective actions.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Data Source	Office of Trademark Quality Review Report
Frequency	Daily input, monthly reporting
Data Storage	Automated systems, reports
Internal Controls	Manual reports and analysis
Data Limitations	None
Actions to be Taken	N/A

Performance Measure:

- ***Trademark efficiency (cost per trademark production unit)***

The labor productivity measure is generally defined as production output divided by labor input. It measures the overall effectiveness of labor deployment at USPTO in terms of trademark production. The measure is in the form of a ratio so that production output relative to labor input can be tracked and analyzed. It is designed to incorporate the widest possible labor input from USPTO employees in all work areas, both directly and indirectly supporting the Trademark organization, and from contractor staff on the same basis.

Indirect labor is assigned to trademark support on the basis of cost accounting distributions. All labor hours include actual work hours, excluding annual leave, sick leave, and holidays. In addition, contractor labor for significant one-time projects, such as space acquisition, is excluded. Production is measured by disposals. The productivity measure viewed over time serves to provide a helpful insight into changes in the effectiveness of labor deployment throughout USPTO.

Data Source	TRAM system, Momentum, ABM system
Frequency	Daily input, quarterly reporting
Data Storage	TRAM, Data Warehouse, ABM system
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the TRAM, Momentum, and ABM system. Quality control review of data done by ABC system and program organization teams.
Data Limitations	None
Actions to be Taken	N/A

Performance Measures:

- ***Trademark average first action pendency (months)***
- ***Trademark average total pendency (months)***
- ***Trademark average pendency excluding suspended and inter partes cases (months)***

These two measures reflect the time it takes to grant a trademark. The first measure determines the timeliness of Trademark first office actions. It measures the time from the application filing date to the date of mailing the first office actions. The second measure identifies the timeliness related to office disposals. It measures the average time from the application filing date to the date of registration, notice of allowance, or abandonment.

Data Source	TRAM system
Frequency	Daily input, monthly reporting
Data Storage	TRAM, automated systems, reports
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the TRAM system. Program management performs final test for reasonableness.
Data Limitations	None
Actions to be Taken	N/A

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measures:

- *Trademark applications filed electronically*
- *Trademark applications managed electronically*

These two measures show USPTO's progress in moving toward operating in a fully electronic environment. The first measure indicates the USPTO's support of and applicants' willingness to operate in an e-government environment and is measured by the percent of initial applications for the registration of trademarks that are filed electronically. The second measure reflects the extent to which USPTO is fully automated in the trademark area. Trademarks now has a complete text and image file record that includes the initial application, and applicant and office correspondence for more than 500,000 pending applications.

Data Source	TRAM system and Trademark Image Capture and Retrieval system database reports
Frequency	Daily input, weekly reporting
Data Storage	TRAM and automated systems
Internal Controls	Accuracy of supporting data is controlled through internal program edits in the TRAM system and cross checks against other automated systems.
Data Limitations	None
Actions to be Taken	N/A

PERFORMANCE OUTCOME: Improve intellectual property and enforcement domestically and abroad (USPTO)

Performance Measures:

- *Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards*
- *Improving worldwide IP expertise for U.S. government interests*
- *Plans of actions, mechanisms, and support programs initiated or implemented in developing countries*

These three measures reflect the work USPTO is conducting in the area of IP enforcement. The first measure tracks the work that EA experts do by providing advice and guidance to other countries and organizations to improve IP practices by reviewing and commenting various policies, laws, etc. The second measure represents the number of placements USPTO has made in other countries as well as an estimate of other assistance provided in terms of full time equivalents. The third measure tracks the actual agreements, provisions, and procedures that are implemented in those countries and regions by the attachés that promote and enforce IP rights.

Data Source	EA reports and databases
Frequency	Monthly input and reporting
Data Storage	Reports
Internal Controls	Manual reports and analysis
Data Limitations	None
Actions to be Taken	N/A



STRATEGIC OBJECTIVE 2.3

Advance the development of global e-commerce and enhanced telecommunications and information services

PERFORMANCE OUTCOME: Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

Performance Measures:

- ***Timeliness of processing (days)***
- ***Certification request processing time (months)***

These two measures reflect the time that (1) the National Telecommunications and Information Administration (NTIA) authorizes the federal agency use of the frequency spectrum in a timely manner so they can operate their radio communications and (2) NTIA certifies in a timely manner that spectrum will be available in the future for federal agency planned radio communications. NTIA ensures that each assignment approved does not cause interference to other spectrum users nor will it receive harmful interference from other spectrum users and that each assignment complies with the rules, regulations, and standards within NTIA's manual. NTIA's approval prevents an agency from developing communications in the wrong frequency band that could cause or receive interference from other spectrum users that could result in being unable to implement the system and the loss of all the funding that was necessary to develop the communication system. These measures contain the planned average target time to obtain approval, the number of requests for a frequency assignment, the average time it took to provide approval, and a comparison of actual time for approval versus the target.

Data Source	Interdepartment Radio Advisory Committee (IRAC) Support Branch, Office of Spectrum Management (OSM)
Frequency	Monthly, Annually
Data Storage	OSM, Computer Services Division
Internal Controls	ADP routines
Data Limitations	Classified information is not included in public data.
Actions to be Taken	Collection of data

Performance Measure:

- **Space system coordination request processing time**

NTIA provides approval and coordination domestically and internationally in a timely manner for an agency to operate its planned satellite communications. Coordination with other satellite spectrum users is essential to prevent interference to each other in light of the high costs of developing and implementing satellite communication systems. The performance measure contains the planned average target time to obtain approval for coordination actions within the Space Systems Subcommittee process, the number of space systems coordination actions requested, and the percentage of actions meeting target approval time.

NTIA also provides coordination to foreign satellite spectrum users to ensure that their systems do not interfere with U.S. satellite and terrestrial spectrum users. The performance measure contains the target percentage of responses to other countries meeting the ITU required timeframes, the number of space systems coordination requested, and the percentage of coordination actions completed on time.

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Data Source	IRAC Support Branch, OSM
Frequency	Monthly, Annually
Data Storage	OSM, Computer Services Division
Internal Controls	ADP routines
Data Limitations	Classified information is not included in public data.
Actions to be Taken	Collection of data

Performance Measure:

- ***Spectrum plans and policies processing time***

Most of the frequency spectrum is shared between the private sector and the federal government. As such, there are constant changes in the spectrum allocations, rules, and regulations developed and maintained by the Federal Communications Commission (FCC) and NTIA to address access by new telecommunication technologies and services to ensure interference free operation between all spectrum users and a level playing field to promote competition. The FCC accomplishes this task on behalf of the private sector through public rulemaking and NTIA does this through advice of the IRAC,. NTIA and the FCC have agreed in a memorandum of agreement that they would mutually perform the necessary coordination on rulemakings within 15 days or less. This agreement prevents unnecessary delays in gaining access to the spectrum, thus ensuring that the costs of regulatory processes on technology and services deployment are minimized. This performance measure contains the planned average target time to obtain NTIA coordination, the number of requests, the average time it took to provide coordination and a comparison of the actual time for coordination versus the target.

Data Source	IRAC Support Branch, OSM
Frequency	Monthly, Annually
Data Storage	OSM, Computer Services Division
Internal Controls	ADP routines
Data Limitations	Classified information is not included in public data.
Actions to be Taken	Collection of data

Performance Measure:

- ***Milestones completed from the implementation plan of the President's Spectrum Policy Initiative***

NTIA was directed by the President on November 30, 2004 to implement his Spectrum Policy Initiative by implementing 24 recommendations contained in two reports submitted by the Secretary of Commerce and coordinated with federal agencies in the OMB coordination process. The recommendations call for improvements in the spectrum management process to meet the goals in Performance Goal 1 above. NTIA has prepared an implementation plan with 136 milestones to be completed over the next five years as shown in Appendix 1. The performance measure contains the planned target of the number of milestones required to satisfy the 24 recommendations for each fiscal year until completed and for each of the four major goals in the President's Spectrum Policy Initiative. The actual number of milestones completed will be compared with the target.

Data Source	OSM
Frequency	Monthly, Annually
Data Storage	OSM, Associate Administrator
Internal Controls	NTIA document clearance process, OMB/interagency clearance process
Data Limitations	None
Actions to be Taken	None



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

PERFORMANCE OUTCOME: Promote the availability, and support new sources, of advanced telecommunications and information services

Performance Measure:

- *Support new telecom and info technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings in which Administration views are advocated*

This measure reflects NTIA's work in fulfilling its policy-setting role. It involves participating on behalf of the Administration in FCC and Congressional proceedings on telecommunications policies, including the development of appropriate regulatory treatment for broadband services deployment.

Data Source	Activities are reflected on NTIA Web site, weekly reports to the Secretary of Commerce, annual report to Congress.
Frequency	Annual
Data Storage	Office of Policy Coordination and Management
Internal Controls	Inspection
Data Limitations	Data are not quantitative but rather a qualitative assessment of current policy directions and plans.
Actions to be Taken	None

Performance Measure:

- *Number of Web site views for research publications*

NTIA measures the number of Web site hits of its online research publications. This measure indicates the reception and utility of research results within the spectrum research and engineering community. Many government agencies and private sector organizations use these research publications to improve effectiveness in the planning, procurement, and configuration of systems. This basic research directly benefits the U.S. public through promotion of advanced telecommunications and information infrastructure development in the United States, enhancement of domestic competitiveness, improvement of foreign trade opportunities for U.S. telecommunications firms, and facilitation of more efficient and effective use of the radio spectrum.

Data Source	ITS
Frequency	Monthly
Data Storage	ITS, Web server
Internal Controls	Inspection
Data Limitations	None
Actions to be Taken	Collection of data

STRATEGIC GOAL 3

Observe, protect, and manage the Earth’s resources to promote environmental stewardship

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth’s environment to meet America’s economic, social, and environmental needs

PERFORMANCE OBJECTIVE: Serve society’s needs for weather and water information (NOAA)

Performance Measures:

- *Severe weather warnings for tornadoes (county based) – Lead time (minutes)*
- *Severe weather warnings for tornadoes (county based) – Accuracy (%)*
- *Severe weather warnings for tornadoes (county based) – False alarm rate (%)*

The lead time for a tornado warning is the difference between the time the warning was issued and the time the tornado affected the area for which the warning was issued. The lead times for all tornado occurrences within the continental United States are averaged to get this statistic for a given fiscal year. This average includes all warned events with zero lead times and all unwarned events. Accuracy is the percentage of time a tornado actually occurred in an area that was covered by a warning. The difference between the accuracy percentage and 100 percent represents the percentage of events without a warning. The false alarm rate (FAR) is the percentage of times a tornado warning was issued but no tornado occurrence was verified.

Data Source	National Weather Service (NWS) field offices
Frequency	Monthly
Data Storage	NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS)
Internal Controls	Verification is the process of comparing the predicted weather to reported event. Warnings are collected from every NWS office, quality controlled, and matched to confirmed tornado reports. Reports are validated by Weather Forecast Offices (WFO) using concise and stringent guidelines outlined in NWS Instruction 10-1605. From these data, verification statistics are computed. OCWWS monitors monthly performance throughout NWS, and the regional headquarters monitor performance within their respective regions. All data are reported on to NWS and National Oceanic and Atmospheric Administration (NOAA) leadership on a monthly basis.
Data Limitations	Only confirmed tornado reports are used to verify tornado warnings. Radar reports are not used. If a tornado occurs but is not reported, it doesn’t go into the database for verification. Therefore, it is possible for tornadoes to be underreported, especially in sparsely populated areas. While long-term performance has shown a steady increase in forecast accuracy, interannual scores tend to fluctuate due to varying weather patterns from year to year. Some weather patterns are more difficult to forecast than others. Forecasters perform better during large outbreaks due a high level of situational awareness, well defined tornadic radar images, and increased confidence based on tornado reports which verify warnings during these large scale events. These three factors lead to longer lead times, higher accuracy, and lower FARs. The peak level of tornadic activity occurs April through June each year. A secondary peak activity time period is October and November in the southeastern United States.
Actions to be Taken	Review all warnings and storm data after each event to learn from past experiences. Use the information learned to improve forecast skill and product quality in the future.

Performance Measures:

- *Severe weather warnings for flash floods – Lead time (minutes)*
- *Severe weather warnings for flash floods – Accuracy (%)*

The lead time for a flash flood warning is the difference between the time the warning was issued and the time the flash flood affected the area for which the warning was issued. The lead times for all flash flood occurrences within the continental United



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

States are averaged to get this statistic for a given fiscal year. This average includes all warned events with zero lead times and all unwarned events. Accuracy is measured by the percentage of times a flash flood actually occurred in an area that was covered by a warning. The difference between the accuracy percentage figure and 100 percent represents the percentage of events without a warning.

Data Source	NWS field offices
Frequency	Monthly
Data Storage	NWS headquarters and OCWWS
Internal Controls	Verification is the process of comparing the predicted weather to reported event. Warnings are collected from each NWS office, quality controlled, and matched to confirmed flash flood reports. Reports are validated by WFOs using concise and stringent guidelines outlined in NWS Instruction 10-1605. OCWWS monitors monthly performance throughout NWS, and the regional headquarters monitor performance within their respective regions. All data are reported on to NWS and NOAA leadership on a monthly basis.
Data Limitations	While long-term performance has shown a steady increase in forecast accuracy, interannual scores tend to fluctuate due to varying weather patterns from year to year. Some weather patterns are more difficult to forecast than others. Typically, first and second quarters have higher lead times, while the third and fourth quarters, during the convective season, bring the annual average down. Spring/summer mesoscale events (e.g., thunderstorms) are more difficult to predict than larger synoptic scale systems; hence lower scores are expected in the third and fourth quarters.
Actions to be Taken	Review all warnings and storm data after each event to learn from past experiences. Use the information learned to improve forecast skill and product quality in the future.

Performance Measure:

- ***Hurricane forecast track error (48 hours) (nautical miles)***

The public, emergency managers, government institutions at all levels in the United States and abroad, and the private sector use NOAA hurricane and tropical storm track forecasts to make decisions on life and property. This goal measures the difference between the projected location of the center of these storms and the actual location in nautical miles for the Atlantic basin. The goal is computed by averaging the differences (errors) for all the 48-hour forecasts occurring during the calendar year. This measure can show significant annual volatility. Projecting the long-term trend, and basing outyear goals on that trend, is preferred over making large upward or downward changes to the goals each year.

Data Source	NWS/Tropical Prediction Center (TPC)
Frequency	Annually
Data Storage	TPC
Internal Controls	Hurricane storm verification is performed for hurricanes, tropical storms, and tropical depressions regardless of whether these systems are over land or water. TPC issues track and intensity forecasts throughout the life of a hurricane. The actual track and intensity are verified through surface and aircraft measurements. NOAA calculates the average accuracy of the TPC track and intensity forecasts for the Atlantic basin at the end of each hurricane season. Reported errors are for hurricane and tropical storm stages only because of a more limited historical verification record for tropical depressions. All data are reported to NWS and NOAA leadership on an annual basis.
Data Limitations	Verification of actual track and intensity versus forecast is very accurate. However, actual annual scores vary up to 20 percent in some years due to the type and location of the hurricane events. Some types of systems can be more accurately forecasted than others. For example, hurricanes that begin in the northern sections of the hurricane formation zone tend to be much harder to accurately forecast. Outyear measures depend on a stable funding profile and take into account new satellites, improved forecast models, new and continued research activities of the U.S. Weather Research Program (USWRP), and investments in critical observing systems.
Actions to be Taken	NOAA will report on the tracking of forecasts at 24, 48, and 72-hour intervals.

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- **Accuracy (%) (threat score) of day 1 precipitation forecasts**

This performance measure tracks the ability of the weather forecasters of NOAA's Hydrometeorological Prediction Center (HPC) to predict accurately the occurrence of one inch or more of precipitation (rain or the water equivalent of melted snow or ice pellets) 24 hours in advance across the contiguous United States. Through this measure, HPC focuses on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period (short-term flood and flash flood warnings), because of the major safety and economic impacts such heavy precipitation can have in producing flooding, alleviating drought, and affecting river navigation. These forecasts indicate how much precipitation is expected across the United States, not just whether it will rain or snow. HPC tracks the accuracy of these forecasts using a metric with the statistical name of "threat score" or equivalently "critical success indicator." This accuracy metric ranges from zero percent, indicating no skill, to 100 percent for a perfect forecast. For example, in verifying the accuracy of a forecast of one inch or more of precipitation for day 1 (the next 24 hours), HPC first determines everywhere in the United States where an inch or more actually fell and was observed by rain gauges. On a given day this occurs only over a very small percentage of the country (although a one inch or more precipitation event is significant for the inhabitants of that particular area). HPC then compares these observed areas of at least one inch of precipitation with the forecasted areas of at least one inch, counting only those points in the United States where HPC forecasted and observed at least an inch as being an accurate forecast. (These points are called "hits.") Thus, if HPC forecasts one inch to fall at the point representing Washington, DC, and it observed only three-quarters of an inch actually had fallen in that specific area, the forecast is then rated as a miss, even if an inch of rain was observed to have fallen at the points nearby. The overall accuracy score for the country for that particular day 1 forecast is then determined by dividing the total number of correctly forecast points (hits) by the total number of points where HPC had either forecast at least one inch of liquid precipitation or one inch of liquid precipitation had actually occurred. Thus this measure takes into consideration those areas where one inch or more of precipitation was correctly forecast, where it was forecasted but did not occur, and where it occurred but had not been forecasted. To earn a high accuracy score, HPC has to forecast the time, place, and amount of precipitation very well.

Data Source	HPC and state agencies
Frequency	Monthly
Data Storage	World Weather Building
Internal Controls	HPC has produced Quantitative Precipitation Forecasts since the early 1960s and has kept verification statistics related to the Quantitative Precipitation Forecast program since that time. HPC forecasters work under the supervisory control of the Senior Branch Forecaster (SBF), who is responsible for the quality and content of all products issued during the shift. The SBF having the additional duty of 24-hour precipitation forecast verification verifies the precipitation forecasts. All data are examined for accuracy and quality control procedures are applied, as described in the Description of Measure section. Verification is the process of comparing the predicted precipitation amounts to the observed amounts over the conterminous United States. All data are reported on to NWS and NOAA leadership on a monthly basis.
Data Limitations	The 40-year record of performance indicates there can be considerable variation in the performance measure from year to year. This variation is heavily dependent on the variation of weather regimes over the course of a year and from year to year. Scores are usually lower, for example, in years with considerable summertime precipitation not associated with tropical cyclones.
Actions to be Taken	NOAA will implement planned weather observation and numerical modeling improvements along with ongoing research projects. The Hydrometeorological Test Bed will be expanded to accelerate the transition of research advancements into the operational prediction of precipitation.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measures:

- **Winter storm warnings – Lead time (hours)**
- **Winter storm warnings – Accuracy (%)**

A winter storm warning provides NOAA customers and partners advanced notice of a hazardous winter weather event that endangers life or property, or provides an impediment to commerce. Winter storm warnings are issued for winter weather phenomena like blizzards, ice storms, heavy sleet, and heavy snow. These measures reflect advance warning lead time and the accuracy of winter storm events. Improving the accuracy and advance warnings of winter storms enables the public to take the necessary steps to prepare for disruptive winter weather conditions.

Data Source	NWS field offices
Frequency	Monthly
Data Storage	The regional headquarters, NWS headquarters, and OCWWS
Internal Controls	Verification is the process of comparing predicted weather to a reported event. Warnings are collected from each NWS office, quality controlled, and matched to confirmed winter storm reports. Reports are validated by WFOs using concise and stringent guidelines outlined in NWS Instruction 10-1605. OCWWS monitors monthly performance throughout NWS, and the regional headquarters monitor performance within their respective regions. All data are reported on to NWS and NOAA leadership on a quarterly basis.
Data Limitations	While long-term performance has shown steady increase in forecast accuracy, interannual scores tend to fluctuate due to varying weather patterns from year to year. Some weather patterns are more difficult to forecast than others.
Actions to be Taken	Review all warnings and storm data after each event to learn from past experiences. Use the information learned to improve forecast skill and product quality in the future.

Performance Measure:

- **Cumulative percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts**

This measure tracks improvements in NOAA's ability to assist coastal areas by estimating the risks of natural hazards. Activities are underway to develop a coastal risk atlas that will enable communities to evaluate the risk, extent, and severity of natural hazards in coastal areas. The risk atlas will help coastal communities make more effective hazard mitigation decisions to reduce impacts to life and property. Through the coastal risk atlas, National Ocean Service (NOS) provides a mechanism for coastal communities to evaluate their risks and vulnerabilities to natural hazards and improve their hazard mitigation planning capabilities.

Data Source	NOS Coastal Services Center; National Satellite, Data, and Information Service (NESDIS); National Coastal Data Development Center; and other federal and state agencies
Frequency	Annually
Data Storage	NOS and NESDIS will collect information, conduct assessments, and store data.
Internal Controls	This measure tracks the cumulative percent of shoreline and inland areas with improved ability to reduce the impact of coastal hazards. In the past, the types of projects included in the reported results differed from one year to the next; therefore, the potential for counting a portion of the shoreline more than once existed. For example, one year a project may improve an area's ability to reduce the impacts of hurricanes, and then another year a separate project may improve the same area's ability to reduce the impacts of another coastal hazard, such as inland flooding. To avoid confusion, this measure currently only tracks the development and implementation of the Coastal Risk Atlas. All data used in the Coastal Risk Atlas are quality controlled and the risk assessment methodologies have been peer reviewed with quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	This measure tracks the development and implementation of the Coastal Risk Atlas as an indicator of improved ability to identify the extent and severity of coastal hazards. Reaching these targets will depend on the activities of other federal and state agencies with management responsibilities in this area.
Actions to be Taken	None

PERFORMANCE OBJECTIVE: Understand climate variability and change to enhance society’s ability to plan and respond (NOAA)

Performance Measure:

- *U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)*

Accurate temperature forecasts are critical to many sectors of the national economy, including agriculture and energy utilities. This measure compares actual observed temperatures with forecasted temperatures from areas around the country. For those areas of the United States where a temperature forecast (warmer than normal, cooler than normal, near-normal) is made, this score (Heidke Skill Score) measures how much better the forecast is than the random chance of being correct. Areas where no forecast for surface temperature is made (i.e., areas designated as "equal chance" on the Climate Prediction Center (CPC) seasonal forecast maps) are not included in the computation of this score. The Heidke Skill Score is the metric used for this measure to compare actual and observed temperatures and is one of several accepted standards of forecasting in the scientific community.

The Heidke Skill Score is based on a scale of -50 to +100. If forecasters match a random prediction, the skill score is zero. Anything above zero shows positive skill in forecasting. Given the difficulty of making seasonal temperature and precipitation forecasts for specific locations, a skill score of 20 is considered quite good and means the forecast was correct in almost 50 percent of the locations forecasted.

Data Source	Forecast data, observations from WFOs, and from a cooperative network maintained by volunteers across the Nation.
Frequency	Monthly
Data Storage	NWS National Centers for Environmental Prediction (NCEP)
Internal Controls	NOAA performs quality control on the observed data (for example, error checking, elimination of duplicates, and inter-station comparison) both at the CPC and WFO level. In June 2005, NOAA also implemented an objective verification procedure to minimize the impact of human errors in the computation of skill score; monthly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	Because of natural (and unpredictable) variability of climate regimes, the skill score can fluctuate considerably from one season to another. For example, for the periods influenced by a strong El Niño/Southern Oscillation (ENSO) forcing, Government Performance Results Act (GPRA) measure tends to be high. Lower scores occur during the periods when ENSO is in its neutral phase.
Actions to be Taken	None

Performance Measure:

- *Reduced the uncertainty in the magnitude of the North American carbon uptake*

This measure tracks the uncertainty of atmospheric estimates of the North American carbon uptake by half, assuming a full network of 36 stations has been established and monitored. The uncertainty is estimated on an annual basis, to track progress toward a goal of +/- 0.3 total carbon dioxide emissions (GtC) per year by FY 2009. The baseline uncertainty is +/- 0.6 GtC per year (as determined in 2000). Reducing the uncertainty by 50 percent will allow resolution of the interannual variability in the North American carbon flux and U.S. regional GtCs and uptake.

Carbon dioxide is the most important of the greenhouse gases that are undergoing changes in abundance in the atmosphere due to human activity. On average, about one-half of all the carbon dioxide emitted by human activity is taken up by the oceans and the terrestrial biosphere (trees, plants, and soils), also known as carbon sinks. The variation in the uptake from year to year is very large and poorly understood. A large portion of the variability is thought to be related to the terrestrial biosphere in the Northern Hemisphere, and quite likely North America itself. NOAA needs to assess and quantify the source of this variability if it is to provide scientific guidance to policymakers who are concerned with managing emissions and sequestration of carbon dioxide.



APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Data Source	NOAA's Global Carbon Cycle Research Program
Frequency	Annual
Data Storage	NOAA's Earth System Research Laboratory
Internal Controls	Quality assurance and calibration against known standards performed by NOAA.
Data Limitations	Number of tall tower/aircraft sites and NOAA's ability to incorporate these data into advanced carbon models.
Actions to be Taken	None

Performance Measure:

- ***Reduced the uncertainty in model simulations of the influence of aerosols on climate***

Aerosols are liquid or solid particles suspended in the atmosphere. They force changes in the climate system by (1) directly absorbing and scattering of radiation from the sun, and (2) by changing the way clouds reflect back solar radiation. While greenhouse gases warm the atmosphere, aerosols and clouds can both counteract greenhouse gases by reflecting incoming solar radiation and cooling the atmosphere, or, under different conditions, some aerosols can absorb solar radiation and some clouds can trap heat, thus heating the atmosphere. The role of aerosols, clouds, and climate is deemed to be the largest single uncertainty in the prediction of how human activities influence climate change (Intergovernmental Panel on Climate Change [IPCC] 2001). This GPRA measure now addresses the first of the two factors. In later years the second factor will also be included.

Annual targets quantitatively score the success of each of the individual research tasks in preceding years. Success in each of these preceding steps is necessary for success in meeting the 10 percent improvement of uncertainty associated with the 2007 goal and the 15 percent improvement in uncertainty for the 2008 goal.

The desired outcome is an improved science-vetted set of options for changing the impact of North American aerosols on climate, which can be considered by governments, the private sector, e.g., transportation and energy production, and the public. Reductions in the uncertainties surrounding aerosols relate directly to the confidence with which model simulations can support policy decisions on the climate issue. Furthermore, since aerosols are also a human-health, air quality issue, there is the opportunity to quantify "win-win" opportunities of how decisions made to improve air quality may also contribute to reduce the forcing of climate change.

Data Source	NOAA's Atmospheric Composition and Climate Program
Frequency	Annual
Data Storage	NOAA's Earth System Research Laboratory
Internal Controls	Quality assurance and comparisons against 2001 international assessments by leading experts in the aerosol climate community.
Data Limitations	Number of monitoring sites for vertical distribution of aerosols, process studies that include intensive field campaigns and laboratory-based data, and NOAA's ability to include these in global models.
Actions to be Taken	None

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- ***Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations***

This measure addresses the significant shortcomings in past and present observing systems by capturing 98 percent of the long-term changes in the national annual average surface air temperature and 95 percent of the long-term changes in the national annual average precipitation throughout the contiguous United States using the U.S. Climate Reference Network (USCRN). Inadequacies in the present observing system increase the level of uncertainty when government and business decisionmakers consider long-range strategic policies and plans. The USCRN, a benchmark climate-observing network, provides the Nation with long-term (50 to 100 years) high quality climate observations and records with minimal time-dependent biases affecting the interpretation of decadal to centennial climate variability and change.

Data Source	NOAA's National Climatic Data Center
Frequency	Monthly
Data Storage	NOAA's National Climatic Data Center
Internal Controls	Monte Carlo simulations based on operation stations, monthly reporting on performance to NOAA Deputy Under Secretary
Data Limitations	Number of stations commissioned in the USCRN.
Actions to be Taken	None

Performance Measure:

- ***Reduced the error in global measurement of sea surface temperature***

This measure documents progress in accurately measuring the global sea surface temperature. The unit of measure is potential satellite bias error (in degrees Celsius) of global sea surface temperature. Bias error is due to a systematic difference between multiple types of observing instrumentation (e.g., satellites and in situ buoys, ships, etc.). The current satellite bias error is 0.53°C (2006). The sea surface, covering over 70 percent of the Earth surface, has a tremendous influence on global climate. It is where the atmosphere responds to the ocean, via the transfer of heat either to or from the atmosphere. Warmer than normal sea surface temperatures in the tropical Pacific is a dominant characteristic of the El Niño phenomenon, and predictive climate models for El Niño must be initialized using the most precise observed surface temperature possible to produce accurate forecasts. Since sea-surface temperature is measured by buoys, ships, and satellites, this performance measure is well-suited as an indicator of the effectiveness of NOAA's Integrated Ocean Observing System (IOOS). This performance measure also reflects how improvements in ocean observations will decrease the uncertainty in global sea surface temperature measurements, which will ultimately play a role in calculations of the ocean-atmosphere exchange of heat and the heat storage in the global ocean. More accurate estimates of sea surface temperature and ocean heat content will improve ability to respond to changes in the climate system.

Data Source	NOAA's Office of Climate Observations
Frequency	Quarterly
Data Storage	Pacific Marine Environmental Laboratory
Internal Controls	Quarterly reporting mechanism on uncertainty in sea surface temperature measurements, quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	Number of deployed observing platforms in the global ocean.
Actions to be Taken	None



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Performance Measure:

- *Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information*

This measure documents the success in working with stakeholders to develop and enhance a suite of climate data, monitoring, and prediction products that are valuable to customers and stakeholders. The unit of measure is: regionally-focused climate impacts and adaptation studies communicated to decisionmakers. NOAA currently provides state of the art science and discovery information products to a range of decisionmakers, from water resource managers and regional forecast offices, to national and international assessments. These information summaries highlight important deliverables such as reducing uncertainty in climate forcing models, and in seasonal, interannual, and decadal climate forecasts. These deliverables form the basis of NOAA's emerging climate products and services. NOAA requires stakeholder input and feedback for product development and improvement. These interactions are facilitated by both interdisciplinary research and NOAA operations, bridging the gap between research and production, and decisionmakers. By increasing the interactions between NOAA and the users of climate information, NOAA ensures that climate products and services reach the key decision-making sectors.

Data Source	NOAA's Office of Global Programs
Frequency	Annual
Data Storage	NOAA's Climate Program Office
Internal Controls	Annual examination of grants awarded and research activities undertaken that result in various outputs (e.g. peer review publications, workshops) showing evidence of research-based interactions with decisionmakers.
Data Limitations	Challenge of systematically collecting research-based outputs showing evidence of interactions with stakeholders to communicate risks of climate variability and change and to develop means of coping with impacts.
Actions to be Taken	None

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs

PERFORMANCE OBJECTIVE: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)

Performance Measure:

- *Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels*

This measure tracks progress at achieving partial recovery of endangered, threatened, or depleted protected species under the jurisdiction of the National Marine Fisheries Service (NMFS) from a baseline of 65 species established as of January 1, 2004. Protected species are defined as all marine mammal stocks (except walruses, polar bears, and manatees) and those domestic non-marine mammal species listed as threatened or endangered under the Endangered Species Act that are under the jurisdiction of NMFS. Marine mammal species included in this measure are those listed as "depleted" under the Marine Mammal Protection Act (MMPA), which includes any listed under Endangered Species Act. Recovery of threatened, endangered, or depleted protected species is very slow and can take decades. While it may not be possible to recover or delist a species in the near term, progress can be made to stabilize or increase the species. For some, it is trying to stop a steep decline (right whales, stellar sea lions);

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for others it is trying to increase their numbers/abundance (Ridley turtles). NOAA's protected species management efforts are focused on halting declines and conserving species while still allowing human activities to continue.

Data Source	MMPA stock assessment reports and Endangered Species Act status reviews
Frequency	Annual
Data Storage	Excel spreadsheet maintained by NMFS's Office of Protected Resources.
Internal Controls	Results are reported quarterly in a signed memo from the Protected Species Program Manager to the NMFS CFO and are housed and made available in a database managed by NMFS; quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	MMPA stock assessment reports are updated only once a year and Endangered Species Act status reviews are updated only every one to five years depending on priority and fund availability.
Actions to be Taken	Discussions are ongoing to include protected species in the NMFS Stock Information System (SIS).

Performance Measure:

- ***Number of habitat acres restored (annual/cumulative)***

Habitat restoration and long-term protection are critically needed to help maintain the function of important coastal and marine ecosystems. Under NOAA's legislative mandates, NOAA protects and restores key habitats that provide critical ecosystem functions that support the health of endangered or threatened species, essential fish habitat, as well as provide a number of other societal or economic benefits. NOAA restores habitat areas lost or degraded as a result of development and other human activities, as well as specific pollution incidents and sources. Activities are geared toward NOAA trust resources found across the marine environment and supportive of anadromous fish species. This measure summarizes or projects the geographic area over which ecosystem function has been or will be improved as the direct result of habitat restoration efforts.

Data Source	Interim and final progress reports from each project
Frequency	Quarterly
Data Storage	Restoration Center Database (RCDB)
Internal Controls	Results are reported quarterly in a signed memo from the Habitat Program Manager to the NMFS CFO and are housed and made available in a database managed by NMFS; quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	Data are primarily provided by grantees.
Actions to be Taken	None

Performance Measures:

- ***Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management***
- ***Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs***

Sound management of coastal and ocean ecosystems requires scientifically based information on their condition. NOAA is developing methods to scale up from the site characterizations it currently produces to ecosystem characterizations. Characterization includes identification of the physical location, spatial extent, and biological, chemical, and physical characteristics. Site characterizations improve understanding of the history, current state, and future condition of ecosystems, and ecosystem characterizations will be the cornerstones to ecosystem-based management and the basis for many coastal, marine, and Great Lakes management tools, including forecasts, assessments, and management plans. NOAA decides what to characterize based on: user community priorities, adequacy of indicators, significance of issue, and consequences of management action/inaction. Characterization of an ecosystem site (and in the future, a defined subecosystem) is measured as uncharacterized, substantially characterized,



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or adequately characterized. NOAA has initiated a process to divide each of the large marine ecosystems into subecosystems; ecosystem sites are being used as a proxy unit of measurement until that effort is completed. (At that point, NOAA will measure the cumulative number of ecosystems adequately characterized for management. Currently the measure tracks the progress of 13 National Marine Sanctuaries (NMS) and 26 National Estuarine Research Reserve Systems (NERRS) in completing monitoring and assessment to characterize the sites for ongoing management and long-term protection.

Data Source	Characterizations focus on ecosystem sites: NMS, NERRS, coral reef ecosystems, the coastal zone, Great Lakes, essential fish habitat, ecological species units, and unexplored areas.
Frequency	Annual
Data Storage	Metadata from all contributing sources to the measure are maintained by managers for the coastal and marine resources and ecosystem research programs and stored in an Excel database with limited access. The final performance data reported in quarterly and annual performance reports are managed in a secure NOS database for annual milestones and annual and long-term performance measures. Changes to reporting data require approval by the NOS administrator (managed by an email workflow approval system).
Internal Controls	Results are reported monthly to the Ecosystems Research Program (ERP) program manager and NOAA CFOs; quarterly reports on performance data are submitted to the NOAA Deputy Under Secretary.
Data Limitations	NOAA focuses on protected areas or areas where NOAA has a clear management mandate. NOAA works to identify key parameters for characterizing their conditions and develop assessments of their present health. Characterizations from all contributors are being tracked in this new measure in addition to criteria defining the indicator of what meets management needs for each ecosystem site because characterizations vary temporally and geographically.
Actions to be Taken	None

Performance Measure:

- ***Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection***

NOAA maintains the health of coastal, marine, and Great Lakes habitats by designating and managing important areas for long-term conservation and by providing support to state and local governments to protect additional key habitats by purchasing land from willing sellers. This measure tracks the number of acres acquired with NOAA funds by state or local government agencies from willing sellers for long-term protection of important coastal habitats, or the number of acres designated for long-term protection by NOAA or by state partners. The protected acres are the actual number of acres newly protected in a fiscal year. The cumulative total represents acres acquired or designated to date for NERRS, National Marine Sanctuary Program (NMSP), and Coastal and Estuarine Land Conservation Program. The goal for the long-term protection indicator is variable, as the yearly target can vary from hundreds to thousands of acres each year. For example, the initial designation or acquisition for a new reserve or sanctuary may add hundreds of thousands of acres in one year, while in other years acquisition may result in several hundred or thousand acres protected.

Data Source	The cumulative total represents data on acres from the NERRS program, NMSP, and the Coastal and Estuarine Land Conservation Program.
Frequency	Annually by each program manager.
Data Storage	Metadata from all contributing sources to the measure are managed by the Coastal and Marine Resources Program (CMRP) Manager and stored in an Excel spreadsheet with limited access. The final performance data reported annually in performance reports are managed in a secure NOS database for annual milestones and annual and long-term performance measures. Changes to reporting data require approval by the NOS administrator (managed by an email workflow approval system).
Internal Controls	Results are reported annually to the contributing NOAA CMRP and NOAA CFOs for approval; monthly reports on performance data are submitted to the NOAA Deputy Under Secretary.
Data Limitations	The goal for the long-term protection indicator is variable, as the yearly target can vary from hundreds to thousands of acres each year. For example, the initial designation or acquisition for a new reserve or sanctuary may add hundreds of thousands of acres in one year, while in other years acquisition may result in several hundred or thousand acres protected. Other limitations are the timeliness of reporting by grant recipients, accuracy of conversion from hectares to acres for some data, and the time delay between funding and completion.
Actions to be Taken	Since this measure does not capture all NOAA's activities to protect habitat, NOAA seeks to expand the measure in the future. NOAA is looking at the feasibility of further harmonizing methodologies used among contributing program components.

Performance Measure:

- ***Fish stock sustainability index (FSSI)***

The FSSI replaces the measure "Number of Overfished Major Stocks of Fish." The index tracks the outcome of building and maintaining fish stocks at productive levels while also capturing the critical components of NOAA's efforts to get to that outcome, i.e., managing fish harvest rates and increasing knowledge about the status of fish stocks. The measure provides a much more complete picture than the old measure of NOAA's success at fisheries management. The FSSI is calculated by assigning a total score between 0 and 4 to each of 230 priority fish stocks (see below). Each stock receives one point if:

- NOAA has determined whether or not (1) the stock is overfished (one-half point) and (2) the stock is subject to overfishing (one-half point); i.e., scientific knowledge is available about the stock;
- NOAA's management measures are succeeding at ensuring that fishing does not remove too many fish (i.e., level of fishing mortality does not exceed the threshold for overfishing);
- The stock is managed at an acceptable level (i.e., biomass is above the level defined as overfished for the stock);
- The stock is rebuilt or is at its "optimal" level, the ultimate long term end state for a stock (i.e., biomass is within 80 percent of that required to achieve maximum sustainable yield).

The FSSI is the sum of the scores of the individual stocks. The highest possible score for a stock is four and for the index is 920, since the FSSI is based on a set of 230 priority fish stocks selected for their importance to commercial and recreational fisheries. Criteria for selection of stocks include whether they are major stocks (landings greater than 200,000 pounds), whether they are overfished or subject to overfishing, whether they have assessments scheduled, whether they have previously been identified as important, or other factors as appropriate. These stocks represent about 90 percent of all commercial landings in the United States. NOAA plans for this set of stocks to be tracked over a five-year period.

Data Source	Stock assessments and status determinations
Frequency	Quarterly
Data Storage	NMFS SIS
Internal Controls	Results will be reported quarterly in a signed memo from the Fishery Management Program Manager to the NMFS CFO and are housed and made available in a database managed by NMFS; monthly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	Results can only be reported when the SIS is updated with new information from the field.
Actions to be Taken	None

Performance Measure:

- ***Percentage of living marine resources (LMR) with adequate population assessments and forecasts***

This measure tracks the percent of priority fish stocks and protected species stocks that have adequate population assessments and forecasts available and useful to resource managers. The priority fish stocks consist of 230 stocks selected for their importance to commercial and recreational fisheries. They are the same stocks tracked under the FSSI. Protected species stocks tracked for this measure are those listed under the MMPA and/or Endangered Species Act, which happen also by coincidence to total 230. There are thus 460 stocks tracked under this measure. This measure combines the number of stock assessments for priority fish stocks and the number of stock assessments and forecasts for protected species to produce a percentage of LMR that tracks the scientific basis for supporting and for evaluating the impact of LMR management actions. The standard of "adequate" is in reference to improving the level of scientific information on a LMR stock to Tier II as described in the Fisheries and Protected Species Stock Assessment Improvement Plans (SAIP) developed by NMFS. To reach this standard, assessments would have to



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be based on recent quantitative information sufficient to determine current stock status (abundance and mortality) relative to established reference levels and to forecast stock status under different management scenarios.

Data Source	Stock assessments reports and Endangered Species Act status reviews
Frequency	Quarterly
Data Storage	NMFS SIS and Excel spreadsheet maintained by NMFS's Office of Protected Resources
Internal Controls	Results will be approved by the NMFS Chief Science Advisor and reported quarterly in a signed memo from the Ecosystem Observations Program Manager to the NMFS CFO and are housed and made available in a database managed by NMFS; quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	Results can only be reported when the SIS is updated with new information from the field.
Actions to be Taken	Discussions are ongoing to include protected species in the NMFS SIS.

Performance Measure:

- ***Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management***

This measure tracks NOAA's success in translating or synthesizing research findings into information, tools, and technology that improve the use and management of coastal, ocean, and Great Lakes ecosystems. Tracking the accessibility and use of information by target audiences will allow NOAA to identify and expand its most effective programs and products. NOAA partners and customers include federal, state, local, and tribal authorities who make decisions that affect the state of resources in the U.S. coastal zone, and other users whose actions impact the condition of coastal ecosystems (e.g., private industry, school children.) Examples of tools include coastal population change data, land cover data, benthic habitat maps, and environmental sensitivity index maps. Technologies refer to the transfer of new or underused approaches for addressing coastal management (e.g., remote sensing, biosensors, Autonomous Underwater Vehicles (AUV), genetic markers for fishery stocks) and resource development (e.g., culture systems for aquaculture, marine pharmaceuticals). This includes the application of technology to coastal resource management through synthesis, integration, training, and the development of new management tools. Information services would include technical assistance, education materials and curricula, extension, and training. Tools or techniques used for modeling or forecasting are measured elsewhere and excluded here.

Data Source	NOAA's line offices (the Office of Atmospheric Research [OAR] and NOS) executing the NOAA programs through the Strategic Plan goal/program structure.
Frequency	Annual
Data Storage	Each line office has an internal secure system for tracking the data contributions.
Internal Controls	Use values will be reported by program offices as the number of tools, technologies, and information services (TTIS) used out of the number of TTIS provided. Each line office will report total annual values to a central repository where a single percentage value will be determined and archived in a secure repository. Data are managed in a decentralized system by contributing line offices with validation and verification on any partner for TTIS to ensure no double counting of data.
Data Limitations	NOAA needs to ensure tracking systems are secure and data are validated and verified.
Actions to be Taken	A secure central NOAA repository for matrixed measures is under development for improved management and tracking purposes.

PERFORMANCE OBJECTIVE: Support the Nation’s commerce with information for safe, efficient, and environmentally sound transportation (NOAA)

Performance Measure:

- **Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)**

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 GPS. NOAA uses the data to produce traditional paper, raster, and electronic navigational charts for safe and efficient navigation. 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. Ships traversing U.S. coastal waters rely on charts based on sounding data that are more than 50-years-old in many places. NOAA has identified approximately 510,000 square nautical miles of the U.S. Exclusive Economic Zone as navigationally significant and in need of resurvey. Since 1994, NOAA has focused primarily on surveying and reporting its accomplishments in the highest priority areas, many of which carry heavy commercial traffic, are less than 30 meters deep, and change constantly. However, this critical area constitutes only a small portion (eight percent) of the entire navigationally significant area used by large commercial vessels and recreational boaters. The square nautical miles reflect data collected within all areas designated as navigationally significant. NOAA’s surveying activities balance in-house resources with private sector contracts and use the latest full-bottom coverage sounding technologies to survey the Nation’s coastal areas for navigation. Weather, mechanical failure, and level of surveying difficulty are variables for both NOAA and its contractors, and therefore variances from the targets of +/- 50 square nautical miles per vessel are to be expected in a normal field season.

Data Source	Progress reports on data collected from hydrographic survey platforms.
Frequency	Monthly
Data Storage	NOS maintains hydrographic survey performance data at NOAA’s Hydrographic Surveys Division.
Internal Controls	NOS applies its established verification and validation methods. The measure has a +/- 50 square nautical mile variance. Targets are set annually based on resources available; monthly reports on performance to the NOAA Deputy Under Secretary.
Data Limitations	NOAA-owned ships and contractor survey assets can be affected by changes in vessel availability or condition. Weather can also affect scheduled surveys.
Actions to be Taken	NOS maintains hydrographic survey performance data at NOAA’s Hydrographic Surveys Division.

Performance Measure:

- **Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity**

This tracks the progress of NOAA’s Geodesy Program in facilitating the capacity of state and local governments and the private sector to utilize accurate positioning information. NOAA will track county level use of its Online Positioning User Service (OPUS) to determine how well state and local governments are enabled with accurate positioning capacity. Assessing state and local government and private sector usage at the county level is the most appropriate geographic unit. County level assessments offer entire U.S. coverage and an existing infrastructure for addressing spatial issues. Utilizing OPUS is the right indicator for how well a county is enabled with accurate positioning capacity, because its usage requires a high level of positioning sophistication. Further, OPUS is a necessary step in obtaining accurate positions. The level of capacity varies across the Nation. This variation is measured as deficient, sufficiently enabled, and enabled. Deficient capacity to conduct accurate positioning indicates that the county has not demonstrated it has the NOAA-enabled infrastructure, tools, and local capacity needed for accurate positioning. Substantially enabled capacity to conduct accurate positioning indicates the county has demonstrated it has the NOAA-enabled



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infrastructure, tools, and local capacity needed for accurate positioning. Enabled capacity indicates the county has validated NOAA-enabled infrastructure, tools, and local capacity needed for accurate positioning. This is indicated by having local interaction through, for example, a submitted and accepted OPUS project for inclusion in the NOAA's geodetic database.

Data Source	OPUS
Frequency	Quarterly
Data Storage	Automated database at NOS
Internal Controls	NOAA will validate a county's capacity for local positioning through direct coordination with localities, such as OPUS project acceptance by NOAA. By assessing the user needs of county surveyors, counties, and their associations through successive limited distributions of a county scorecard, NOAA will validate that the geodesy program is meeting local positioning needs; quarterly reporting on performance to NOAA Deputy Under Secretary.
Data Limitations	OPUS customer data are limited and will be expanded through Paperwork Reduction Act-approved surveys of customers.
Actions to be Taken	None

Performance Measures:

- **Aviation forecast accuracy of ceiling/visibility (1 mi/500 feet to less than 3 mi/1,000 feet) (%)**
- **Aviation forecast FAR for ceiling/visibility (1 mi/500 feet to less than 3 mi/1,000 feet) (%)**

This measure is based on a 1,000-foot ceiling and three miles of visibility for both accuracy and FAR, and is related to Instrument Flight Rule (IFR) conditions. Visibility and cloud ceiling forecasts are critical for the safety of aircraft operations. Accurately forecasting the transition between Visual Flight Rule and IFR conditions significantly improve general and commercial aviation flight planning capabilities, improving both flight safety and efficiencies.

Data Source	NWS field offices
Frequency	Monthly
Data Storage	NWS headquarters and OCWWS
Internal Controls	Forecasts and observations are collected from each airport for which NWS issues a forecast. OCWWS stores and quality controls all data, compares forecasts to observations, and computes verification statistics. Forecasters within each WFO are able to stratify verification statistics to his/her personal scores on specific days to learn from recent experience. WFO managers regularly monitor forecast performance. The regional headquarters and OCWWS monitor performance monthly for their respective management areas. All data are reported on to NWS and NOAA leadership on a monthly basis.
Data Limitations	Due to the largest volume of data gathered and computed, documentation for this measure cannot be finalized until well into the following fiscal year. Outyear measures depend on a stable funding profile and take into account improved use of the Weather Surveillance Radar 88 Doppler (WSR-88D), new satellites, improved forecast models, new and continued research activities of the USWRP, and investments in critical observing systems and implementation of Advanced Weather Interactive Processing System (AWIPS). Interannual scores tend to fluctuate due to varying weather patterns. Some patterns are more difficult to forecast than others. Year to year variability is +/- 3 percent for both accuracy and FAR. Typically, third and fourth quarter scores during the convective season have lower accuracy scores and increased FARs than the first and second Quarter cool season months.
Actions to be Taken	Forecasters within each WFO will continue to monitor their recent past forecast performance to learn from experience. The regional headquarters and OCWWS will continue to monitor performance monthly for their respective management areas. The original measure, Aviation Forecast Accuracy of Ceiling/Visibility (1 mi/500 ft to less than 3 mi/1,000ft); will be changed to Aviation Forecast Accuracy of Ceiling/Visibility Forecasts (3 mi/1,000 ft or less). Similarly, the original measure, "Aviation Forecast False Alarm Rate for Ceiling/Visibility (1 mi/500 ft to less than 3 mi/1,000ft)," will be changed to "Aviation Forecast False Alarm Rate for Ceiling/Visibility (3 mi/1,000 ft or less)."

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Performance Measures:

- *Marine wind – percentage of accurate forecasts (%)*
- *Wave heights – percentage of accurate forecasts (%)*

These measures were originally a “combined accuracy forecast for marine wind and wave.” The measure was revised to reflect the individual wind speed and wave height components. These measures track the accuracy of wind and wave forecasts, which are important for marine commerce.

Data Source	NWS field offices
Frequency	Monthly
Data Storage	NWS and NCEP’s Ocean Modeling Branch
Internal Controls	Verification is the process of comparing the predicted weather with the actual event. Forecasts and observations are collected from each marine zone for which NWS issues a forecast. OCWWS stores and quality controls all data, compares forecasts to observations, and computes verification statistics. WFO managers regularly monitor forecast performance. The regional headquarters and OCWWS monitor performance monthly for their respective management areas. All data are reported to NWS and NOAA leadership on a monthly basis.
Data Limitations	Due to the large volume of data gathered and computed, documentation for the accuracy of forecast for wind and waves cannot be finalized until well into the following fiscal year. Outyear measures depend on a stable funding profile and take into account improved use of the WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWRP, and investments in critical observing systems and implementation of AWIPS. Interannual scores tend to fluctuate due to varying weather patterns. Some patterns are more difficult to forecast than others. Marine wind speed and wave height forecasts scores naturally vary (accuracy +/- 4 percent per year) due to fluctuations in the number of extreme events measured over NWS marine areas per year.
Actions to be Taken	NOAA will deploy enhanced versions of AWIPS, upgrade new forecast models, implement new wave forecast models, and improve communication and dissemination techniques to marine users. In FY 2008, the Marine Wind Speed Forecast Accuracy metric (FY 2008 target of 58 percent) will be replaced by a new Marine Wind Forecast Accuracy metric, Percentage of Accurate Forecasts, with a target of 68 percent. In FY 2008, the Marine Wave Height Forecast Accuracy metric (FY 2008 target of 68 percent) will be replaced by a new Marine Wind Forecast Accuracy metric, Percentage of Accurate Forecasts, with a target of 73 percent.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

PERFORMANCE OUTCOME: Identify and effectively manage human and material resources critical to the success of the Department’s strategic goals (DM)

Performance Measure:

- *Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management*

This measure ensures that the Department is accountable to the American people, and that no reportable conditions, (i.e., deficiencies in the design or operation of internal controls) remain unaddressed. To determine if financial information is being provided in a timely and accurate manner, the Department will assess whether those individuals who can best use the information are receiving it within timeframes that render it relevant and useful in their day-to-day decisions.



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Data Source	Consolidated financial statements and Office of Inspector General (OIG) reports
Frequency	Annual
Data Storage	Bureau or Department financial systems
Internal Controls	OIG audits
Data Limitations	None
Actions to be Taken	Continue to comply with Federal Financial Management Improvement Act of 1996 (FFMIA).

Performance Measure:

- ***Effectively use competitive sourcing***

The Federal Activities Inventory Reform (FAIR) Act requires all federal agencies to provide OMB with a timely inventory of the activities performed by government employees that could be carried out by commercial sources. The Department developed an annual reporting process that meets this requirement. In FY 2001 and FY 2002, goals were established by OMB for competing these commercial activities between government's most efficient organizations and private sector providers in order to put taxpayers' dollars to the best use. This element measures the Department's success in competing commercial activities in accordance with the FAIR Act.

Data Source	FAIR Act inventory and Competitive Sourcing Management Plan
Frequency	Annual
Data Storage	Departmental Management (DM) chronology files
Internal Controls	Executive Secretariat
Data Limitations	None
Actions to be Taken	Request update quarterly.

Performance Measure:

- ***Obligate funds through performance-based contracting (% of eligible service contracting \$)***

Federal agencies have begun changing the way in which the procurement process is conducted, moving toward performance-based contracting—a method of procurement in which the federal government defines the results it is seeking rather than the process by which those results are to be attained—is part of that effort. With performance-based contracting, the government also defines the standards against which contractor performance will be measured and identifies the incentives that may be used.

Data Source	Department procurement data system
Frequency	Annually
Data Storage	Department procurement data system
Internal Controls	Supervisory audit
Data Limitations	None
Actions to be Taken	None

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Performance Measure:

- ***Obligate contracts to small businesses***

It is important that all segments of U.S. society have an opportunity to compete for the business that is contracted out by federal agencies. This measure monitors the Department's ability to increase opportunities for small businesses to participate in Department acquisitions. Historically, this has included small, disadvantaged, 8(a), and women-owned businesses. In FY 2001, three new categories were added. These are HUBZone, veteran-owned, and service-disabled veteran-owned small businesses (a subset of veteran-owned small businesses). Every two years, the Small Business Administration (SBA) negotiates procurement goals with each federal agency in an effort to increase contract and subcontract awards to small businesses. Through FY 2001, DM reported under GPRA on the percentage of contracts awarded in each of three categories: (1) small businesses; (2) women-owned businesses; and (3) minority-owned businesses, which included small disadvantaged and 8(a) businesses. To avoid making this measure overly cumbersome by adding categories, beginning with FY 2002, the Department simplified the method used to track its GPRA progress. It now reports on the percentage of procurement funds awarded to the umbrella group described as small businesses.

Data Source	SBA, the Department's Office of Small and Disadvantaged Business Utilization (OSDBU), General Services Administration (GSA)
Frequency	Annually
Data Storage	OSDBU and GSA federal procurement data systems (FPDS)
Internal Controls	OSDBU and GSA FPDSs
Data Limitations	None
Actions to be Taken	Continue outreach efforts.

Performance Measure:

- ***Acquire and maintain diverse and highly qualified staff in mission-critical occupations***

This measure represents a combination of indicators focusing on strategic recruitment, training and development, and the Department's efforts to achieve and maintain a diverse workforce. These indicators permit a comprehensive assessment of the Department's efforts to strategically manage its human capital. Such an assessment is critical if the Department is to ensure that it has the right people in the right place at the right time to carry out the Department's work for the American people.

Data Source	Inventory transmittal letters; Department plan for strategic employee training and development
Frequency	Annually
Data Storage	Office chronology files; Office of Human Resources Management (OHRM) bureaus
Internal Controls	Executive Secretariat
Data Limitations	None
Actions to be Taken	Measure trends over time.

Performance Measure:

- ***Improve the management of information technology***

The Department's significant annual investment in information technology (IT) requires careful management and monitoring as part of the overall program to effectively manage IT resources to meet the mission needs of the Department and to fulfill its obligation to the taxpayer. Through the use of Earned Value Management and Operational Analysis, systems in the development



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and/or operational phases are monitored to ensure the required functionality is delivered on the schedule and at the cost projected. Program offices regularly report on the progress and status of their efforts against the cost, schedule, and performance goals, a process that provides early warning signals for corrective actions. Where needed, program managers are required to develop and implement corrective actions to meet the program goals. The successful implementation of each program critical to the Department's missions depends in some way on the adequacy and security of the IT systems that operate throughout the Department. If security of any of these systems were to be compromised, the effective accomplishment of the Department's mission would be in jeopardy. To ensure that these systems are adequately protected (and the Nation reaps the benefits of the Department's work), certification and accreditation requirements have been established. Certification represents the complete testing of all management, operational, and technical controls that protect a system. These controls are documented in the security plan. By approving the plan, the system owner warrants that the controls provide adequate protection for the system. Certification verifies the adequacy of these controls and also validates that the controls are implemented and functioning effectively. Accreditation is the senior program official's acknowledgement of the risk of operating the system. It provides official approval to run the system in the operational environment. Recertification and reaccreditation follow updates of risk assessments and security plans every three years or upon major system modification.

Data Source	Bureau IT offices
Frequency	Annually
Data Storage	Bureau IT offices, bureau files, and DM Chief Information Officer (CIO) files
Internal Controls	Departmental and outside reviews
Data Limitations	None
Actions to be Taken	Review bureau processes to assess need for action; review security plans for completeness and conformance with NIST SP 800-18.

PERFORMANCE OUTCOME: Promote improvements to Commerce 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)

Performance Measure:

- *Percentage of OIG recommendations accepted by Departmental and bureau management*

Many of the improvements to Department operations and programs come through recommendations made in various OIG work products. A measure of the OIG's effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of the OIG's recommendations is the extent to which they are accepted by DM.

Data Source	OIG audit and inspection process
Frequency	As conducted
Data Storage	OIG files
Internal Controls	OIG review
Data Limitations	None
Actions to be Taken	Continue collecting the measure.

APPENDIX C: PERFORMANCE MEASURES DEFINITIONS

Performance Measure:

- ***Dollar value of financial benefit identified by the OIG***

A key measure of the value of the OIG's work is its dollar return on investment. Financial benefits include: (1) questioned costs agreed to by management; (2) funds put to better use; and (3) administrative, civil, and criminal recoveries.

Data Source	OIG audit and inspection process
Frequency	As conducted
Data Storage	OIG files
Internal Controls	OIG review
Data Limitations	None
Actions to be Taken	Continue collecting the measure.

Performance Measure:

- ***Percentage of criminal and civil matters that are accepted for prosecution***

The OIG investigative work that helps prevent waste, fraud, and abuse results in either civil or criminal legal issues that are referred for prosecution. Thus, the percentage of investigative work that results in civil or criminal referrals for prosecution is a measure of the quality of OIG investigative work.

Data Source	Investigative Case Data System (CDS) database
Frequency	Updated as investigations completed.
Data Storage	OIG database
Internal Controls	Investigative review process
Data Limitations	None
Actions to be Taken	Continue collecting the measure.

IMPROPER PAYMENTS INFORMATION ACT (IPIA)

REPORTING DETAILS

I. Describe the risk assessment(s) performed subsequent to completing your 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 through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission, and Execution of the budget*.

During FY 2007, the Department conducted an assessment of the effectiveness of internal control over financial reporting in compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*. This assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes are sound.

The results of Departmental assessments revealed no risk-susceptible programs, and demonstrated that, overall, the Department has strong internal controls over disbursement processes, the amounts of improper payments by the Department are immaterial, and the risk of improper payments is low.

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

In FY 2007, the Department conducted a sampling process to draw and review random samples of disbursements from a Department-wide universe of disbursements. 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 2006.

III. Describe the Corrective Action Plans (CAP) for reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are already underway, and/or have been ongoing for some length of time, it is appropriate to include that information in this section.

The results of Departmental assessments demonstrate that, overall, the Department has strong internal controls over disbursement processes, the amounts of improper payments by the Department are immaterial, and the risk of improper payments is low. The Department has, however, 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 2007, the Department continued with the bureaus' quarterly reporting of 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 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.

IV. Discuss recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments; and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.

In August 2007, a recovery audit was completed for the National Oceanic and Atmospheric Administration (NOAA), the Department's largest bureau. Closed contracts/obligations created after September 30, 2002 and closed after September 30, 2004, and greater than \$100 thousand, were reviewed. Grants, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. The Department determined that, for the above categories of contracts/obligations that were excluded from review, the Department's costs for the recovery audit activities would likely exceed the benefits of a recovery audit. The sample used for the recovery audit represented 38 percent of NOAA's closed contracts/obligations subject to review. Vendor inquiries were performed for a sample of vendors to determine if NOAA had any open credits or debts with vendors. The auditors did not identify any overpayments based on work performed during the recovery audit.

(In Thousands)

Bureau	Amount Subject to Review	Actual Amount Reviewed	Amounts Identified for Recovery	Amounts Recovered
NOAA	\$ 254,653	\$ 97,001	\$ -	\$ -

V. Describe the steps (including time line) the agency has taken and plans to take to ensure that agency managers (including the agency head) are held accountable for reducing and recovering 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 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 2007, 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 type of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were below one-tenth of one percent in FY 2007, as was the case in FY 2006.

For FY 2008 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VI. Describe whether the agency has the 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 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 the agencies' corrective actions in reducing improper payments.

The Department has not identified any 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, if any, 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 the 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, taxpayer identification number, 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 only.
- ◆ 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 only. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance financial system users only.
- ◆ 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 that 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. In addition, 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 edits 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 and automatically paid after appropriate review and approval, 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 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 2007. Table 1 relates to the Department's FY 2007 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).

The Department had one recurring material weakness under FMFIA, Section 2 relating to information technology (IT) certification and accreditation (C&A). Though significant progress has been made, work still remains on fully implementing corrective actions. Efforts to fully resolve this material weakness are being monitored by the Department's senior management.

Table 1. Summary of Financial Statement Audits

Audit Opinion:	Unqualified				
Restatement:	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Certification and Accreditation	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	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
Total Non-Conformances	0	0	0	0	0	0
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		



GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
A ACI	American Competitiveness Initiative	CWC	Chemical Weapons Convention
ACS	American Community Survey	CWCIA	CWC Implementation Act
ACSI	American Customer Satisfaction Index	D DART	Deep Ocean Assessment and Reporting of Tsunamis
AD	Antidumping	DFI	Digital Freedom Initiative
AHS	American Housing Survey	DHS	U.S. Department of Homeland Security
AML	Advanced Measurement Laboratory (NIST)	DM	Departmental Management
APP	Annual Performance Plan	DOJ	U.S. Department of Justice
ATP	Advanced Technology Program (NIST)	DOL	U.S. Department of Labor
AWS	Advanced Wireless Service	DPAS	Defense Priorities and Allocations System
B BAS	Boundary and Annexation Survey	E EA	External Affairs
BDC	Business Development Centers (MBDA)	EAA	Export Administration Act
BEA	Bureau of Economic Analysis	EAR	Export Administration Regulations
BIS	Bureau of Industry and Security	EDA	Economic Development Administration
BLS	Bureau of Labor Statistics	EDAP	Economic Development Assistance Programs
BNQP	Baldrige National Quality Program	EDD	Economic Development Districts
C C&A	Certification and Accreditation	ENC	Electronic Navigational Chart
CCSP	Climate Change Science Program	ENSO	El Niño/Southern Oscillation
CEDS	Comprehensive Economic Development Strategies	EPO	European Patent Office
CFO	Chief Financial Officer	ESA	Economics and Statistics Administration
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (OS)	F FAR	False Alarm Rate
CIO	Chief Information Officer	FCC	Federal Communications Commission
COA	Climate Observations and Analyses	FECA	Federal Employees Compensation Act
COOP	Continuity of Operations Plan	FEGLI	Federal Employees Group Life Insurance Program
CPI	Consumer Price Index	FEHB	Federal Employees Health Benefit Program
CPS	Current Population Survey	FEMA	Federal Emergency Management Agency
CRADA	Cooperative Research and Development Agreements	FERS	Federal Employees Retirement System
CSP	Coastal Storms Program	FFMIA	Federal Financial Management Improvement Act of 1996
CSRS	Civil Service Retirement System	FICA	Federal Insurance Contributions Act
CVD	Countervailing Duty		

APPENDIX F: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
FISMA	Federal Information Security Management Act	IPCC	Intergovernmental Panel on Climate Change
FMFIA	Federal Managers' Financial Integrity Act of 1982	IPIA	Improper Payments Information Act
FMLoB	Financial Management Line of Business	IPR	Intellectual Property Rights
FSV	Fisheries Survey Vessel	IRAC	Interdepartmental Radio Advisory Committee
FTA	Free Trade Agreement	IRS	Internal Revenue Service
FTE	Full-Time Equivalent	ISOS	Integrated Surface Observing System
FWC	Future Workers' Compensation	ISSLoB	Information System Security Line of Business
FY	Fiscal-year	IT	Information Technology
G		ITA	International Trade Administration
G&B	Gifts and Bequests (a fund that is part of DM)	ITS	Institute for Telecommunication Sciences (NTIA)
GAAP	Generally Accepted Accounting Principles	J	
GAO	U.S. Government Accountability Office	JCCT	Joint Commission on Commerce and Trade
GDP	Gross Domestic Product	JPO	Japan Patent Office
GEO	Global Earth Observatory (NOAA)	K	
GLERL	Great Lakes Environmental Research Laboratory	KSA	Knowledge, Skills, and Abilities
GPRA	Government Performance and Results Act of 1993	L	
GPS	Global Positioning System	LPTV	Low Power Television
GSA	U.S. General Services Administration	M	
GSMFC	Gulf States Marine Fishing Commission	MAC	Market Access and Compliance
H		MAF	Master Address File
HHWS	Heat Health Watch/Warning Systems	MBDA	Minority Business Development Agency
HR	Human Resources	MBDC	Minority Business Development Centers (MBDA)
I		MBE	Minority Business Enterprise
IA	Import Administration (ITA)	MBNQA	Malcolm Baldrige National Quality Awards
ICANN	Internet Corporation for Assigned Names and Numbers	MBOC	Minority Business Opportunity Committee Program (MBDA)
IEOS	Integrated Earth Observation System	MED	Minority Enterprise Development
IFQ	Individual Fishing Quota Direct Loans (NOAA)	MEP	Manufacturing Extension Partnership (NIST)
IOOS	Integrated Ocean Observing System	MOU	Memorandum of Understanding
IP	Intellectual Property	N	
IP	Internet Protocol	NABDC	Native American Business Development Centers (MBDA)
		NAFTA	North American Free Trade Agreement



APPENDIX F: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
NASA	National Aeronautics and Space Administration	OIG	Office of Inspector General (DM)
NCEP	National Centers for Environmental Prediction	OMB	Office of Management and Budget
NDBC	National Data Buoy Center (NOAA)	OPM	U.S. Office of Personnel Management
NERR	National Estuarine Research Reserve	OS	Office of the Secretary (DM)
NESDIS	National Environmental Satellite, Data, and Information Service	OSDBU	Office of Small and Disadvantaged Business Utilization (OS)
NEXRAD	Next Generation Weather Radar System	OSY	Office of Security (OS)
NIDIS	National Integrated Drought Information System	P	
NGDC	National Geophysical Data Center	PAIR	Patent Application and Information Retrieval
NGS	National Geodetic Survey	PAR	Performance and Accountability Report
NIH	National Institutes for Health	PART	Program Assessment Rating Tool
NIPA	National Income and Product Accounts	PCSRF	Pacific Coast Salmon Recovery Fund
NIPC	National Intellectual Property Law Enforcement Coordination Council	PEO	Program Executive Officer
NIST	National Institute of Standards and Technology	PFM	Point Forecast Matrix
NMFS	National Marine Fisheries Service (NOAA)	PMA	President's Management Agenda
NOAA	National Oceanic and Atmospheric Administration	PMC	Program Management Council
NOS	National Ocean Service (NOAA)	PORTS®	Physical Oceanographic Real-time System
NPV	Net Present Value	PP&E	Property, Plant, and Equipment, Net
NRC	National Research Council	PSIC	Public Safety Interoperable Communications
NSSL	National Severe Storms Laboratory	PTFP	Public Telecommunications Facilities Program (NTIA)
NTIA	National Telecommunications and Information Administration	Q	
NTIS	National Technical Information Service	QFR	Quarterly Financial Report
NWLON	National Water Level Observation Network	R	
NWS	National Weather Service (NOAA)	R&D	Research and Development
O		RF	Radio Frequency
OAMFA	Office of Acquisition Management and Financial Assistance (OS)	RFC	River Forecast Center
OAR	Office of Atmospheric Research	RLF	Revolving Loan Fund (EDA)
OFM	Office of Financial Management (OS)	S	
OFPP	Office of Federal Procurement Policy	S&E	Salaries and Expenses
OHRM	Office of Human Resources Management (OS)	S&T	Science and Technology
		SARSAT	Search and Rescue Satellite-Aided Tracking System
		SBA	U.S. Small Business Administration
		SBR	Combined Statement of Budgetary Resources

APPENDIX F: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
SCNP	Consolidated Statement of Changes in Net Position	V VCAT	Visiting Committee on Advanced Technology
SDDS	Special Data Dissemination Standards	VoIP	Voice over Internet Protocol
SES	Senior Executive Service	W WARN	Wireless Accelerated Responder Network
SFMR	Stepped Frequency Microwave Radiometer	WCF	Working Capital Fund (DM)
SIPP	Survey of Income and Program Participation	WIPO	World Intellectual Property Organization
SME	Small and Medium-sized Enterprise	WMD	Weapons of Mass Destruction
SPD	Survey of Program Dynamics	WTO	World Trade Organization
SRD	Standard Reference Data		
SRM	Standard Reference Materials		
STEP	Standard for the Exchange of Product Model Data		
STOP!	Strategy Targeting Organized Piracy		
T 3G	Third Generation		
TA	Technology Administration		
TAA	Trade Adjustment Assistance Program (EDA)		
TAAC	Trade Adjustment Assistance Center		
TDR	Trademark Document Retrieval		
TIGER	Topologically Integrated Geographic Encoding and Referencing System		
TPCC	Trade Promotion Coordinating Committee		
Treasury	U.S. Department of the Treasury		
TRIPS	Trade Related Aspects of Intellectual Property		
TROR	Treasury Report on Receivables		
TSP	Thrift Savings Plan		
U UC	University Center		
US&FCS	U.S. and Foreign Commercial Service		
USCRN	U.S. Climate Reference Network		
USDA	U.S. Department of Agriculture		
USPTO	U.S. Patent and Trademark Office		
USTR	Office of the U.S. Trade Representative		
USWRP	U.S. Weather Research Program		
UWB	Ultra-wideband		

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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/docstplan.htm>

Economic Development Administration Annual Reports
<http://www.eda.gov/AboutEDA/Annualreport.xml>

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

Bureau of Economic Analysis
<http://www.bea.gov>

- ◆ BEA's Mission, Vision, Values, and Role
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- ◆ BEA Strategic Plan for FY 2007–FY 2011
http://bea.gov/about/pdf/strategic_plan_matrix_2007-2011.pdf
- ◆ Release Dates for 2007
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