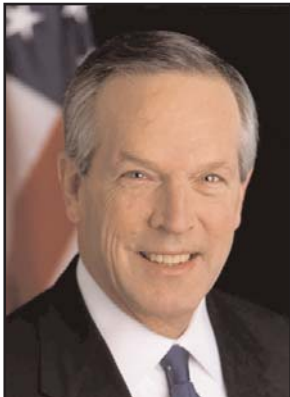


STATEMENT FROM THE SECRETARY



It is my honor to submit this report on the performance of the Department of Commerce during fiscal year 2004. This combined *Performance and Accountability Report* includes our consolidated financial statements, which received an unqualified opinion for the sixth consecutive year; our report on the progress we are making toward achieving the goals of the President's Management Agenda; and our annual program performance report under the Government Performance and Results Act (GPRA). The Department has continued its fine performance under GPRA, and, in collaboration with our bureaus and the Inspector General, we are working to continuously strengthen its implementation and assure that our performance information is appropriate, complete, and reliable.

This has been a year of significant challenge and significant progress, as the Department has achieved its objectives in areas critical to both the fiscal and the physical well being of our Nation. During FY 2004 the Department continued its commitment to maximizing U.S. competitiveness and enabling economic growth through initiatives such as publication of our Manufacturing Report, which recommended reforms that address challenges to U.S. manufacturers competing in global markets, and through our contributions to the development of a sound and fair trade relationship with China. Similarly, by investing in local U.S. economies, the Department has made it possible for economically distressed communities to attract private capital investment, create new jobs, and save existing jobs.

We have provided the Nation's companies with technical, economic, and statistical information to help them develop business plans and make business decisions beneficial to themselves and their communities. In order to inform the growing debate about outsourcing by American firms, we accelerated by months the release of summary statistics on the operation of multinational companies. Our accelerated release of state personal income data has given states needed information for their budget and policy deliberations. At sites in Georgia and New York, the Department prepared for future information-gathering by successfully testing proposed 2010 Census innovations, including improved questionnaire wording and the use of hand-held computers for personal follow-up visits.

The Department's leadership in fostering advances in science and technology, and in protecting intellectual property continues to help U.S. businesses maintain their technological advantage in world markets, and represents a powerful force in encouraging technological innovation. This year we dedicated the Advanced Measurement Laboratory, considered the most technologically advanced research facility of its kind in the world. The new facility, with its impressive environmental controls, will permit our scientists to develop sophisticated measurements and standards needed by U.S. industry and the scientific community for 21st century technologies such as nanotechnology, biotechnology, and others.

In the patent and trademark area, the Department deployed a new system that permits anyone in the world with Internet access to track the status of a public patent application. Electronic filing of trademark applications has reached historic levels, with over 70 percent now being filed via the Internet using our electronic application system.

Because success in a global economy is linked to our ability to anticipate or forecast events, and not just to react to them, the Department is dedicated to fulfilling its responsibility for environmental stewardship, assessment, and prediction. In FY 2004 we collaborated with the Western Governors' Association to develop a plan to create an early warning system to improve our capabilities in monitoring and forecasting drought. We've also entered an agreement with the Department of Homeland Security that allows its critical all-hazard alerts and warnings to be sent via NOAA weather radio. And, of course, every year we work to improve our predictive information about severe weather and coastal emergencies to better prepare state and local officials to save lives and property.

Underlying all of these efforts is our constant attention to ensuring that we can account to the American taxpayer for the resources with which we are entrusted and which make our programs and progress a reality. Accurate and timely financial information makes this possible, and the completed implementation of the Commerce Administrative Management System early in the fiscal year has helped to make this information sound and accessible. The Federal Financial Management Improvement Act of 1996 requires that agencies' financial management systems conform with OMB guidance and other federal standards. The Department of Commerce financial management systems remain in substantial compliance with all government-wide standards. I attest that under the Reports Consolidation Act of 2000, we have made every effort to ensure that the financial and performance data presented in this report are accurate and complete, and are used on a regular basis to manage our programs. Additionally, where information is unavailable we have explained why.

We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The Department continually evaluates the efficiency of its operations using information from studies conducted by the Government Accountability Office, the Inspector General, others, and self-assessments. These studies and assessments assure that the Department's systems and management controls conform with the FMFIA. Under this system of reviews, one material weakness has been identified—inadequate controls in IT security. We have made significant progress in addressing this problem: 100 percent of our systems are now covered by IT security plans and we have improved the quality of certification and accreditation packages for critical systems. Nevertheless, the Department needs to improve certain aspects of IT security, and has made resolution of this material weakness a management priority. This issue is addressed in more detail in the Management Discussion and Analysis section of this report.

The Department faces other challenges on which we will continue to focus in the months ahead. These include improving the timeliness of patent and trademark processing, advancing knowledge of climate variability and developing better projections of the impact of climate changes, promoting worldwide acceptance of U.S. test and calibration data to diminish trade barriers, strengthening the export control system, expanding global intellectual property rights, improving management of the Nation's airwaves, and controlling the cost and improving the accuracy of Census 2010. This report provides more details about these and a number of other Department of Commerce initiatives and priorities.

I take pride in the progress described in this report. The men and women of the Department of Commerce around the globe are dedicated to serving their country through the many and varied programs for which the Department is responsible. Their accomplishments reflect the Department's effective stewardship of the taxpayers' resources and further strengthen our standards and expectations. I pledge to continue to focus on meeting our management challenges and advancing our contributions to the economic, scientific, and intellectual progress of our Nation.



Donald L. Evans
Secretary of Commerce

November 15, 2004