

UNITED STATES



DEPARTMENT *of* COMMERCE

FY 2003 PERFORMANCE &
ACCOUNTABILITY REPORT



AMERICAN JOBS, AMERICAN VALUES

U N I T E D S T A T E S



DEPARTMENT *of* COMMERCE



FY 2003 PERFORMANCE & ACCOUNTABILITY REPORT



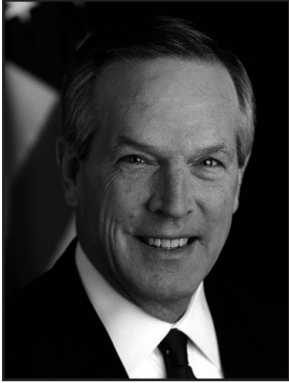
A M E R I C A N J O B S , A M E R I C A N V A L U E S

DEPARTMENT OF COMMERCE



UNITED

STATES OF AMERICA



It is an honor to present the U.S. Department of Commerce's *Performance and Accountability Report* for FY 2003.

During the past year, our Department and its 35,000 employees have performed with energy and commitment in promoting U.S. interests and helping keep American business affairs on course. In an increasingly challenging and often perilous domestic and international environment, the Department has demonstrated initiative and creativity while maintaining the strength and stability of programs on which our citizens rely.

In FY 2003, the Department of Commerce achieved many significant goals that benefit the American public at home and protect the Nation's interests abroad. Our international successes include important progress in restoring market forces to the global steel industry, outreach efforts in China that have resulted in billions of dollars in new business for U.S. firms, and the successful conclusion and initiation of free-trade agreements with nations around the globe. Our efforts have strengthened trade compliance and export control, and have supported American companies' participation in recovery and rebuilding in Iraq and Afghanistan.

The Department remains committed to fostering the conditions that create jobs and increase the productivity of the American economy. In FY 2003, we assisted many communities across the country to revitalize local economies through investment in infrastructure and job creation. We accelerated the release of major economic statistics and improved the accuracy of economic estimates to help business leaders and policy makers arrive at informed decisions.

The Department's support of advances in science and technology are having positive results both nationally and internationally. We played a major role in developing the Climate Change Science Program 10-Year Strategic Plan, which will bring together the resources of 13 federal agencies to advance the state of knowledge about global climate change. Our leadership on the Digital Freedom Initiative has brought together several federal agencies and over 40 information technology companies and organizations to promote entrepreneurship and partnership as catalysts for economic expansion in developing economies. Electronic accomplishment of all patent and trademark business is closer to being realized; the need for paper files to conduct initial trademark searches has been eliminated; the majority of trademark applications for federal registration are now being filed electronically; and the U.S. Patent and Trademark Office is the first to conduct operations electronically with the World Intellectual Property Organization and applicants around the world.

This combined *Performance and Accountability Report* includes our consolidated financial statements, which received an unqualified opinion for the fifth 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.

In FY 2003, the Department of Commerce again demonstrated numerous achievements to advance and protect economic, scientific, and intellectual endeavors for the citizens of this Nation and for mankind. We are proud to report achievements that represent thoughtful, judicious public investment and conscientious fulfillment of the public trust.

A handwritten signature in black ink, appearing to read "Donald L. Evans". The signature is fluid and cursive, with a large initial "D" and "E".

Donald L. Evans

Secretary of Commerce



I am pleased to join Secretary Evans in presenting the U.S. Department of Commerce's *Performance and Accountability Report* for FY 2003. This report highlights the accomplishments of the past year and identifies the challenges that lay ahead. As the Department carries out its critical mission of promoting economic growth, technological competitiveness, and sustained development, the report serves as a valuable record and roadmap by which we assess our progress and chart our future course.

In FY 2003, the Department continued to pay special attention to management reform, specifically the implementation of the President's Management Agenda. The five initiatives of the President's Management Agenda provide a strategy for improving management and performance of the Federal Government, and they remain as timely and relevant as when first introduced. The initiatives are: strategic human capital management, expanding e-government, competitive sourcing, strengthening financial management, and integrating budget and performance. As we come to the end of our second full year of implementing the President's Management Agenda, I am very pleased to report that the Department continues to make substantial progress in each of the five areas.

We are especially proud to report the Department's implementation of an integrated financial management system, which has enabled us to meet, for the first time, the requirements of the CFO Act and Office of Management and Budget (OMB) Circular A-127. This accomplishment contributed to a green progress rating for financial management under the President's Management Agenda and put us in substantial compliance with the Federal Financial Management Improvement Act. As a result of the implementation, we have eliminated the need to cite the lack of an integrated financial system as a material weakness under provisions of the Federal Managers' Financial Integrity Act.

The Department continues to make progress in competitive sourcing. Working with OMB during the past year, we established new and more realistic competitive sourcing goals in support of the Department's missions. We have also seen very positive results in strategic human capital management. One indicator of the Department's achievement was the finding of the OPM's 2002 Federal Human Capital Survey that the Department had met or exceeded government norms with respect to strategic alignment of mission and objectives, leadership, job satisfaction, and performance culture. The implementation of a Senior Executive Service Candidate Development Program and the initiation of an online learning management system with over 1,200 e-learning courses represent significant steps in ensuring a workforce prepared to meet the challenges of the future. The Department also strengthened acquisition and management of information technology, with special emphasis on ensuring the confidentiality, availability, and integrity of the Department's IT resources. Finally, the Department continues to work with the bureaus to better integrate budget and performance data in our planning documents and budget justifications.

The Department is committed to the achievement of results through meaningful management reform. Our activities undertaken in support of the President's Management Agenda have enabled us to make significant progress in meeting these goals. We will continue to work diligently to reach these goals and create a better government for America today and in the future.

A handwritten signature in black ink that reads "Samuel W. Bodman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Samuel W. Bodman
Deputy Secretary

This *Performance and Accountability Report* summarizes the highlights of the Department's performance during fiscal year (FY) 2003. It streamlines the requirements of the Reports Consolidation Act, Chief Financial Officers Act, Government Performance and Results Act, Federal Managers' Financial Integrity Act, and Government Management Reform Act. This report provides our stakeholders with the ability to assess our performance relative to our mission and financial resources, and demonstrates significant strides in management reforms during FY 2003.

We are proud of having achieved an unqualified audit opinion for the fifth consecutive year along with the implementation of an integrated financial system. The successful implementation of the Department-wide financial management system, the Commerce Administrative Management System (CAMS), along with major strides in addressing information security issues resulted in the elimination of a longstanding material weakness. In FY 2004, we plan to make additional improvements in addressing the remaining deficiencies in information technology controls, currently cited as a reportable condition.

Another significant achievement was the implementation of a Consolidated Reporting System (CRS). The CRS integrates existing management data from financial, human resource, acquisition and federal assistance enterprise databases, and provides senior management with on-line desktop access to information about bureau programs and resources that is critical to strategic decision-making.

Another priority, human capital, resulted in increased focus on the Department's three primary human capital challenges identified in our Workforce Restructuring Plan: high turnover in mission critical occupations; an impending retirement wave, especially among the Senior Executive Service; and reshaping workforce competencies to address the impact of e-government, competitive sourcing, and reengineering initiatives. We implemented a corporate Recruitment and Retention Plan featuring targeted recruitment for mission-critical occupations, training and utilization of corporate recruiters, and revitalization of agreements with minority serving institutions.

We continued working to improve the efficiency with which the goods and services needed to carry out our mission are obtained. In FY 2003, Commerce spent over \$3 billion through procurement and financial assistance awards combined. Because of the resources impacted by these activities, achieving a workable balance between appropriate management controls and the administrative burdens they may pose is crucial. In FY 2003, Department-wide oversight for acquisition, competitive sourcing and financial assistance activities were realigned under one Departmental office. We further institutionalized the competitive sourcing function by better integrating it with workforce restructuring, thoroughly reviewing the Commerce job inventory with our bureaus, and developing a cohesive management plan that reflects bureau needs rather than arbitrary numerical goals. Commerce also introduced standard contract provisions to guarantee the security of all information technology purchases, developed a comprehensive training program for individuals serving as Contracting Officers Representatives, and established an integrated review process for major procurements. We are now implementing a purchase card improvement program to strengthen controls over Commerce-issued bankcards.

During FY 2004, we will continue enhancing the administrative tools used to manage Commerce programs by pursuing these initiatives and the crosscutting management reforms established in the President's Management Agenda. Through these and other efforts, we plan to maximize the effectiveness of our programs and their benefit to the American taxpayers.



Otto J. Wolff

Chief Financial Officer and
Assistant Secretary for Administration

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MANAGEMENT DISCUSSION AND ANALYSIS

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 promotes job creation and improved living standards for all Americans by creating an infrastructure that promotes economic growth, technological competitiveness, and sustainable development.

Strategic Goals

GOAL 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

GOAL 2: Provide infrastructure for innovation to enhance American competitiveness

GOAL 3: Observe and manage the Earth's environment to promote sustainable growth

MANAGEMENT INTEGRATION GOAL: Strengthen management at all levels



*Department of Commerce –
Herbert C. Hoover Building*

Bureaus

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

In addition to these bureaus, Departmental Management (DM) encompasses the responsibilities of the Secretary, Deputy Secretary, Chief Financial Officer and Assistant Secretary for Administration, and the Chief Information Officer. At the heart of the Department, DM provides the policies, planning, and administrative guidance that ensure bureau operations are consistent with Secretarial priorities and with the Department's mission.

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 35,000 employees.

Financial Resources

The Department's FY 2002 budget was approximately \$5.4 billion and its FY 2003 budget was about \$5.6 billion.

Internet

The Department's Internet address is <http://www.doc.gov>

FISCAL YEAR 2003 HIGHLIGHTS AND MANAGEMENT ACCOMPLISHMENTS



Fiscal Year 2003 Highlights and Management Accomplishments

THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda establishes five government-wide initiatives to address many of the most serious, crosscutting management challenges facing federal agencies:

- Improving financial management;
- Competitive sourcing;
- Strategic management of human capital;
- Expanded electronic government (e-government); and
- Budget and performance integration.

The Department of Commerce has made substantial progress in carrying out the President's Management Agenda since it was introduced in 2001. The Deputy Secretary routinely meets with senior bureau managers to review progress and discuss alternative approaches, and the Department's Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), and Chief Information Officer oversee day-to-day activities. Accountability for these efforts is ensured through the assignment of responsibility to the Department's senior executives via their individual performance plans. In addition, the performance measures for Departmental Management (DM) incorporate the five government-wide management initiatives. Using this framework, Commerce has made significant progress in each of the areas addressed by the management agenda.

Improving Financial Management

Accurate and timely financial information is integral to optimum performance and critical to providing full accountability to the American people. Unqualified audit opinions are essential for effective management.

The Department has received unqualified opinions on its consolidated financial statements since FY 1999. A key factor in continuing to maintain clean audit opinions and in providing timely financial information is the deployment of the Commerce Administrative Management System (CAMS), a financial management system that integrates financial data throughout the Department. Substantial implementation of CAMS occurred before September 30, 2003 with full implementation completed in October 2003. Implementation will enable the Department to meet, for the first time, the requirements of the CFO Act and Office of Management and Budget (OMB) Circular A-127. With implementation, the Department expects to eliminate the lack of an integrated financial system as a material weakness under the Federal Managers' Financial Integrity Act (FMFIA) and will be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA).

Competitive Sourcing

The Department of Commerce and agencies across government have adopted competitive sourcing as a process for improving many of their day-to-day operations. Competition encourages organizations to become more efficient and effective. Many tasks performed by federal employees can be performed by providers in the commercial marketplace at savings of 20 to 50 percent. Using the Federal Activities Inventory Reform (FAIR) Act inventory as a baseline, agencies apply the process for conducting competitions outlined in the OMB Circular A-76, "Performance of Commercial Activities."

Over the past 12 months, the competitive sourcing program has been incorporated into acquisition activities in the Department through:

- Reorganizing to closely align the competitive sourcing initiative with acquisitions;
- Using a cross-functional working group to disseminate Department-wide guidance and to encourage an integrated approach to implementing the PMA initiatives;
- Coordinating efforts through the CFO Council to provide effective communication among organizational units;
- Updating guidance and seminars to reflect modifications in the 2003 revision of OMB Circular A-76;
- Thoroughly reviewing with each bureau the process used in developing inventories and classifying activities;
- Revising the management plan to reflect the needs of the bureaus rather than an arbitrary numerical goal; and
- Facilitating integration of competitive sourcing with the workforce restructuring initiative through a common technology solution that will assist in inventory development as well as management and oversight activities. This technology will enable us to maintain information on competencies and workforce demographics.

Since the inception of the competitive sourcing program, a variety of functional areas have been reviewed. For example, consistent with State Department practices, the Department's International Trade Administration (ITA) will hire all new foreign national employees in its overseas offices under personal service agreements rather than as federal employees. These conversions will take place over the next several years. The Office of the Secretary competed activities in the Offices of Human Resources Management and Acquisition Management, and private sector firms won both competitions. The Bureau of the Census opened "mixed tour" clerical support services to competition, and the federal workforce retained the activity. The government's "Most Efficient Organization" bid resulted in the NOAA's National Weather Service telecommunications gateway function remaining in-house. ITA conducted a streamlined competition of its office automation staff. These positions, too, will continue to be performed by federal workers.

Strategic Management of Human Capital

In FY 2003, the Department designated the CFO/ASA to also serve as the Chief Human Capital Officer.

The Department has continued to address its three primary human capital challenges as identified in the fiscal year (FY) 2003-2007 Workforce Restructuring Plan: high turnover in mission critical occupations; the impending retirement wave, especially in the Senior Executive Service (SES); and reshaping workforce competencies to address the impact of e-government, competitive sourcing, and reengineering initiatives. The Department implemented programs to shift its human resource focus from workforce maintenance to workforce replenishment. Among the initiatives undertaken to support the new focus are building competencies, expanding recruitment and retention activities, redesigning organizations through the use of HR flexibilities such as voluntary early retirement authority and voluntary separation incentives, reorganizing bureaus, and creating career pipelines for technical and professional employees. In addition, a variety of exercises and automated tools were implemented to strengthen the Department's continuity of operations programs and procedures. Training also began to support implementation of an expanded demonstration project in the Office of the Secretary. The project is expected to increase the Department's ability to recruit high performers through greater pay setting flexibility and the use of an augmented awards program.

The Department maintained a green progress score in human capital for the year, and achieved an upgrade in status from red to yellow during the second quarter of FY 2003. The Department implemented the FY 2003-2007 Recruitment and Retention Plan to address workforce needs in 20 mission-critical occupations and established partnerships with the presidents of nine Hispanic and minority serving institutions to enhance the diversity of the applicant pool.

As a major retention and employee development tool, the Learning Management System (LMS) was implemented ahead of schedule in the Office of the Secretary and portions of two other bureaus. The system offers over 1,100 on-line courses accessible from employee desktops. Implementation of the LMS was accelerated, and consequently, Department-wide implementation is planned and funded for FY 2004. Completion of this action will address a need identified in the results of the FY 2002 Federal Human Capital Survey conducted by the Office of Personnel Management (OPM).

To address pending retirements, the Department announced an SES Candidate Development Program, to which 204 candidates applied. The Department also implemented a Department-wide leadership seminar series sponsored jointly by the Office of Civil Rights and the Office of Human Resources Management. Leadership development was also a priority at the bureaus with the implementation of programs such as a 360-degree feedback instrument, use of a leadership effectiveness inventory, and establishment of several leadership and management development programs at our larger bureaus.

Competency development continued not only with the implementation of the Learning Management System and the SES Candidate Development Program, but also through the training of 225 employees (primarily in the Bureau of the Census) on project management tools and processes. In addition, the Office of the Chief Information Officer sponsored a Department-wide three-day workshop on information technology, and recruitment and retention plans were developed at the Department and bureau levels.

The Department saw significant improvement in ensuring the safety of the workforce for all employees. Through the execution of an aggressive safety training program at the SES and management levels, as well as comprehensive reporting of safety data on the Department's Web site, significant reductions were achieved in the Department's overall incident rate.

Expanded E-Government

Expanded e-government is the keystone to fostering citizen-centered government and providing the American taxpayer with the same level of service as they expect from the private sector. To achieve these objectives, we must ensure the wise use of our information technology investment by:

- Safeguarding the security and integrity of our IT systems;
- Mitigating bureaucratic divisions and increasing productivity through the virtual consolidation of diverse functions such as payroll processing;
- Implementing applications that address common requirements such as e-grants, e-regulation, and e-signatures;
- Providing citizen-centered service through the creation of easy-to-find, single points of access to our programs;
- Reducing reporting burdens on the public by sharing information among federal agencies and state, local, and tribal governments;
- Continuing to make electronic access easier for persons with disabilities;
- Increasing the transparency of our program operations; and
- Reemphasizing the importance of customer satisfaction so that our service delivery compares favorably with state-of-the-art providers elsewhere in government and the private sector.

Commerce is working collaboratively with other agencies on the cross-agency e-government initiatives, including Geospatial One-Stop, Disaster Management, and e-grants. ITA sponsors the International Trade Process Streamlining initiative whose Export.gov portal offers a wide range of information to potential exporters. The Export.gov Web portal was recently integrated with the Buy USA Web site, and an interactive tool to produce the NAFTA Certificate of Product Origin is now available on the site. We have expanded the number of Departmental services available through the Internet by converting an additional 40 types of transactions from paper-based to Web-based formats, bringing to 107 the number of transaction types we have converted under the Government Paperwork Elimination Act.

In support of e-government, we continue to strengthen our information technology capital planning and investment control processes to ensure that proposed investments contribute to the Secretary's strategic vision and mission requirements, employ sound IT investment methodologies, and comply with Departmental systems architectures. These control processes also are intended to ensure security of the data and systems, and provide the highest return on the investment. The Department's Information Technology Review Board, composed of senior Departmental executives and managers, reviews and makes recommendations for approval or disapproval of funding, and continuation or termination of projects. Commerce has developed an Enterprise IT Architecture, which includes an overarching component for the Department for all common business functions and IT services, and a component for each operating unit that addresses business-specific systems. This approach allows the operating units flexibility to meet their varied needs, while providing greater efficiency and reduced cost for functions that are common to all operations. Commerce is moving forward with an automated tool to help depict the architecture and ensure that it is an active, living product that can be used by managers across the Department. Commerce has made significant progress in improving the security of its IT systems and the data they house. Specific accomplishments include providing IT security awareness training to all computer users, developing security plans for all IT systems, updating the IT security program policy, and establishing both a compliance review program and a computer incident response capability.

Budget and Performance Integration

Making a full and accurate accounting of our use of taxpayer funds is a serious responsibility, and not without significant challenges. The Department of Commerce supports government-wide efforts to identify all costs and seeks to assess performance with easily understood and accurate performance and cost data. Managers often do not have control over the resources they use or the flexibility to use them efficiently, and the Department supports government-wide efforts to align authority with accountability.

As part of this effort, the Department built upon the FY 2004 budget request to fully integrate performance information in the preparation of our FY 2005 budget requests. This integration began in the winter of 2002 for FY 2003 through linking total obligations, FTEs, and IT funding to performance goals in the FY 2003 Annual Performance Plan/FY 2001 Annual Program Performance Report. In the winter of 2003, these two documents were separated per OMB instructions, with the performance report portion being combined with the accountability report to form the Performance and Accountability Report (PAR). In both documents, funding was linked to performance goals to show the integration of the two for FY 2004. In the summer of 2003, we continued to expand this integration with the FY 2004 through FY 2009 Department of Commerce Strategic Plan. The strategic plan provides a crosswalk between Department-wide strategic goals and performance measurement. The same level of detail was used in integrating and combining the FY 2005 budget justification with the annual performance plan. This integration was accomplished through collaboration with the OMB to achieve consensus on these products. At the same time, OMB reviewed several bureau programs via the Program and Assessment Rating Tool. The Department has begun to modify programs and budgets as a result of these reviews and subsequent recommendations.

The Department continues to work with the bureaus to refine the integration of budget and performance data in budget and planning documents such as this performance and accountability report, and our integrated budget justification and annual performance plan. In FY 2004, these efforts will continue, as program performance is monitored and performance plans for FY 2006 are developed.

DEPARTMENTAL HIGHLIGHTS

Contributing to a Better Business Environment

Digital Freedom Initiative

The Department's Technology Administration (TA) has led the development and implementation of the Digital Freedom Initiative (DFI). The DFI has brought several federal agencies together with over 40 IT companies and organizations to promote entrepreneurship and technology partnerships as catalysts for economic expansion within developing economies.

Continued Advancement in E-Government Initiatives

In FY 2003, the U.S. Patent and Trademark Office (USPTO) continued to move forward with the e-government initiatives in the *21st Century Strategic Plan*. Since June 30, 2003, all newly filed patent applications have been converted to electronic applications. The Office of the Commissioner for Trademarks has deployed its First Action System for Trademarks, which eliminates the need for a paper file to conduct the initial examination. Examining attorneys can now perform all aspects of their jobs electronically, including accessing new applications, searching, and communicating with applicants. Currently, nearly 60 percent of trademark applications for federal registration are being filed electronically.

Improving Decisions with More Current Economic Measures

The Department's Bureau of Economic Analysis (BEA) responded to users' requests by accelerating its release of major economic estimates. More timely estimates help policymakers and business leaders to arrive at more informed decisions. During FY 2003, release was accelerated for reports on the monthly international trade in goods and services (jointly produced with the Census Bureau), gross state product, and gross domestic product (GDP) by industry. Efforts have begun to accelerate release of state and local personal income and the annual input-output accounts. In addition to improving the timeliness of estimates, BEA made some important accuracy improvements in FY 2003 including significantly enhancing the accuracy of international financial transactions through better estimates for international insurance services; banking transactions; commissions received on foreign trading on US exchanges; and incorporation of the new North American Industry Classification System (NAICS).



BEA statistics are some of the nation's most important economic measures and are used extensively by government policymakers, business and finance leaders, and the American public.

Supporting Economic Growth

Promotion of Bilateral, High-Technology Trade with India

The United States and India agreed to form the High-Technology Cooperation Group in November 2002 to facilitate and promote bilateral high-technology trade, including trade in dual-use goods and technologies. This initiative is part of the broad commitment by President Bush and Prime Minister Vajpayee to transform the relationship between the two countries. In a meeting in July 2003, the two governments discussed a wide range of issues relevant to creating the conditions for more robust bilateral high-technology commerce, including market access, tariff and nontariff barriers, strategic trade, and export controls.

Addressing Global Steel Capacity

The Department's International Trade Administration (ITA) led the Organization for Economic Cooperation and Development Steel High Level Group to strengthen discipline on trade-distorting subsidies to the global steel sector. These efforts resulted in important progress towards developing the core elements of a potential new steel subsidies agreement that could ultimately be negotiated in the World Trade Organization. In addition, ITA created a steel import licensing and monitoring system to provide the earliest accurate information possible regarding steel imports covered by the remedies imposed by the President. Since the start of the licensing program in February 2003, more than 175,000 import licenses have been issued. The monitoring program has proven to be a valuable resource for the Administration and the steel industry; since surge data from the program has formed the basis for consultations with several excluded countries regarding potentially disruptive import increases.

Expansion of Opportunities in China

ITA has stationed more than 90 individuals in Mainland China. In 2002, United States sales to China jumped 15 percent, the largest increase the United States had with any major trading partner. This trend continued in 2003: in the first six months, U.S. exports to China were up 24.2 percent from the previous year. As a result of numerous and significant outreach efforts in FY 2003, ITA staff in China produced a record 138 export successes valued at more than \$2.5 billion. The Advocacy Center, helping companies secure international government contracts, is currently working on 20 active requests in China representing \$14 billion in business for U.S. companies.

Chile and Singapore Free Trade Agreements (FTA)

ITA provided staff support, performed economic and commercial analyses, and developed data and information related to technical problems and obstacles during the FTA negotiations. ITA also concluded the FTAs' reciprocal market access, rigorous rules of origin, and customs cooperation language specific to the textile and apparel industries. Secretary Evans stated on August 1, 2003, "...The Chile and Singapore Free Trade Agreements will build on our economy's strengths while sending an important signal to the world that America is serious about expanding free trade and creating new opportunities for our workers, farmers, ranchers and businesses..." ITA has also launched FTA negotiations with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic, nations of the Southern Africa Customs Union, and Australia and is engaged in negotiations for a FTA of the Americas and the Doha round of global trade talks.

Protecting the Environment***Climate Change Science Program 10-Year Strategic Plan***

The National Oceanic and Atmospheric Administration (NOAA) played a major role in developing the new Climate Change Science Program Strategic Plan. Bringing together resources and expertise from 13 federal agencies, this initiative will accelerate the deployment of new global observation technologies and provide data needed to improve the understanding of global climate change. The plan will advance the state of knowledge of climate variability, the potential response of the climate system to human-induced changes in the atmosphere and land surface, and the implications of these potential changes and management options for natural environments.

Earth Observation Summit

NOAA hosted an Earth Observation Summit in Washington, D.C., that resulted in 34 nations, plus the European Commission, agreeing to adopt a declaration calling for action in strengthening global cooperation on Earth observations. The summit was conceived by NOAA and included White House participation.

PROGRAM HIGHLIGHTS

Advancing Patent and Trademark Technology

Treaty Strengthens U.S. Trademark Owners' Competitive Position in Global Markets

In FY 2003, the United States completed the formal process for joining the Madrid Protocol, a treaty that facilitates the protection of U.S. trademark rights throughout the world. USPTO began accepting filings under the Protocol in November 2003. With implementation of the Madrid Protocol in the United States, USPTO became the first office to conduct operations electronically with the World Intellectual Property Organization and applicants around the world. U.S. participation in the treaty signals the growing importance that U.S. businesses place on protecting their intellectual property globally. The treaty gives U.S. trademark holders a faster, less costly way to protect their marks in the 58 countries that are parties to the treaty.

USPTO First to Comply with Electronic Access Provisions of Rehabilitation Act

USPTO became the first federal agency to comply with the provisions of Section 508 of the Rehabilitation Act of 1973, which requires that all agencies' electronic information be accessible to people with disabilities and be comparable to the information provided to those without disabilities. The General Services Administration (GSA) is using USPTO's program as a guide for federal procurement officials participating in its nationwide Section 508 training programs. Recently, PriceWaterhouseCoopers selected the USPTO Web site as the most accessible of the 144 Federal Government sites they evaluated.

Fostering International Trade

Manufacturing Initiative

Manufacturing generates 14 percent of the national gross domestic product (GDP) and directly employs 18 million Americans, some 14 percent of all workers. In FY 2003, the ITA launched a manufacturing initiative to foster an environment conducive to revitalizing the critical U.S. manufacturing sector. ITA held 25 roundtable discussions across the country to provide meaningful dialogue with manufacturers about the current status and future direction of their industries. A report based on these conversations will provide recommendations to revitalize and strengthen the manufacturing sector.

Reconstruction Task Forces

The Department coordinated U.S. Government commercial strategies in Afghanistan, promoting trade, providing trade capacity-building training, co-sponsoring the Afghanistan: Rebuilding a Nation conference with the U.S. Trade and Development Agency, and creating a Web site to disseminate information to the American business community about the reconstruction efforts (www.export.gov/afghanistan). The Department also created the Iraq Reconstruction Task Force to help U.S. companies participate in the economic rebuilding of Iraq.

Confronting China Market Access and Compliance

The Department has aggressively pursued measures to enforce China's compliance with its trade obligations. (ITA's Trade Compliance Center initiated and closed 35 cases related to market barriers and violations of trade agreements.) ITA's Import Administration (IA) initiated eight antidumping/countervailing duty investigations, 22 administrative reviews, and 19 new shipper reviews in antidumping cases involving products from China, and issued more than 30 final determinations in investigations and reviews. In large part due to concerns arising in China cases, IA issued a policy bulletin strengthening enforcement in new shipper reviews and established a task force with U.S. Customs and Border Protection to address issues of possible fraud and duty evasion.

U.S. Travel and Tourism

U.S. travel and tourism is responsible for approximately 17 million direct and indirect travel-related jobs in the United States and is the fourth largest export for the American economy. In 2002, travel and tourism to our country generated \$84 billion in exports. The Department, through its Tourism Policy Council has been providing a forum for industry and a facilitator within the government on policies affecting U.S. travel and tourism.

Trans-Atlantic Business Dialogue

ITA developed details for a renewed commitment to the Trans-Atlantic Business Dialogue as a key forum for government and industry discussions on transatlantic commercial matters.

Managing Exports***Administering and Enforcing Export Controls***

The Department's Bureau of Industry and Security (BIS) continued to make progress in the enforcement of the Department's export laws by conducting significant investigations that resulted in substantial fines. Important enforcement cases involved matters such as demonstrated liability for freight forwarders and controls on exports of night-vision equipment. BIS's Office of Export Enforcement is opening a new regional field office in Houston, Texas. Houston is the leading petrochemical port in the United States and many exports to Iran and Libya pass through the city. Sensitive dual-use equipment that is used for oil exploration, but can be used both in nuclear weapons and guidance systems, is exported daily from Houston. The new field office will monitor export activity.

Strengthening Trade Compliance and Export Control

To help combat the illicit transshipment, re-export, and diversion of goods and technologies in international commerce threats, the Department has launched the Transshipment Country Export Control Initiative (TECI). The TECI is a cooperative initiative intended to strengthen the trade compliance and export control systems of the countries and companies that constitute global transshipment hubs. By working to strengthen those systems, the Department enhances U.S. security and confidence in international trade flows. Officials of 22 countries and economic regions met in Sydney, Australia, in July 2003 to discuss appropriate enforcement policies and practices.

Providing Data to Inform Decision-making***Hispanics Become Nation's Largest Minority Group***

In June, the Census Bureau released data showing that 38.8 million Hispanics represent 13 percent of the nation's population, making them the country's largest minority group. The 38.3 million African Americans living in the United States are now the country's second-largest minority group. Although immigration played an important role in the growth of the Hispanic population in the past, three out of five Hispanics currently residing in the United States were born here.

Improving Relevancy of Economic Data

Work began in FY 2003 to improve the relevancy of economic statistics. One of the products expected to result from these efforts is a new principal economic indicator—the Quarterly Services Survey—that will measure activity in the service industry quarterly instead of annually. The Services Annual Survey will be enhanced by the inclusion of additional service industry product detail, i.e., breakdowns of service receipts by industry. These data will be used by the BEA, the Bureau of Labor Statistics and others to improve measures of economic growth, real output, prices, and U.S. productivity statistics.

Enhancing Communications and Promoting Technology

Promoting Education Technologies

The Technology Administration's (TA's) Office of Technology Policy (OTP) released the innovative report, *Visions 2020*, which collected the insights of America's leading innovators, inventors, educators, and visionaries about the impact of technology on education during the next two decades. Based on this work, the Department held a one-day summit in collaboration with the Department of Education to identify and begin to address the barriers to achieving the improvements that had been envisioned. As a result, OTP is leading the establishment of a National Science and Technology Council working group to continue to foster interagency collaboration to promote the development of next-generation education technologies.

Assistive Technology

TA unveiled an eight-point Department of Commerce initiative to support the development of assistive technologies and to promote the U.S. assistive technology industry. In July, TA brought together 31 assistive technology exhibitors to launch the initiative, which includes:

- Data analysis to increase export promotion opportunities;
- Outreach to industry to share information and to improve the capabilities and success of U.S. assistive technology providers;
- Cataloging trade barriers;
- Providing manufacturing guidance and references;
- Facilitating measurement and private sector standards development;
- Promoting technology transfer that could lead to new assistive devices or services;
- Establishing a National Science and Technology Council working group to work with the Interagency Committee on Disability Research to coordinate assistive technology research and development; and
- Producing a report on this initiative by March 2004.

Spectrum Management

In January, the Federal Communications Commission (FCC) and the Department's National Telecommunications and Information Administration (NTIA) executed a new memorandum of understanding on spectrum coordination involving both federal and non-federal users. The new agreement establishes procedures relating to frequency coordination, as well as spectrum planning provisions contained in the Communications Act. The Communications Act assigns joint jurisdiction for spectrum management to the FCC (for nonfederal users) and the NTIA (for federal users). The FCC and NTIA must coordinate spectrum policy. The agreement is responsive to a recent General Accounting Office (GAO) report that focused on the need for greater cooperation between the two spectrum policy organizations.

Internet Blocking

NTIA released a report in August finding that Internet blocking and filtering technologies available today have the capacity to meet most, if not all, of the needs and concerns of educational institutions regarding the protection of children from harmful content. The report, which was mandated by the Children's Internet Protection Act of 2000 (CIPA), recommended that technology vendors offer training services to educational institutions on specific features of their products; and that CIPA's definition of technology protection measures be expanded to include a wider array of technological measures to guard against inappropriate content.

Right-of-Way /Broadband Services

Access to rights-of-way—the conduits, corridors, trenches, tower sites, and other physical passageways that modern communications networks traverse—is critical to the deployment of broadband services. To assist rights-of-way stakeholders in understanding and improving the authorization process for constructing new communications networks that carry broadband Internet and other communications services, the Department launched an electronic report on state and local rights-of-way. The report will provide information about laws and policies that affect management of rights-of-way in all 50 states and the District of Columbia. The report will be intended to advance the dialog on rights-of-way management at the state and local level, with the goal of promoting broadband deployment throughout the U.S.

Digital Video Quality Measurement

In November 2002, NTIA announced the development of new techniques to measure the quality of digital video pictures. The new measurement tools will significantly enhance the competitiveness of U.S. companies and lead to a broad range of higher quality products for consumers. The new measurement software, known as "reduced-reference" video quality measurement tools, has received two U.S. patents and has been adopted as a telecommunications standard by the American National Standard Institute. The software is available to the public through an online evaluation license agreement under which users receive the software in exchange for agreeing to evaluate it.

Supporting Manufacturing and Economic Development***Leading the Government Agencies Technology Exchange in Manufacturing***

The Department's National Institute of Standards and Technology (NIST) served as a catalyst in the formation of a six-agency effort to coordinate and maximize the effectiveness of federal manufacturing research and development programs. The new collaboration—called Government Agencies Technology Exchange in Manufacturing, or GATE-M—facilitates exchanges of information and identification of opportunities to leverage the manufacturing research and development activities of the agencies. GATE-M's initial priorities are intelligent manufacturing methods and nano- and micro-scale systems and technologies. In addition to NIST, participants are the Department of Defense, the National Aeronautics and Space Administration (NASA), the National Science Foundation, and two Department of Energy agencies.

Reducing Interoperability Problems for Manufacturers

A NIST-commissioned study found that the U.S. manufacturing sector is saving millions of dollars a year by using a suite of NIST-enabled international standards that reduce interoperability problems encountered in the exchange of digital product information. Estimated industry-wide savings currently exceed \$150 million annually and are projected to top \$900 million within several years. Savings could grow considerably as software implementations multiply and the adoption rate among software users increases.



NIST computer scientists write software that enables chemists and physicists to immerse themselves in 3-D data to gain new insight into the behavior of diverse materials.

Improving the Competitiveness of U.S. Manufacturers

Countering Overseas Competitors

The nation's small and medium-sized manufacturers are leveraging the services of NIST's Manufacturing Extension Partnership (MEP) to counter increasing challenges from overseas competitors. A survey of 4,800 NIST MEP client firms (smaller manufacturers located throughout the nation) credited the program with helping them to create or retain 24,000 jobs, increase or retain sales totaling \$2.2 billion, realize \$442 million in cost savings, and invest \$681 million in training and plant and equipment modernization.

Commercialization Success

More than 240 new, innovative technologies have been commercialized to date as a result of financial support from NIST's Advanced Technology Program (ATP). The projects result in innovations that lead to new products, processes, services, or even new industries.

Standards to Measure Micromachine Properties

NIST-developed test and measurement methods are the cornerstones of the first-ever industry standards published for micromachines and other so-called microelectromechanical systems (MEMS). The standards published by ASTM International, are expected to facilitate global commerce in MEMS devices, a promising, though still-emerging technology area now confined mostly to niche markets. Separately, NIST researchers and collaborators from Hewlett-Packard reported success in completing capacitance-voltage measurements of a molecular-electronic device. The achievement is a key step toward developing reliable methods for measuring the electrical behavior of electronic devices crafted from single molecules, which in the future may be applicable to integrated circuits.

Widespread Broadband Wireless Access

Under NIST's leadership a new broadband wireless standard has been developed. This specification for wireless metropolitan area networks is viewed as a leading contender for solving the so-called "last mile problem," the challenge of delivering affordable broadband access to homes and small businesses. Equipment based on the standard will allow operators of core

networks (such as public telephone networks and the Internet) to offer broadband multimedia services to users who do not have access to wired connections. The standard, published by the Institute of Electrical and Electronics Engineers, could enable developing countries to forgo building a wired infrastructure for delivering advanced communication and information services to their general populations. Chip sets that incorporate the new standard are in commercial development.

Vital Infrastructure Development

The Department awarded a \$1.3 million grant to construct a waterline that will serve a General Motors assembly plant. This is vital to retaining the factory in northeastern Ohio where the manufacturing sector has declined significantly over the past 25 years. A reliable supply of uninterrupted potable water was necessary to retain the plant, and the Department's investment will provide the water supply needed. The investment will generate \$500 million in private investment and retain approximately 2,800 jobs.

Enhancing Capabilities

The Department awarded \$2.2 million for roads, water, and sewer lines to the Union Pacific Railroad's new rail yard in Illinois. Union Pacific will invest over \$300 million in the facility and will create over 350 jobs. More than \$600 million in private sector investment and about 2,000 jobs are expected to be created by the time warehouses, distribution centers, and factories around the facility are completed.

Higher Skill, Higher Wage, High-Tech Jobs

The Department's investment of nearly \$782,000 assisted in the development of a bio-processing industrial complex in southeastern Iowa. The complex has grown to include six international companies that represent large-scale, value-added agricultural processes and require a highly skilled workforce. The project provided the capacity for companies to conduct training programs to develop and certify the existing workforce, and is an example of the regional economic development success possible through the clustering of symbiotic industries and the collaboration of the public, private, and academic sectors.

Technology-Led Investment

The Department's \$5.7 million investment in redevelopment of the 577-acre site of the former Fitzsimmons Army Medical Center will mitigate the closure of the facility and resultant loss of 4,000 military and civilian jobs. The investment will help to create the University of Colorado Health Sciences Center and the Colorado BioScience Park. When fully developed, the Fitzsimmons Campus is expected to create approximately 32,000 jobs. Other federal agencies involved in the redevelopment effort include the Department of Health and Human Services, the National Institutes for Health (NIH), the National Center for Research Resources (under NIH), GSA, and the Department of Housing and Urban Development.

Standards Initiative

Standards and standards-related technical regulations are pervasive features of global commerce, affecting an estimated 80 percent of world commodity trade. Foreign standards and methods used to assess conformity to standards can either facilitate efficient international trade and its resultant benefits, or can impede access to export markets. In response to industry concerns, the Department developed an eight-point initiative as a framework to address the relationship between foreign standards and the international competitiveness of U.S. companies.

Enhancing Scientific Understanding of Oceans and Atmosphere

Weather Technologies

The Department's investments in modern weather technologies and new science paid off during the Midwest tornado outbreak in May 2003. With approximately 400 tornadoes reported over this seven-day period, the Department forecasting experts issued tornado warnings with an average lead-time of 18 minutes. The forecasters' efforts received the praise of local governments and news media.

Mapping Coral Reefs

The Department's ocean experts moved closer to the FY 2007 goal of mapping all U.S. shallow water coral reefs by completing a major benthic habitat mapping project in American Samoa. The new maps help conservation groups better identify critical habitat and commercial interests in order to meet economic objectives while remaining sensitive to environmental concerns. The mapping also gives researchers a framework to conduct future habitat studies. Also in FY 2003, the Department collaborated with the U.S. Geological Survey to complete the first ever 1:25,000, 10-meter resolution contour interval mapping project for the Pribilof Islands of Alaska. The maps will support environmental restoration and the identification of sensitive habitat areas. The data are being shared with the Native communities on the islands for land use, economic development analysis, and natural resource management.

Restoring Bay Oyster Resources

In FY 2003, the Department continued to work toward revitalizing Chesapeake Bay oyster resources through physical habitat restoration, supplementation of natural populations with hatchery-reared oysters, and applied scientific research. The Department has provided over \$16 million in funding for over 600 grass-roots habitat restoration projects including dam removal; culvert replacement; and mangrove, salt marsh, stream bank, and native oyster restoration projects. The scope and speed of restoration have been expanded through habitat restoration partnerships with nine organizations and through the service of tens of thousands of volunteers. NOAA's investment in these projects has leveraged over \$34 million in matching contributions of cash, services, and in-kind donations.

Channel Islands National Marine Sanctuary Marine Reserve Process

Located off the coast of Santa Barbara, California, the Channel Islands National Marine Sanctuary participated in a cooperative process with the state to consider the establishment of marine reserves within the Sanctuary, which lies in both state and Federal waters. This process was initiated as a result of the California Marine Life Protection Act. The state has established marine reserves in the state waters of the Sanctuary effective April 2003. NOAA is now in the beginning stages of working with the state to examine whether to consider marine reserves in the Sanctuary's Federal waters. The sanctuary will work with the California Department of Fish and Game, California Sea Grant, and the Channel Islands National Park to educate the public about the new regulations for these areas.

Facilitating Navigation

The Department implemented the new Port of New York and New Jersey Operational Forecast System (NYOFS) to provide improved predictions of water levels in New York Harbor. NYOFS can produce hourly newscasts and four-times-daily forecasts of water levels and currents in the harbor for the use of commercial and recreational mariners. The system improves the margin of safety and maximizes the efficiency of maritime commerce throughout the harbor. Also, the NOAA Electronic Navigational Chart (ENC) was launched in FY 2003 as an official product to enhance navigation safety. It is the first ENC to be released free and open on the Internet, and will allow domestic and international mariners to download the most up-to-date navigation information to aid their safe navigation of U.S. waters.

Managing Administrative Resources and Functions

Herbert C. Hoover Building Renovation and Modernization Project

The Herbert C. Hoover Building, a 1.8 million square foot building that opened in 1932, is the last Federal Triangle Historic District building to be scheduled for modernization. As part of this process, building systems that have exceeded their useful life will be replaced, improvements will be made to increase usable space, code deficiencies will be eliminated, energy efficiency will be increased and 9-11 security upgrades will be implemented. In FY 2003, the Department's project team worked closely with GSA and its contractor to study the building's existing conditions, and worked with the operating units to identify future requirements. The results of this study will be used to finalize the building renovation plans.

Integrated Financial Management System Implemented Ahead of Schedule

During the fiscal year, particular attention was given to completing implementation of CAMS, which permits the Department to meet the integrated financial management requirements of the CFO Act and OMB Circular A-127. As a result of these efforts, the Department fully deployed the system in October 2003, and is able to produce accurate, timely, and flexible reports to support management activities and initiatives.

Clean Audits

Accurate and timely financial information is integral to optimum performance and critical to providing full accountability to the American people. The Department must continue to receive unqualified audit opinions to support effective management. In FY 2003, the Department once again received an unqualified opinion on its consolidated financial statements—an achievement reached every year since FY 1999.

Improved Security Organization

Because the threat of terrorism is an abiding concern, the Department continues to focus on policy and program initiatives that enhance its ability to respond to threats to personnel, assets, and operations nationwide. In FY 2003, a comprehensive internal review of the organizational structure and overall program effectiveness in the Office of Security led to the implementation of a new structure that fosters closer relationships with and information sharing between headquarters and field security personnel.

OnLine Learning

With the identification of required competencies and training needs, implementation of the Department's LMS began in FY 2003. The LMS implementation is proceeding ahead of schedule, having already been accomplished in OS, USPTO, and NOAA. In FY 2004, implementation of the LMS will continue Department-wide, and a training and development tracking system will be implemented as part of this effort.

Honors and Awards

President Recognizes Medal of Technology Winners

Secretary Evans joined President Bush in honoring the recipients of the 2002 National Medal of Technology, the nation's highest honor for technological innovation. The awardees, who are innovators in microelectronics, semiconductors, and the environment, are: Calvin H. Carter, Cree, Inc., Durham, North Carolina; Haren S. Gandhi, Ford Motor Company, Dearborn, Michigan; Carver A. Mead, California Institute of Technology, Pasadena, California; the team of Nick Holonyak University of Illinois, Champaign-Urbana, M. George Craford, LumiLeds Lighting, San Jose, California and Russell Dean Dupuis, Georgia Institute of Technology at Atlanta; the team of John J. Mooney, Engelhard Corporation (retired), Wycoff, New Jersey and Carl D. Keith, Engelhard Corporation (retired), Marco Island, Florida; and the DuPont Company, Wilmington, Delaware.

Three Commerce Researchers Win Flemming Award

In June 2003, three NIST researchers received the 2002 Arthur S. Flemming Award for their extraordinary contributions to the Federal Government. Marc Desrosiers received the honor for developing and establishing high-quality radiation measurement standards needed by the U.S. radiation-processing industry. He was instrumental in identifying mail irradiation as a viable and effective response to the anthrax-in-the-mail crisis. Muhammad Arif was honored for his development of two major neutron research facilities, and research accomplishments in the fields of neutron interferometry, neutron optics, and neutron imaging. Mark Stiles was recognized for his work in the exploitation of electronic and magnetic properties of nanometer-scale devices. His work has had a significant impact on the understanding, development, and commercialization of giant magnetoresistive devices.

Franklin Institute Recognizes Achievements in Forecasting

The 2003 Benjamin Franklin Medal in Earth Science was awarded to two former Commerce scientists, Dr. Norman A. Phillips, formerly of NWS, and Dr. Joseph Smagorinsky formerly director of NOAA's Geophysical Fluid Dynamics Lab. The Franklin Institute cited the two for their major contributions to the prediction of weather and climate. Their work led to the first computer models of weather and climate, as well as to an understanding of the general circulation of the atmosphere.

Commerce Physicist Named One of the 50 Most Important Women in Science

In its November 2002 issue, Discover Magazine selected NIST physicist Deborah Jin as one of the 50 Most Important Women in Science for her pioneering work in creating fermion quantum gases. Through Jin's work, fermion gas was teased down to less than one-third of a millionth of a degree above absolute zero, a temperature at which particles act like waves. The resulting quantum gas could shed light on how superconductors work.

Scientists Emeritus Honored

Marilyn E. Jacox, a NIST scientist emeritus, received the American Chemical Society's 2003 E. Bright Wilson Award in Spectroscopy for her contributions to fundamental spectroscopy of chemical reaction intermediates. Jacox is recognized as a pioneer in matrix isolation spectroscopy, a technique that involves trapping unstable molecules in an inert cryogenic framework.

Johanna Levelt Sengers, also a NIST scientist emeritus, received the North American 2003 Women in Science Award presented by the cosmetics company L'Oreal and the international organization UNESCO. Levelt Sengers has made internationally recognized contributions to the fields of thermodynamics and critical phenomena of fluids (fluid behavior near or at the point when a vapor becomes indistinguishable from a liquid). Levelt Sengers and her collaborators have applied fundamental advances to characterization of the properties of systems of practical importance, such as ethylene for the plastics industry, steam for electric power generation, and nontoxic supercritical solvents for extraction and purification of foodstuffs and fragrances.

Web Site Wins International Recognition

Scientific American.com awarded a Commerce Web site the 2003 Sci-Tech Award. NOAA’s Ocean Explorer Web site is one of just five sites honored in the earth and environment category of the international competition. The Web site’s over 4,500 pages of logs, essays, video, dramatic images, and sounds of the sea were cited as outstanding by the competition’s judges. NOAA shared this honor with the NASA, the Public Broadcasting System, the Royal Institution of Great Britain, and Rice University.



Dr. Sae Woo Nam was selected for the 2003 Brilliant 10 Award by Popular Science. His research on quantum computing and communications includes a recent demonstration of a device that can count about 20,000 photons (the smallest units of light) per second.

‘Brilliant 10’ Award Won by Commerce Physicist

Dr. Sae Woo Nam, a NIST physicist, was selected by Popular Science for its 2003 Brilliant 10 Award. The award recognizes 10 groundbreaking, risk-taking, committed researchers who are working on technological advances that will change our lives. Dr. Nam recently built the world’s most sensitive photon detector. It is capable of counting the number of photons in a pulse of light at telecommunication wavelengths. This technology may lead to ‘provably secure’ quantum communication links. The multiphoton discrimination capability of the detector is essential for evaluating the security of such quantum cryptographic systems.

Marine Fisheries Win National Award for Specialized IT Systems

NOAA’s National Marine Fisheries Service received the prestigious Government Computer News Award for a unique new vessel monitoring system and for a litigation database. In response to the overfishing of many of valuable ocean resources, NOAA is developing the Vessel Monitoring System to track the activities and fish catches of thousands of vessels throughout America’s coasts. The other award-winning system, the litigation database, stores, summarizes, and makes readily available case information that NOAA attorneys need to support resource management decisions.

Computer Security Employees Receive Federal 100 Award

Commerce employees Edward Roback and Timothy Grance received the 2003 Federal 100 Award from Federal Computer Week. Roback was cited for his role in raising awareness of NIST’s Information Technology Laboratory’s security tools and expertise. Grance was recognized for his role in directing the development of technical security guidelines and ensuring overall quality and consistency with legal, policy, and other existing security guidelines.

Commerce Employee Honored for Governmental Vision

In January 2003, the Wireless Communications Association International presented NIST’s Roger Marks with the Individual Governmental Vision Award for his efforts in promoting standards to increase interoperability and lower cost for broadband wireless systems.

Commerce Recognizes Achievement in Economic Development

The Department recognized a number of highly successful organizations and agencies through Economic Development Administration's (EDA) annual Excellence in Economic Development Awards. The organizations and agencies honored were the New Community Corporation, Newark, New Jersey; Grissom Redevelopment Authority, Grissom Aeroplex, Peru, Indiana; Utah Division of Business and Economic Development, Utah Smart Site Project, Salt Lake City, Utah; San Diego Regional Economic Development Corporation, San Diego, California; Plattsburgh-North Country Chamber of Commerce, Plattsburgh, New York; Center for Emerging Technologies, St. Louis, Missouri; Fitzsimons Redevelopment Authority, Aurora, Colorado; and CityCenter Englewood, City of Englewood, Colorado.

MISSION AND STRATEGIC PLANNING



Mission and Strategic Planning

Mission Statement

The Department of Commerce promotes job creation and improved living standards for all Americans by creating infrastructure that supports economic growth, technological competitiveness, and sustainable development.

Vision

For almost 100 years, the Department has partnered with U.S. businesses to maintain a prosperous, productive America that is committed to consumer safety, protective of natural resources, and militarily strong. Together, they have a record of innovation in manufacturing, transportation, communications, measurement, and materials that has helped to sustain U.S. leadership of the international marketplace.

To maintain that leadership, the Department must continue to innovate. In bureaus throughout the Department, development programs will see the Department probe deeper into the ocean and higher into the sky and will see it bring world markets closer together in the years ahead.

A product of the industrial revolution that propelled the United States into the twentieth century, the Department is now at the forefront of the revolution in electronic commerce. By assisting the private sector, its goal is to ensure that the U.S. continues to lead the world in this new marketplace.

Strategic Planning Process

The Department undertakes its strategic planning and goal setting within the framework of the Government Performance and Results Act. In FY 2000, the Department published its strategic plan for FY 2000-FY 2005 (an electronic version of this report is available online at <http://www.doc.gov/bmi/budget/>).

As described in the strategic plan, the Department has three strategic goals and a department-wide management integration goal. Each bureau pursues its own specific performance goals in support of departmental strategic goals. The Department's strategic goals are as follows:

- Goal 1:** Provide the information and the framework to enable the economy to operate efficiently and equitably;
- Goal 2:** Provide infrastructure for innovation to enhance American competitiveness; and
- Goal 3:** Observe and manage the Earth's environment to promote sustainable growth.

The Department has established a Management Integration Goal, which is equally important to all bureaus: Strengthen management at all levels.

Just as the first three goals are in line with the forces that will drive the U.S. economy of the future, the fourth goal is in line with the driving trend toward more effective organizational management in both public and private settings. For the Department, this trend is most importantly manifested in the Government Performance and Results Act and the President's Management Agenda.

The Department's Annual Program Performance Report and Annual Performance Plan describe in greater detail the bureau performance goals employed to achieve its strategic goals and provide an analysis of the resources required to meet these goals. The Department assesses its progress toward the three strategic goals through the use of specific performance measures for each bureau performance goal.

Strategic Goals and Objectives

Fulfillment of the Department's mission and supporting strategic goals is accomplished through its bureaus. Each bureau has a broad range of responsibilities and functions, described briefly in the following section.

Strategic Goal 1

Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably

The Department's first goal is to encourage and support economic expansion and to increase the prosperity of all Americans, regardless of their geographical location or ethnic origin.

The Economics and Statistics Administration (ESA) monitors and measures socioeconomic and macroeconomic trends. The Bureau of Economic Analysis (BEA) measures gross domestic product, accurate assessment of which is vital to decision-making in the areas of monetary policy, projections of federal budget surpluses, and allocation of federal funds to the states. The Census Bureau supports BEA by collecting statistical information about the economy. The Census Bureau also provides demographic information about U.S. society by conducting regular surveys that are used by federal, state, and local officials and by private stakeholders to make important policy decisions. In the past, the baseline for this information has been gathered primarily through a decennial nationwide census; full implementation of the American Community Survey will in the future provide additional annual data, revolutionizing the survey methodology of the federal statistical system. The Census Bureau also plans to develop official measures of e-commerce activity and to evaluate how e-commerce affects existing measures of economic activity.

The International Trade Administration (ITA) is responsible for assisting the growth of small export businesses, enforcing U.S. trade laws and trade agreements, maintaining U.S. trade with established markets and promoting new business with emerging markets such as China, and improving access to overseas markets by identifying and pressing for the removal of tariff and nontariff barriers. ITA is also responsible for improving access to foreign markets by enforcing compliance with U.S. trade laws and agreements.

The Bureau of Industry and Security (BIS) seeks to advance U.S. national security, foreign policy, and economic interests. BIS' activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries with export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements; monitoring the viability of the U.S. defense industrial base; and promoting federal initiatives and public-private partnerships across industry sectors to protect the nation's critical infrastructures.

The Economic Development Administration (EDA) assists economically distressed communities by promoting a favorable business environment through its strategic investments in public infrastructure and technology. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and severe economic challenges. EDA supports effective decision-making by local officials through its capacity-building programs.

The Minority Business Development Agency (MBDA) helps minority-owned businesses obtain access to public and private debt and equity financing, market opportunities, and management and business information to increase business growth in the minority business community.

The National Telecommunications and Information Administration (NTIA) is responsible for determining the policies and conducting the technical research that support delivery to all Americans of the latest telecommunications technology and services. NTIA manages federal use of the radio spectrum, promoting the use of spectrum that most efficiently serves all Americans and maintains readiness to respond to crises.

Strategic Goal 2

Provide Infrastructure for Innovation to Enhance American Competitiveness

The Department's second strategic goal is to provide the infrastructure that will enable U.S. businesses to maintain their technological advantage in world markets. Globalization and recent technology-driven productivity gains are providing new challenges. Continued partnership, collaboration, and cooperation between the Department and industry will enhance and promote the America's technological edge.

Intellectual property is a key issue in the competitive free-enterprise system. By continuing to protect intellectual endeavors and encouraging technological progress, the U.S. Patent and Trademark Office (USPTO) seeks to preserve the our nation's technological edge, which is a key to its current and future competitiveness.

The Technology Administration (TA) serves as the focal point for leadership on civilian technology policy in the Federal Government and conducts various programs to support government and industry through the provision of comprehensive technical services (measurements and standards) and the development and application of new technology. The National Institute of Standards and Technology (NIST) is the nation's ultimate authority for measurements and standards to support industry, science, technology, health care, safety, and the environment (NIST laboratories). NIST also co-funds research and development partnerships with private industry to stimulate the development of high-risk technologies with broad benefits (Advanced Technology Program); supports a nationwide network of locally managed extension centers that raise the competitiveness and productivity of small manufacturing establishments by providing technical assistance and best business practices (Manufacturing Extension Partnership); and promotes quality and performance excellence in business, health care, and educational organizations throughout the United States (Baldrige National Quality Program). The National Technical Information Service (NTIS) continues to meet the challenge of permanent preservation of and ready access to the taxpayers' investment in research and development through the acquisition, organization, and preservation of the titles added annually to the permanent collection. NTIS also promotes the development and application of science and technology by providing technologically advanced global e-commerce channels for dissemination of specialized information to business, industry, government, and the public; makes public access to the bibliographic database available to all users; and is implementing an initiative that will enable users to locate and download information directly from agency Internet sites.

NTIA supports innovative telecommunications and information technologies through a grant program and through basic research performed at its laboratory, the Institute for Telecommunication Sciences (ITS). ITS performs extensive basic research on the quality of digital speech, audio, and video compression and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

Strategic Goal 3***Observe and Manage the Earth's Environment to Promote Sustainable Growth***

The National Oceanic and Atmospheric Administration (NOAA) envisions a twenty-first century in which environmental stewardship, assessment, and prediction serve as keystones to the enhancement of economic prosperity and quality of life and to the improved protection of lives and property.

NOAA is responsible for promoting global environmental stewardship, with the goal of conserving and wisely managing U.S. marine and coastal resources. NOAA's goal is that by 2005, U.S. ocean and coastal regions will be healthy ecosystems. This goal includes:

- Adding to our country's wealth and to the quality of life of millions of Americans by improving the use of fishery resources;
- Leading in the preservation of marine biodiversity by balancing the exploitation of natural resources with the management of protected species; and
- Ensuring that coastal ecosystems are managed to maintain biodiversity and long-term productivity for sustained use.

NOAA also monitors and predicts changes in the Earth's environment to ensure and enhance sustainable economic opportunities. Its vision is that by 2005, the United States will have an integrated and reliable environmental observation, assessment, and forecasting service that will enable it to make informed decisions regarding public safety, economic development, and environmental quality. This vision will require:

- Improved short-term warning and forecast services;
- Reliable seasonal-to-interannual climate forecasts;
- Better understanding of decadal-to-centennial environmental changes; and
- Modernization of navigation and positioning services through the application of new positioning and bathymetric sensing technologies.

Management Integration Goal***Strengthen Management at All Levels***

The Department's management integration goal—to strengthen management at all levels—is equally important to all bureaus.

All Departmental bureaus will seek to achieve more efficient and more effective management by:

- Acquiring and managing the fiscal and related resources necessary to support program goals;
- Acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential tool; and
- Acquiring and managing the technology and related resources to support program goals.

The Department is moving aggressively toward implementing the President's Management Agenda. The five government-wide management improvement initiatives include strategic human capital management, expanding e-government, competitive sourcing, strengthening financial management, and more effectively integrating budget and performance management.

FISCAL YEAR 2003 PERFORMANCE RESULTS



Fiscal Year 2003 Performance Results

FY 2003 Performance Summary

Bureau	Number of Goals	Number of Measures	Measures Met	Measures Not Met
EDA	2	14	14	0
ESA	5	26	23	3
ITA	6	20	13	7
BIS	4	9	8	1
MBDA	3	11	10	1
USPTO	3	10	5	5
TA	6	14	10	4
NTIA	3	11	9	2
NOAA	7	23	18	5
DM	3	20	15	5
OIG	1	4	4	0
Totals:	43	162	129	33
% Met			79.6%	

The Department improved upon its performance from FY 2002 where 92 measures were met and 28 were unmet resulting in a success rate of 77 percent. Its efforts as a department in FY 2003 are reflected in improved successes against its performance targets. In FY 2003, the Department met 129 of its 162 targets for a success rate of 79.6 percent. Management at all levels has recognized the value of performance management efforts and has all worked to achieve the Department's combined level of success. As the Department proceeds with further implementing the President's Management Agenda, it hopes to see continued success and improvement next fiscal year.

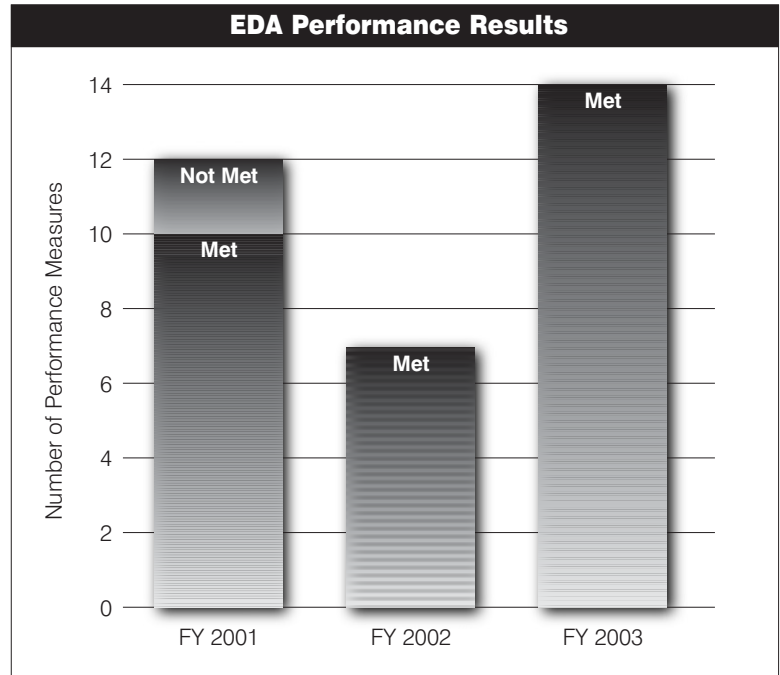
Highlights of the Department's performance are provided by strategic goal and specific bureaus that contribute to the efforts and successes under each strategic goal.

Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably

The Department’s first goal is to encourage and support economic expansion and to increase the prosperity of all Americans, regardless of their geographical location or ethnic origin.

Economic Development Administration (EDA)

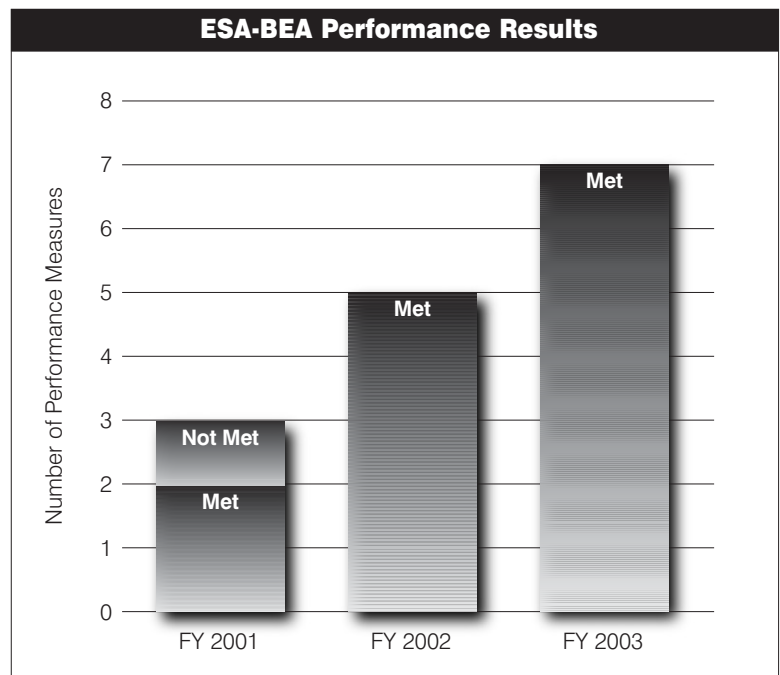
In FY 2003, EDA had two goals, 12 measures, and 14 targets. Of the 14 targets, EDA met all of them. EDA has two significant measures: “Private Sector Dollars Invested” and “Jobs Created or Retained.” Both of these measures reflect the results of EDA investments—EDA’s Public Works and Economic Adjustment program, and have two targets each: (1) three-year amounts as a result of FY 2000 investments, and (2) six-year amounts as a result of FY 1997 investments. Having met all their targets, EDA reflected a continuing trend of strong performance and prudent investments in regional and community development projects. These efforts help U.S. distressed communities to have the opportunity for economic growth.



Economics and Statistics Administration – Bureau of Economic Analysis (BEA)

In FY 2003, BEA had one overarching performance goal and seven measures to track its performance. BEA has met or exceeded all the targets established for each performance measure for FY 2003. BEA performance measures focused on the areas of: reliability of delivery of BEA data releases, customer satisfaction, percent of gross domestic product (GDP) estimate correct, quality of GDP and BEA’s economic accounts, acceleration of economic estimates, compliance with international obligations, and upgrades to BEA’s IT systems.

FY 2003 was a year of significant improvements in the work of BEA. Guided by its Five-year Strategic Plan, BEA achieved all of its major milestones required to fulfill the targets of the



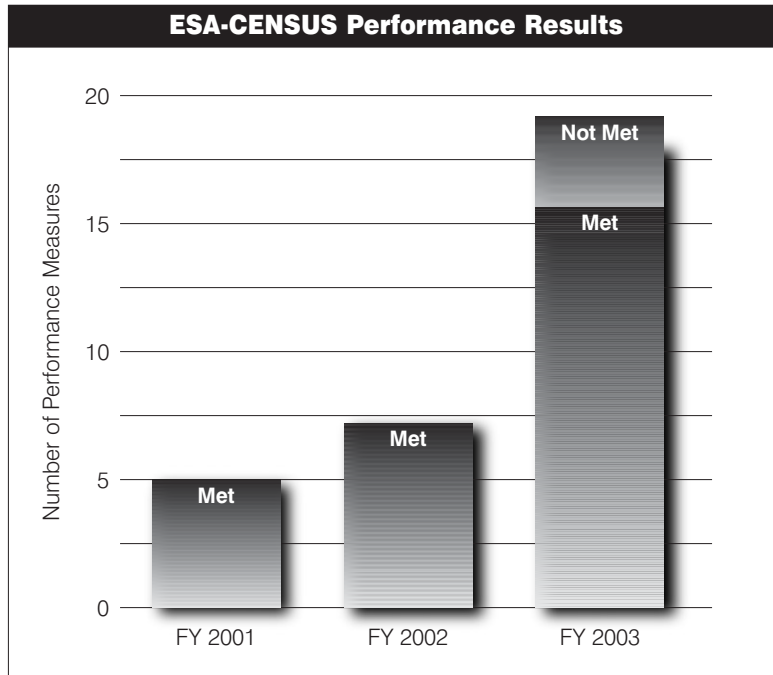
seven performance measures in its APP. BEA continued to lead the world in the timeliness of its major macroeconomic releases, and for a fourth year in a row, BEA released all its data on schedule at the appointed date and time. BEA’s customers again gave the agency high marks on their overall satisfaction with the quality of BEA products and services. Many of these successes were due to BEA’s commitment to provide the best possible estimates as quickly as possible. During FY 2003, BEA made important strides in improving its GDP and economic accounts by incorporating new measures and estimates into its accounts and improving data collection and sources. It also succeeded in accelerating each of the five measures to which it committed an accelerated release. Work to incorporate the North American Industry Classification System (NAICS) into its measures to meeting U.S. international obligations was completed. Funding provided in FY 2003 allowed BEA to continue to upgrade its statistical processing systems, which allowed for a more efficient and reliable method of developing estimates.

BEA continues to strive to produce the most comprehensive, relevant, and accurate economic measures in a reliable and timely manner to policymakers, business, and the American public in order to insure that they have the tools available to make the most informed decisions possible.

**Economics and Statistics Administration
– Census Bureau**

In FY 2003, the Census Bureau had four goals, 14 measures, and 19 targets. The Census Bureau met or exceeded 16 of the targets. The performance measures focused on providing and improving current measures of the U.S. population, economy, and governments; timely release of Decennial Census products; and the implementation of the 2010 Decennial Census. These measures promote the use of information in preserving and protecting the American public’s interests through the following:

- Provided statistics that were critical to understanding current conditions in the U.S. economy, including principal federal economic indicators.
- Produced economic statistics that provided 75 percent of the source data used in preparing GDP estimates, one of the nation’s most important barometers of current economic activity.
- Provided information on the labor, capital, and material inputs to, as well as the outputs of, the nation’s manufacturing, mining, and construction industries.
- Conducted company-based surveys for the collection of financial data, including data on capital investment, income, payroll, assets, and expenditures.



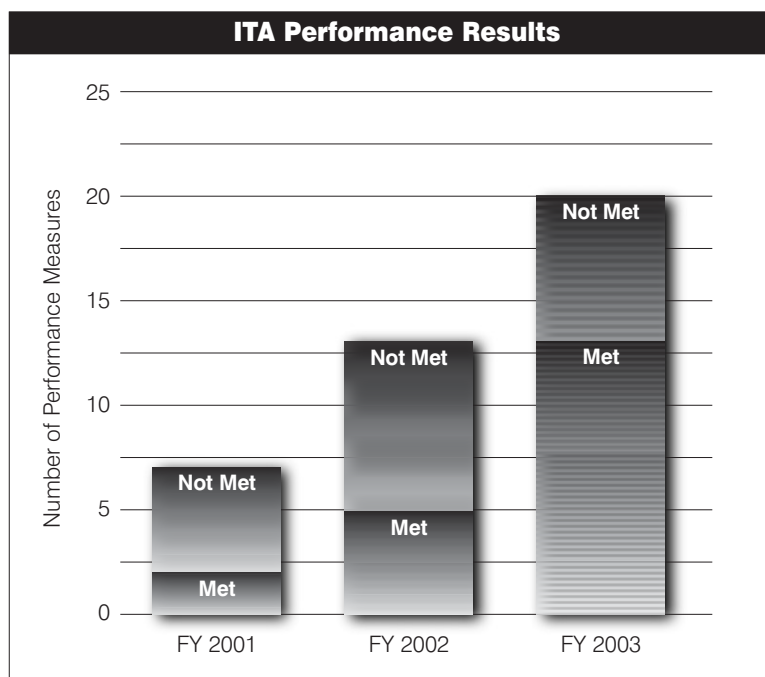
- Collected, processed, and compiled statistical data relating to U.S. merchandise trade (exports, imports, and transportation) with foreign countries and Puerto Rico and the Virgin Islands; detailed trade information is available on both a monthly and annual basis for 17,000 import commodities and 10,000 export commodities.
- Conducted annual sample surveys of state and local government finances and employment, and produced quarterly measures of taxes and government assets.
- Conducted surveys for other government agencies related to federal, state, and local government activities.
- Undertook reimbursable activities (surveys and special tabulations) that take advantage of the economic program’s processing infrastructure and core competencies.

During FY 2003, the Census Bureau’s demographic statistics program successfully developed and implemented plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. Other surveys that measured housing characteristics (such as home ownership), income, poverty, family composition, and the socioeconomic characteristics of race and ethnic groups were successfully completed. These successful survey vehicles provide information that again, affects the American public by producing statistics that aid federal agencies, the Congress, and the states in monitoring home ownership, income levels, poverty, and health insurance coverage as they consider modifying programs such as Social Security, Medicare, and Medicaid.

The 2002 Economic Census provided a significant expansion to content and coverage, as well as an accelerated release schedule. New for the 2002 Economic Census, content includes information on e-commerce and leased employees; first-time service product data for 65 service industries; and supply chain information from manufacturing, retail, wholesale, and some service industries. Ensuring that coverage and release data are accurate and timely affects the daily lives of millions of Americans in their financial capabilities.

International Trade Administration (ITA)

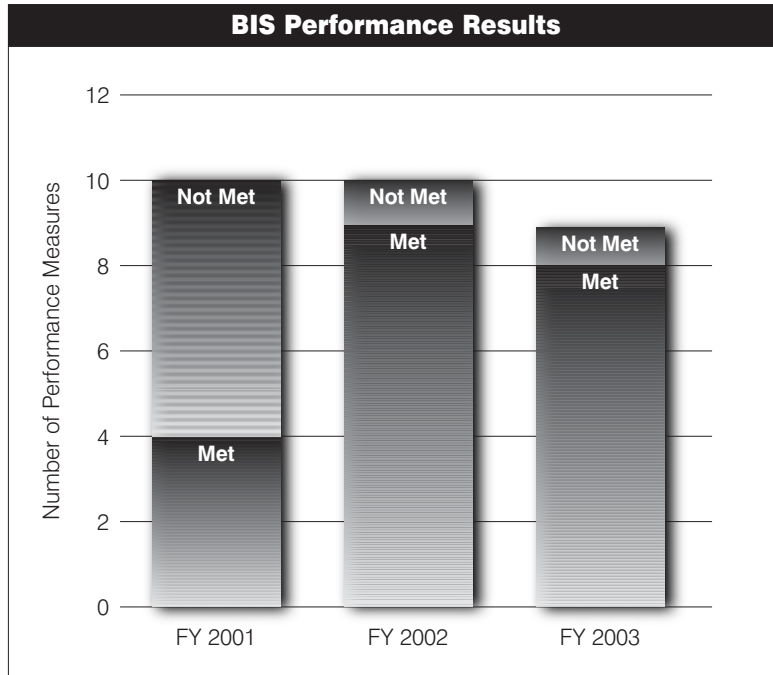
In FY 2003, ITA had six goals and 20 measures. ITA met 13 out of 20 measures. During FY 2003, ITA continued to focus on ensuring that competition is fair and that U.S. trading partners comply with international trade agreements. ITA has used the compliance and market access gains to enhance export promotion efforts. ITA initiated 157 and concluded 161 market access and trade compliance cases. The dollar value of trade barriers addressed amounted to \$31.4 billion, which stands for potential growth in the United States share of the foreign market for U.S. industry. ITA supported the President’s commercial and foreign policy goals to promote freedom and liberty through free trade, while it pursued expanding profitable markets for U.S.



goods and services. For this reason, ITA is readily working to reconstruct Iraq and Afghanistan, and to bring free trade to Africa, the Americas, China, and the Middle East. ITA introduced 869 new firms to exporting and the Advocacy Center successfully managed and coordinated 53 U.S. Government advocacy actions that accounted for a reported \$5.9 billion of U.S. export content.

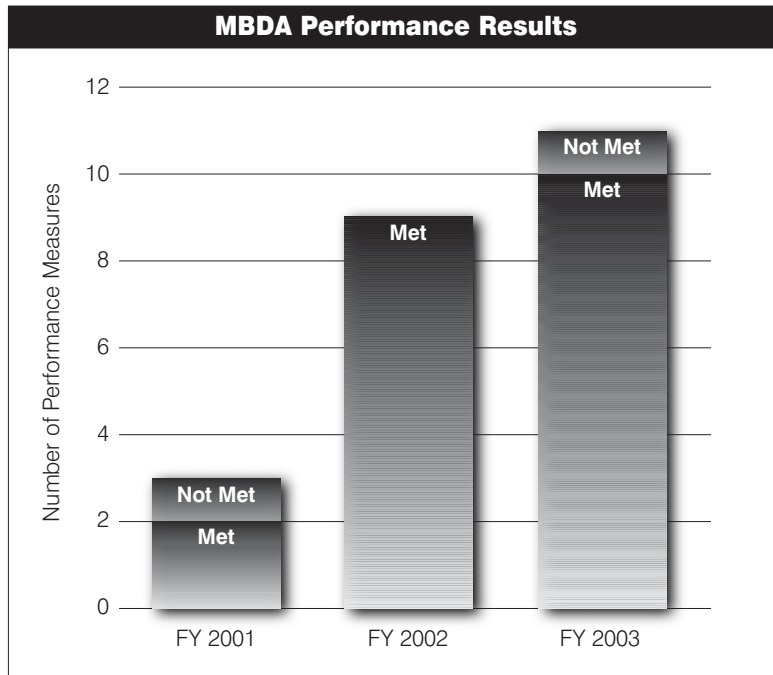
Bureau of Industry and Security (BIS)

In FY 2003, BIS had four performance goals, eight performance measures, and nine targets. BIS met eight of those nine targets. BIS’s performance measures are linked to the competitiveness, economic growth, and security of the nation. They focus on the following areas: (1) decreasing processing times on license applications and issuance of regulations and monitoring the effectiveness of its seminar outreach programs; (2) conducting industry site assistance visits to help prepare covered facilities for international inspections; (3) conducting enforcement prevention activities, investigating cases that lead to prosecutions, and verifying that exported items are used in accordance with the terms of the export license; and (4) working with key countries to develop or strengthen their export control systems.



Minority Business Development Agency (MBDA)

In FY 2003, MBDA had three goals and 11 measures. MBDA met all but one of its performance measures in FY 2003. The PMA remains the doctrine for MBDA’s re-engineered performance goals and measurements. MBDA channeled its activities to be reflected under three goals and 11 measures, and has established a performance verification process to ensure the integrity of its data and reporting system. MBDA has undergone a major reorganization through the development of new program and policy initiatives. During FY 2003, MBDA funded a revised Minority Business Opportunity Committee program with nine organizations, with a special focus on a strategy for growth. MBDA is maximizing its efforts to reach a larger percentage of the minority business community by using technology, education, and new initiatives to access capital. An example of MBDA’s outreach effort this year is the



attendance at MBDA’s National Minority Enterprise Development Week Conference. The attendance was the highest of any previous year and included the Vice President, several key White House representatives, Cabinet-level officials, congressional representatives, state officials, and many industry executives joining hundreds of minority business enterprises to reinforce the impact of successful minority business enterprise on the nation’s economy.

The Department’s second strategic goal is to provide the infrastructure that will enable U.S. businesses to maintain their technological advantage in world markets.

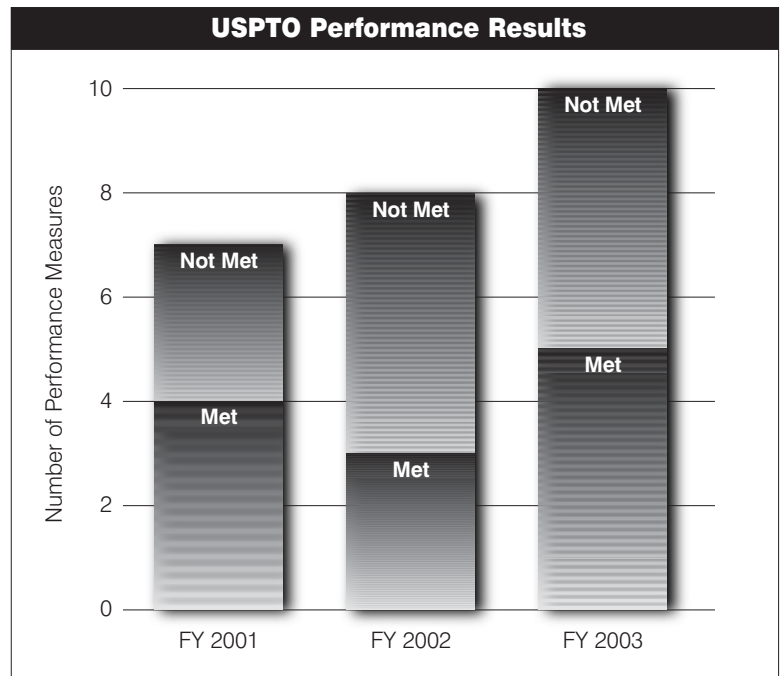
Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness

The Department’s second strategic goal is to provide the infrastructure that will enable U.S. businesses to maintain technological advantage in world markets.

U.S. Patent and Trademark Office (USPTO)

In FY 2003, USPTO had three goals, five measures and 10 targets, which focused on (1) e-government initiatives, (2) enhancing the quality of USPTO’s products and services, and (3) minimizing application processing time for patents and trademarks. Of those 10 measures, USPTO met five of them.

USPTO received 333,452 utility, plant, and reissue patent applications for FY 2003. Additionally, USPTO published 243,007 pending applications and issued 173,072 patent grants. A record number of trademark applications were registered and disposed, and pending inventories were substantially reduced. The number of trademarks registered increased by more than 7 percent to 143,424, including 185,182 classes, which increased by more than 12 percent. Total Trademark Office disposals were 238,759 including 305,040 classes. The Trademark Office’s inventory of total applications under examination was reduced by 10 percent from 479,628 files with more than 654,533 classes at the start of the year, to 431,805 files including 575,901 classes at year-end.



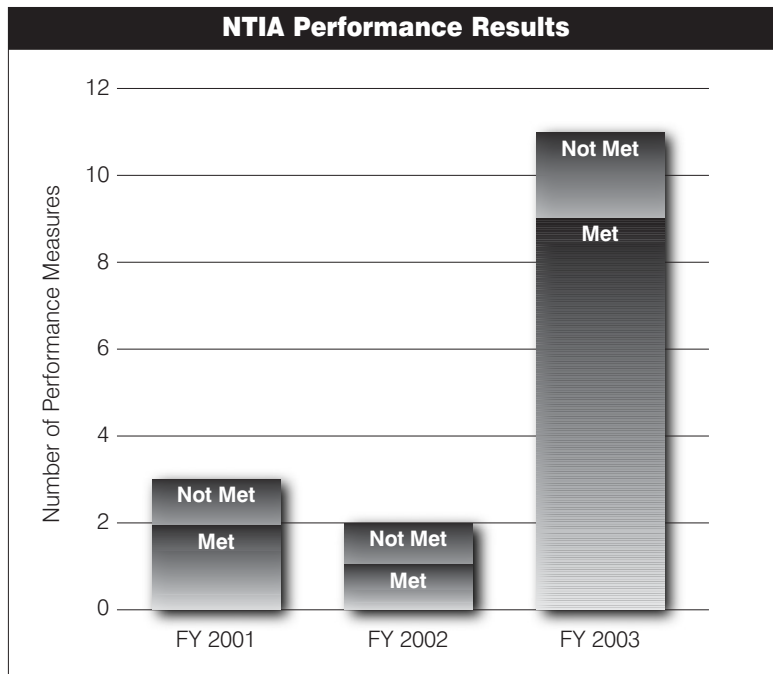
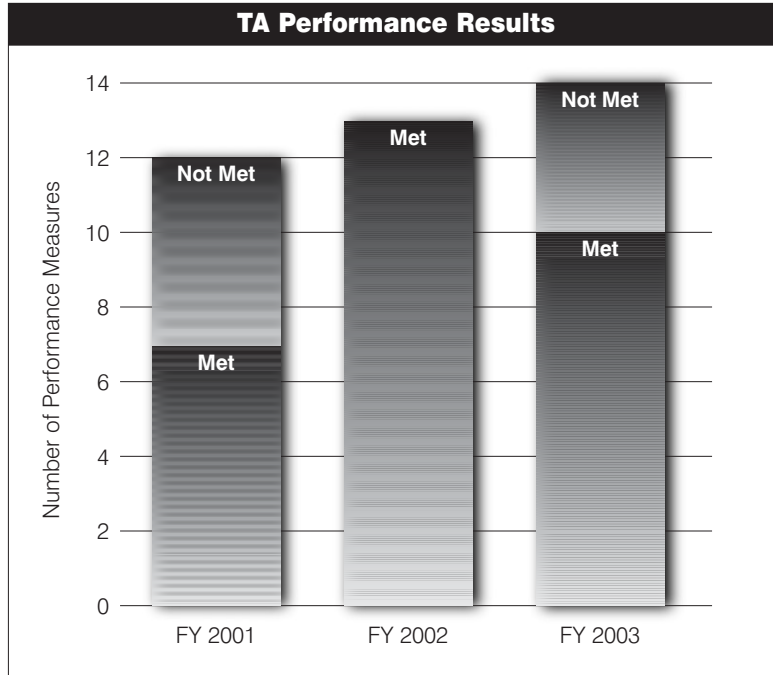
Technology Administration (TA)

In FY 2003, TA had six goals and 23 measures. NIST had 16 measures, while OTP had four and the National Technical Information Service (NTIS) three. Nine of the 16 NIST measures did not have data for FY 2003 because of a time lag in acquiring the data; they will not be available until late FY 2004. Therefore, these measures are not included in the total. The total number of measures that TA is reporting on is 14. Of the 14 measures, TA met 10 of the performance targets. This reflected a decrease from FY 2002 when TA met all of its measures. Because much of NIST’s work is research and, therefore, difficult to quantify, NIST relies on peer reviews and economic impact studies along with a small number of quantifiable metrics to determine its performance. All the planned peer reviews were completed in FY 2002, with the peer reviews

reporting that NIST continues to be a strong leader in the area of research and development (R&D). NIST completed impact studies for one performance goal; however, it did not complete studies for another. Of the four quantifiable measures in FY 2003, NIST exceeded its targets in two of the measures. In FY 2003, OTP continued to report on activities it completed, categorized under four measures. This approach better evaluates its performance, focusing on activities it intended to (and subsequently did) complete. NTIS met two of its three measures, while missing the customer satisfaction target by one percentage point (target = 98 percent, actual = 97 percent). Continued excellent performance on the part of OTP, NIST, and NTIS leads to greater advancement in the areas of science R&D.

National Telecommunications and Information Administration (NTIA)

In FY 2003, NTIA had three goals and 11 measures. Of the 11 measures, NTIA met nine, and did not meet two. For Performance Goal 1, NTIA conducted a wide variety of policy-related activities described in the narrative section below. NTIA postponed the customer survey until FY 2004. The postponement was necessitated by departures in NTIA’s senior management, which meant that needed approvals and issuance of the survey to senior levels in the White House, FCC, Department of Commerce and other departments, and the Congress could not be obtained. The survey is ready for issuance in FY 2004, however. For Performance Goal 2, NTIA met the measure covering accuracy of frequency assignment requests, but will discontinue the



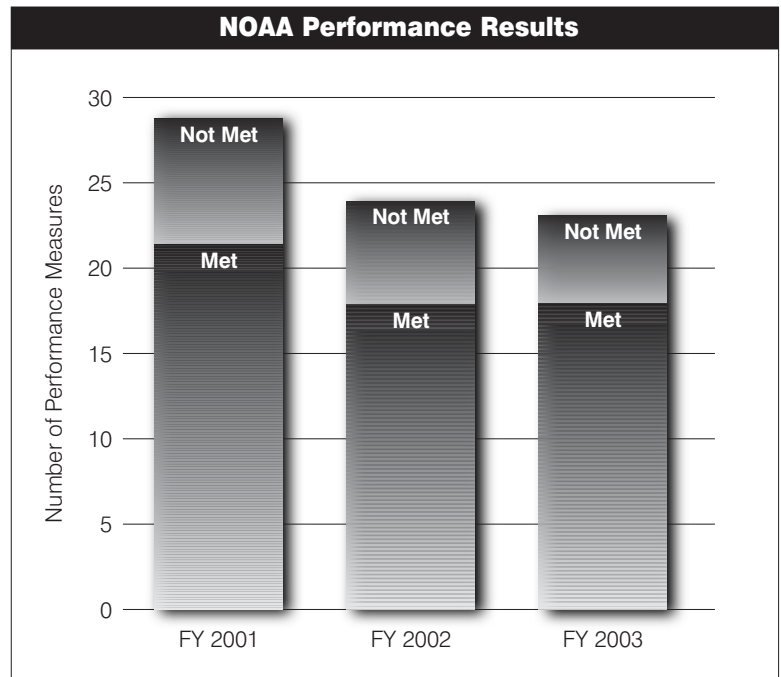
measure as it does not directly assess NTIA activities. NTIA is processing frequency assignment requests within 15 business days; it is achieving less than the anticipated 95 percent online applications by the end of FY 2003 because of delays in implementing secure digital authentication, and better than 90 percent of customers rate the training courses as satisfactory. For Performance Goal 3, NTIA awarded 79 digital television conversion grants, completed 100 percent of grant awards on schedule, and increased public radio and television coverage. NTIA published five peer-reviewed research publications, and entered into five Cooperative Research and Development Agreements.

Goal 3: Observe and Manage the Earth’s Environment to Promote Sustainable Growth

The Department’s third goal envisions a twenty-first century in which environmental stewardship, assessment, and prediction serve as keystones to the enhancement of economic prosperity and quality of life, and to the improved protection of lives and property.

National Oceanic and Atmospheric Administration (NOAA)

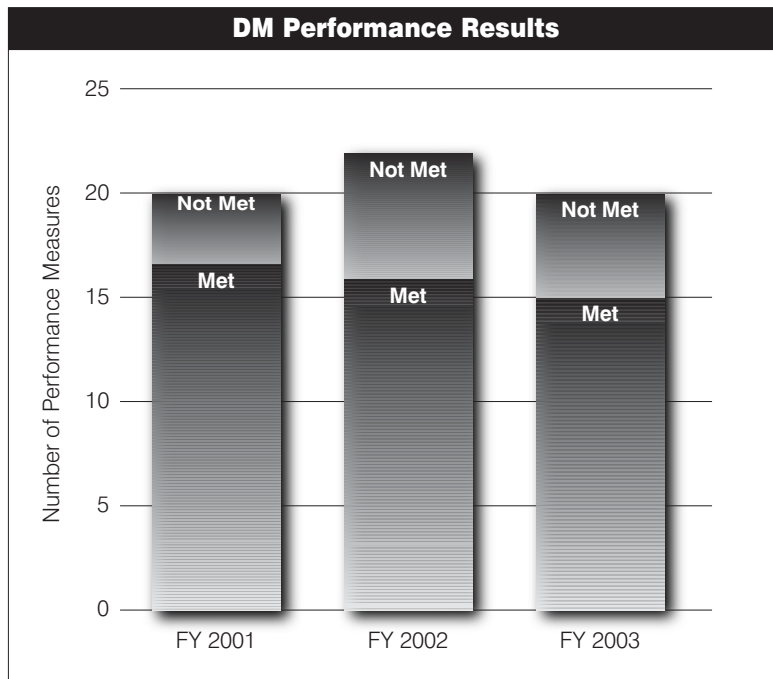
In FY 2003, NOAA had seven goals, 23 measures, and 29 targets. Six of the measures did not have data for FY 2003 because of a time lag in acquiring the data—they won’t be available until after the FY 2003 PAR is published. (In the FY 2002 PAR, NOAA stated that FY 2002 data for these six measures would be reported in the FY 2003 PAR while not including them in the FY 2002 total. That information is provided in this report.) Of the 23 targets for which data are available, NOAA met 18 of the targets, an improvement from 71 percent in FY 2002 to 78 percent in FY 2003. In addition, since collection of NWS data is on a calendar basis, the FY 2003 actuals are third quarter estimates for the entire year. NOAA strives to describe and predict changes in the Earth’s environment both in the short and long-term, and conserve and manage wisely U.S. coastal and marine resources. NOAA also works to ensure the safety of U.S. waterways. Of the eight targets that reflect performance related to activities that bear a direct impact on the safety of Americans (tornadoes, flash floods, hurricanes, and winter storms), NOAA met the targets for five with one still to be determined. Achieving these results associated with weather warnings saves lives and avoids significant losses to the economy.



Management Integration Goal: Strengthen Management At All Levels

Departmental Management (DM)

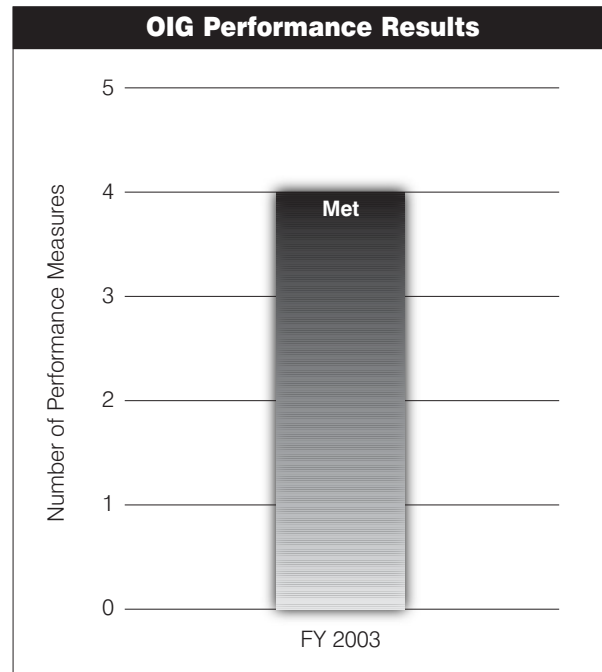
In DM's FY 2002 PAR submission, 22 measures were reported. Two of those measures have been discontinued and are not addressed in this report. One measure targeted the use of the Internet to publicize opportunities to contract with the Department. As of FY 2002, online procurement was the only option available for publicizing these opportunities, eliminating the need to track the measure further. The other discontinued measure was the reduction of energy consumption. In FY 2002, the Department achieved the long-term, government-wide goal of 35 percent reduction in usage and received a Presidential award for leadership in energy management. DM believes that energy consumption no longer requires monitoring and will no longer report on this measure.



In FY 2003, DM met or exceeded the targets for 15 out of 20 measures, or 75 percent of its objectives. In the five instances in which targets were not met, DM has examined the causes and identified appropriate action. Details are discussed under each performance goal. DM met or exceeded targets for five out of the eight measures being tracked under Performance Goal 1. In addition to the success reflected by these quantitative measures, there are qualitative indicators of DM's progress, which are discussed below. DM received an unqualified opinion on the Department's consolidated financial statements for the fifth consecutive year and is making significant progress in reducing the number of audit findings. Full implementation of CAMS was accomplished in October 2003, and specific steps have been undertaken to correct the IT security weaknesses that have been identified.

Office of Inspector General (OIG)

In FY 2003, the OIG reduced its goals from three to one and reduced its measures from nine to four to streamline performance reporting in the FY 2005 budget submission. The change in goals and measures does not match the FY 2004 APP because OIG reviewed its goals and measures and made these changes so that OIG could focus on fewer but more meaningful and significant performance measures. The OIG met all four of its FY 2003 performance targets.



MANAGEMENT CONTROLS FISCAL YEAR 2003



Management Controls Fiscal Year 2003

Fiscal Year 2003 Secretary of Commerce Statement of Management and Financial Controls

For the programs, organizations, and functions covered by the Federal Managers' Financial Integrity Act (FMFIA), I am pleased to report that, with the exception of one material weakness identified below, the Department of Commerce's systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved.



Donald L. Evans
Secretary of Commerce

Federal Managers' Financial Integrity Act (FMFIA) of 1982

During FY 2003, in accordance with the requirements of FMFIA and using Office of Management and Budget (OMB) and Departmental guidelines, the Department reviewed its management control system. The objectives of our management control system are to provide reasonable assurance that:

- The Department's obligations and costs are in compliance with applicable laws;
- The Department's assets are safeguarded against waste, loss, unauthorized use or misappropriation;
- The revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by GAO, OIG, and/or specifically requested studies. Also, on a yearly basis, the major operating units within the Department conduct self-assessments of their FMFIA compliance. These diverse reviews provide a high level of assurance that Department systems and management controls comply with standards established by the FMFIA.

In FY 2003, the Department of Commerce was able to remove one of its material weaknesses—non-compliance with federal principles and requirements for a single, integrated financial system. However one outstanding material weakness remains—inadequate controls in IT security.

The Department Is Now in Substantial Compliance with Federal Principles and Requirements for a Single, Integrated Financial System.

During FY 2003, the Department substantially completed implementation of a single integrated system, CAMS. The system has enabled the Department to meet, for the first time, the requirements of the CFO Act, and OMB Circular A-127. Since 1989, the Department has reported the lack of an integrated financial system as a material weakness under the FMFIA and the cause for non-compliance with the Federal Financial Management Improvement Act (FFMIA).

CAMS has replaced all non-compliant financial systems within the Department. By the end of FY 2003, CAMS was implemented at 10 Departmental entities, including, Commerce's two largest bureaus—the Census Bureau and NOAA. CAMS was deployed at NIST in October 2003 replacing the only remaining non-compliant system. Several other bureaus that were previously on compliant systems continue to use those systems with some entities planning on converting to CAMS in the future. The financial information from these systems and from CAMS is integrated through the Corporate Database resulting in consolidated financial reporting for the Department.

CAMS 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. CAMS includes a Core Financial System interfaced with administrative systems for small purchases, bankcard, a data warehouse, and time reporting/labor cost distribution module, collectively called Core CAMS.

All bureaus and reporting entities, as part of the self-assessment process, submitted reports on their financial management systems. Based on the Office of Financial Management (OFM) review of the responses, the aggregate financial management systems in the Department are compliant with GAO principles and standards, with the requirements of the CFO Act, the Joint Financial Management Improvement Program and with the applicable OMB requirements.

This year, the Department demonstrated progress in financial management by maintaining an unqualified opinion on the Department's Consolidated Financial Statements. OFM continued monitoring corrective actions and worked closely with bureau management to resolve material weaknesses and reportable conditions. OFM submitted the Department's quarterly financial statements to OMB by the prescribed deadlines.

The Department Has Inadequate Controls in IT Security.

The Department, under the leadership of the Office of the CIO, has made major strides again this year in addressing its IT security issues. However, the Department still needs to improve further key aspects of its IT security. Therefore, IT security remains a material weakness for the Department.

During FY 2003, OIG and GAO issued reports on IT security and critical infrastructure protection reviews conducted within the Department of Commerce. OIG reviewed IT security controls of the Department's financial systems as well as the effectiveness of the IT security program. In addition, GAO issued a February 2003 report on its findings on critical infrastructure protection (CIP) programs within the Federal Government, which included a review of the CIP activities at Commerce.

OIG's independent audit of the Department's FY 2002 financial statements and systems concluded that seven operating units had weaknesses in six key IT security areas:

- Entity-wide security program planning and management;
- Access controls;
- Application software development and change control;
- System software management;
- Segregation of duties; and
- Service continuity.

OIG's 2003 report in response to the Federal Information Security Management Act (FISMA) found weaknesses in the following areas:

- Certification and accreditation materials, particularly in the areas of risk management, security plans, contingency plans and testing controls;
- Training of personnel with specialized information security responsibilities; and
- Coordination among contracting, technical, and information security personnel in the development and implementation of appropriate security controls.

These weaknesses and other weaknesses in IT security in other Commerce systems resulted in OIG identifying IT security as a continuing management challenge for FY 2003.

In its report, *Critical Infrastructure Protection: Challenges for Selected Agencies and Industry Sectors (GAO-03-233)*, GAO reported that Commerce had not yet analyzed its critical cyber-based assets to determine dependencies on non-federal infrastructures and to identify potential points of failure. This report resulted in Commerce focusing on improving system certification and accreditation across the Department for designated national critical systems. The Office of the CIO plans to track the implementation of corrective actions as part of its FY 2004 compliance review program.

The Office of the CIO completed IT security compliance reviews of seven Commerce operating units and inspected system certification and accreditation packages for 62 percent of the Department's systems, including all of the Department's national critical and classified national security systems. Monthly, it also monitored the status of operating unit corrective actions in response to these reviews and provided quarterly status updates of these and other planned corrective actions to OMB under the requirements of the FISMA.

In its FY 2002 FMFIA report, the Department highlighted the following IT security planned actions for FY 2003:

- Establishing a Federation of Commerce Incident Response Teams (CIRT), in which the CIRTs at the four large agencies and the Office of the CIO CIRT established to serve all the smaller agencies are interconnected and operate cooperatively. Policy and procedures to be used by the CIRTs for sharing information and solutions on IT security vulnerabilities and incidents will be implemented.
- Completing IT security plans for 100 percent of Commerce IT systems.
- Fully updating and issuing Departmental IT security program policy.
- Achieving a minimum of Level 2 IT security maturity rating within 100 percent of Commerce agencies, and Level 3 or higher within 50 percent of Commerce agencies.

All of these actions were completed in FY 2003, as summarized below. In addition, the FY 2002 FMFIA report highlighted the need to ensure the certification and accreditation of all classified and mission-critical systems and to assess the quality of IT security planning documentation such as system security plans, system certification, and accreditation packages. This task was given a high priority in FY 2003, and substantial progress has been made on this important task in FY 2003 as summarized below; however, additional work remains to be done.

During FY 2003, Commerce has taken the following actions to strengthen its Department-wide IT security program:

- The Department's IT security maturity, measured using the Federal CIO Council's five-level IT security maturity scale, increased from:
 - 93 percent to 100 percent at Level 2 (documented policies and procedures) and
 - 29 percent to 79 percent at Level 3 (implemented policies and procedures).
- This significant increase in the program maturity level reflects the hard work of many dedicated Commerce IT security professionals in implementing new standards and correcting long-standing deficiencies.
- The CIO issued a comprehensive IT Security Program Policy in January 2003, which included minimum implementation standards for Department IT security programs that apply to all of the Department's IT systems. One of these minimum standards was adoption of a modified approach to system certification and accreditation based on the National Security Agency's National Information Assurance Certification and Accreditation Process. These rigorous standards have provided the foundation for sound IT security planning and management Department-wide.
- The Department continued its IT security compliance review program to assess the extent to which policy and guidance are implemented within the agencies and to assess the adequacy of agency-level IT security programs. The FY 2003 compliance review included follow-up of the FY 2002 GAO IT security audit findings and recommendations, as well as inspection of system certification and accreditation documentation for all national critical, mission critical, and classified national security systems. The follow-up by the Department of these GAO reviews included testing of system controls in accordance with the GAO Federal Information System Controls Audit Manual. This testing resulted in confirming that audit recommendations had been implemented at all seven operating units involved, and no new weaknesses were identified.
- The inspection of certification and accreditation packages, which included tests for compliance with federal and departmental requirements as well as the quality of the documentation to reflect sound security planning throughout the system's life cycle, concluded that all systems had system security plans in place, but most certification and accreditation packages required improvement in the area of testing system controls, which will continue to be a priority in FY 2004.
- The Department's computer incident response capability was extended by the establishment of the Federated Computer Incident Response Capability System, which will ensure integration, innovation, and cooperation in Department-wide incident prevention, response, and handling activities.
- The Department improved its IT security training program, leveraging capabilities available through other government agencies, such as OPM's Government Online Learning Center. This led to cost-effective annual IT security refresher training for existing employees and availability of specialized training for personnel with significant IT security roles and responsibilities. The Department also enhanced its training program for new employees and developed an IT Security Employee Handbook.

- A position for Director, IT Security, Infrastructure, and Technology, was established and filled. This director will be responsible for overseeing and integrating the management of the Department's IT security and critical infrastructure protection planning, and for addressing the use of emerging IT in the Department. Also, three new staff positions were established within the IT security team, to enhance the Department's ability to address IT security policy and implementation, critical infrastructure protection, and the operational aspects of IT security.
- The Department made substantial progress implementing host-based intrusion detection capability for Internet-facing IT systems. This capability has added to the Department's defense-in-depth posture and improved the Department's ability to detect and react to external threats in a timely manner.
- As the new digital infrastructure that supports both voice and data requirements of the Commerce operating units in the Herbert C. Hoover Building has been implemented, IT security has been at the forefront of its design and implementation. The physical and personnel security actions required to protect the network assets were completed during FY 2003.

In addition, the following activities were continued to ensure that the Department maintains effective oversight of its IT security program:

- The Department CIO has been 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.
- The Office of the CIO has been actively engaged in the response to IT security incidents during the year:
 - Overseeing the immediate technical response,
 - Ensuring that the Department's comprehensive systems benefit from what is learned from the response to each incident so that similar incidents in the future can be avoided,
 - Ensuring that the Deputy Secretary is aware of incidents when appropriate, and
 - Notifying other federal IT security authorities quickly.
- The Office of the CIO has had a key role during the year in alerting Commerce operating units of newly announced IT security vulnerabilities and recommending actions to thwart attacks based on these vulnerabilities.
- The Department CIO has provided input to the rating official (operating unit head or deputy head) on the performance of each bureau CIO, a significant portion of which relates to IT security.
- The Commerce IT Review Board continues to consider and to evaluate the proposed IT security approach for every IT project it reviews, including new initiatives as well as on-going IT projects. This review includes examination of the adequacy of the IT security management and funding, and the involvement of the project managers in IT security as a key part of their work. Corrective actions are identified and required of the program and project officials, as appropriate.
- The Office of the CIO receives the bureaus' monthly reports on their progress regarding corrective actions for IT security.

Notwithstanding these achievements during FY 2003 to establish and maintain a strong foundation for the Department's strengthened IT security program, work still remains to ensure the implementation of sufficiently strong certification and accreditation practices and adequate quality of work products for all systems. Specifically, planned FY 2004 actions include:

- Achieving a higher level of maturity in the management of IT security across the Department, as measured through a formal maturity measurement process.
- Continuing the compliance review program goal to assess the quality of IT system certification and accreditation packages.
- Ensuring the certification and accreditation of all operational IT systems.
- Promoting use of the role-based IT security training that was made available at the end of FY 2003.
- Improving the way that IT security is addressed in contracts, and in the training of contracting officials.

In FY 2004, the Department will focus on:

- Ensuring that certification and accreditation processes and work packages comply with the new Commerce IT security policy issued in January 2003 and
- Fostering effective certification and accreditation practices for all Department operational IT systems.

Until the Office of the CIO can validate that the certification and accreditation processes adequately protect Commerce systems, IT security will continue as a material weakness for the Department.

The Department, as a whole, has met its management challenges and resolved all but one of its Departmental material weaknesses. The Department is particularly proud of resolving its long-standing material weakness in the financial management area and achieving a green progress rating in every quarter of FY 2003 for financial management under the PMA. For its remaining material weakness IT security, the Department is vigorously addressing this challenge and anticipates a similar resolution.

Federal Financial Management Improvement Act (FFMIA) of 1996

Under the 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 at the transaction level. In FY 1998, the OIG found the Department did not substantially comply with these three requirements, mainly due to the inadequacy of its financial systems. At the end of FY 2002, the only outstanding FFMIA issue was the non-compliance with federal financial management system requirements. The Department developed and successfully completed implementation of a remediation plan to resolve these material deficiencies.

By the end of FY 2003, the Department, taken as a whole, is in substantial compliance with FFMIA. This was accomplished with the implementation of the CAMS at the vast majority of Departmental entities, including Commerce's two largest bureaus the Census Bureau and NOAA. CAMS was deployed at NIST in October 2003 replacing the only remaining non-compliant system. Several other bureaus that were previously on compliant systems continue to use those systems with some entities planning on converting to CAMS in the future. The financial information from these systems and from CAMS is integrated through the Corporate Database resulting in consolidated financial reporting for the Department.

An updated remediation plan noting these accomplishments was forwarded to the OMB in September 2003.

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. With this PAR, Commerce is reporting on audit follow-up activities for the period October 1, 2002, through July 31, 2003. This ten-month reporting period accommodates a stepped-up reporting cycle; next year’s audit report will once again reflect a 12-month reporting period.

Audit Follow-Up Activities within the Department

A diligent effort to reduce the number of unimplemented audits has been successful. Reviews of status reports and audit implementation schedules, in addition to meetings with bureau representatives, aided in meeting this goal. These efforts will be continued, in addition to the system upgrade initiative, quality assurance reviews, and ongoing efforts to streamline the reporting process.

Report Summary and Highlights

At the start of this reporting period, the balance for OIG reports with disallowed costs totaled 62, representing \$18.7 million. (Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.) A total of 34 reports were resolved during the period, with disallowed costs of \$8.1 million; and final action was taken on 34 reports with disallowed costs of \$10.2 million. The balance at the end of the period was 62 reports, representing \$16.5 million.

In the summary table that follows, “funds to be put to better use” refers to any management actions to implement recommendations that funds be applied to a more efficient use. Actions taken on these reports are shown in the summary table, which has a beginning balance of 35 reports and funds of \$54.2 million. Seventeen new reports with funds totaling \$22.6 million were added during the reporting period and final actions were taken to implement 18 reports with funds of \$21.4 million. The closing balance was 34 reports, representing \$55.4 million in funds to be put to better use.

Performance, contract, grant, loan, and financial statement audit reports with nonmonetary recommendations are also indicated in the table. The start of the period shows a balance of 57 audit reports with management decisions on which final action had not been taken. Twenty-six new audits were added where management decisions were made; and final action was taken to close 38 audits, for an ending balance of 45 audit reports needing final action.

Summary of Activity on Audit Reports October 1, 2002 — July 31, 2003

	Disallowed Costs		Funds to be Put to Better Use ¹		Nonmonetary Reports	Total
	Reports	Dollars	Reports	Dollars	Number of Reports	Reports
Beginning Balance	62	\$18,701,418	35	\$54,174,639	57	154
New Reports	34	8,054,628	17	22,629,041	26	77
Total Reports	96	26,756,046	52	76,803,680	83	231
Reports Closed	(34)	(10,207,822)	(18)	(21,358,714)	(38)	(90)
Ending Balance	62	\$16,548,224	34	\$55,444,966	45	141

¹ The beginning balances (reports and dollars) of funds to be put to better use reflect adjustments since the last reporting period.

The bureaus are continuing their efforts to implement audit recommendations that are more than one-year old. At the end of the reporting period, recommendations included in a total of 72 audits were reported as being unimplemented for more than one year. Although some audits share associated reasons for not having recommendations fully implemented, the reasons for final actions not being taken vary with each audit. For example, if collections for payments are annualized over several years, the audit will remain open until the final collection is made or a debt is paid. Some performance audits have recommendations that mandate construction projects, the completion of which can take several years.

In addition, because audits involve the reporting of funds to be put to better use, these audits will remain open until all work has been completed and the savings can be calculated. This is to ensure accurate reporting of the funds to be put to better use. Program development, implementation of new information systems, appeal of audit determinations, and technological enhancements of existing systems can all cause audits to remain open beyond one year. Staff within DM and the bureaus will continue to monitor these audits and assist, as much as possible, in the implementation process.

LOOKING AHEAD



Looking Ahead

Challenges and Priorities

The Department of Commerce faces a number of key challenges. The following are viewed as the most significant as a result of their importance to the Department's mission, or their complexity, cost or urgency.

Advancing Understanding of Climate Variability, Potential Responses, and Options

As the Under Secretary of Commerce for Oceans and Atmosphere and the NOAA Administrator, Vice Admiral Conrad C. Lautenbacher, Jr., U.S.N. (Ret.) recently noted, "The issue of climate variability and change, and how we adapt and manage our response is a capstone issue for our generation and those to follow." The Department of Commerce intends to aggressively pursue the goals outlined in its new CCSPS, including:

- Advancing the knowledge of the Earth's present climate and environment, natural variability, and causes of changes;
- Improving the understanding of how changes in the climate and related systems occur;
- Improving projections of changes in the Earth's climate and environmental systems;
- Advancing understanding the impact of climate changes on natural and managed systems; and
- Exploring how risks and opportunities related to change could be better managed through advancing knowledge about climate change and variability.

Processing of Patent and Trademark Applications

Over the past decade, USPTO has faced an increasing workload, particularly in the filing of patent and trademark applications. Over the past few years, patent application filing increases reached double digits, although the rate of increase is now slowing. Trademark application filings have decreased consistent with the declining economy; nevertheless, the number of applications filed in FY 2002 was the fourth highest ever recorded, and preliminary projections indicate that there will be another increase in FY 2003. With the economy expected to improve, the number of trademark applications is expected to grow again. To better manage fluctuations in workload, USPTO must focus on increasing the acceptance and use of its electronic systems, move toward full electronic processing, and complete a radical redesign of the entire patent search and examination system. The agency must also restructure the fee schedule to provide options for filing and financial incentives for its customers that further encourage the use of electronic filing and communications.

Through implementation of the *21st Century Strategic Plan*, USPTO is committed to reducing pendency while continuing to improve the quality of its work products. Over the long term, Patents will pursue achieving the optimum 18-months total pendency, with longer pendency timeframes in the fiscal years leading up to that goal. Trademarks is committed to supporting the elements of the *21st Century Strategic Plan* that will allow it to increase production and reduce pendency time over the long term.

The *21st Century Strategic Plan* will boost productivity and substantially cut the size of USPTO's inventory while transforming the agency into an information age, e-commerce-based, paperless agency that reflects the values of the PMA. The plan emphasizes excellence in examiner recruiting, hiring, and training; greater use of electronic initiatives and outside resources to process patents and trademarks; and a faster, less costly alternative to the courts for challenging patents.

Under the plan, Trademarks will complete its transition to an e-government operation, replacing the use of paper as the primary means of doing business with an electronic workflow in fiscal year 2004. For its part, Patents will accelerate deployment of a fully operational electronic application process by leveraging outside resources toward a full paperless patent process by early FY 2005.

Fair Avenue for Trade

In March 2003, the Department introduced an eight-point Standards Initiative that will help break down trade barriers. This initiative responds to industry concerns that foreign standards and technical regulation issues are among the greatest challenges to expanding exports. The Department is already engaged in a number of activities related to the standards. These include ensuring acceptance and use of globally relevant and internationally recognized standards domestically and in the global marketplace; promoting worldwide acceptance of U.S. test and calibration data to facilitate the marketing of American products; and providing assistance to other government agencies, industry, trade associations, exporters, and standards-developing organizations.

Passage of New Export Administration Act

There has not been a comprehensive revision of the Export Administration Act (EAA) since 1979. A revised EAA that seeks to provide a balanced framework for administering and enforcing export controls in the twenty-first century is needed to enhance both U.S. national security and economic interests. The need for a more contemporary EAA has increased since the recent terrorist attacks aimed at the United States. Such legislation would help BIS more effectively prevent the proliferation of weapons of mass destruction by controlling the export of dual-use items that could contribute to the development of such programs by states that support terrorism and other terrorist organizations.

Achievement of National Export Strategy Improvements

The 2003 National Export Strategy lists 65 recommendations for improvement in the trade promotion process. As ITA implements those recommendations, some of the efforts have already begun to pay off. To illustrate, the President's e-government program included an "International Trade Process Streamlining Initiative." Under that initiative, ITA will work to create a seamless environment for exporters to research markets, gather trade leads, and conduct a majority of their export transactions using www.export.gov, the government's existing online portal for small business export assistance information. That electronic backbone for U.S. exporters in the manufacturing sector will provide more timely and accurate export information and result in cost savings for U.S. businesses by reducing the amount of time they spend seeking information and completing applications and forms.

Meeting Needs for Quality Information

Concerns from the public about the perceived intrusiveness of data collection efforts, continued decline in trust of government and sensitivity to confidentiality of data, and a greater demand for quality have complicated the Census Bureau's data-gathering efforts and ability to maintain or increase response rates. Surveys have shown that more people feel they have less time available to do what they need to do, including work, sleep, look after their families, and enjoy leisure. The Census Bureau will consider new approaches to saving customers' time and reduce respondent burden to ensure that the customers' needs are met.

The Census Bureau will also continue to improve the use of state-of-the-art technology in data collection, processing, and dissemination in order to stay ahead of the demand from policymakers for accurate and timely information on emerging economic and societal trends. As always, the Census Bureau will work to prevent criminal and/or malicious access to all of its networks and data.

BEA will continue to work to find alternative sources of data to identify new and emerging industries and to improve information sources for the more volatile sectors of the economy. BEA hopes to acquire and incorporate private sector “real time” data such as retail scanner data, business-to-business transactions, and financial services.

Information Security

During FY 2004, the Department will ensure the implementation of effective certification and accreditation practices for all department IT systems—critical and noncritical—resulting in quality system security plans. The Department will follow implementation standards established in FY 2003 and fully implement IT security policies.

Opening of the Advanced Measurement Laboratory (AML)

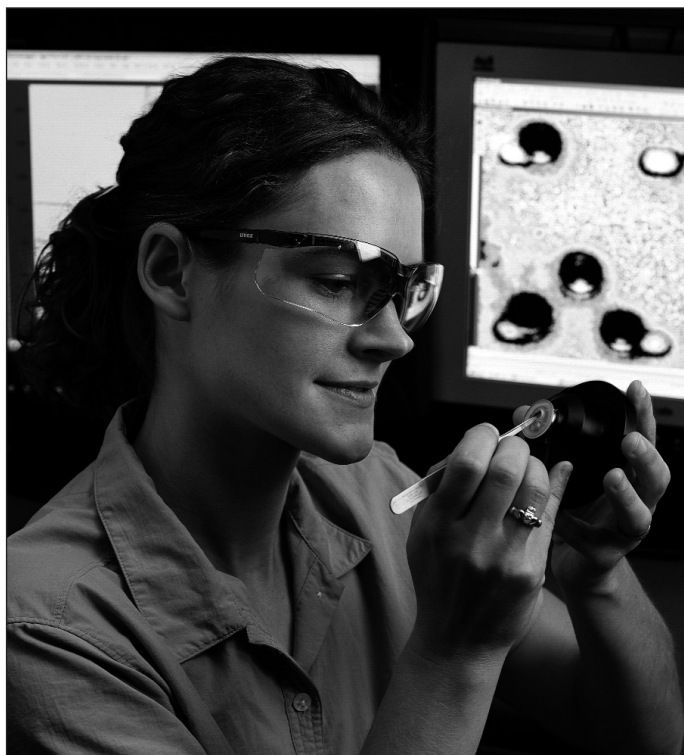
Located on the NIST Gaithersburg, Maryland campus, this facility will be one of the most technologically advanced in the world. The AML will respond to U.S. science and industry’s ever-growing need for more sophisticated measurements and standards in the face of heightened global competition. The facility will provide superior air cleanliness, and vibration, temperature, and humidity control to enable NIST researchers to develop new ways to more accurately measure, quantify, and calibrate industrially important processes and properties.

Radio Spectrum Policy for Twenty-First Century

NTIA will continue its leadership role in the development of a twenty-first century radio spectrum policy that will better manage the nation’s airwaves, enhance homeland and economic security, increase benefits to consumers, and ensure U.S. leadership in high-tech innovations. A task force, formed by Secretary Evans, will recommend ways to stimulate more efficient use of the radio frequency spectrum by government users. There will also be a series of public meetings held with the private sector and state and local governments to focus on improved policies and procedures for overall management of the radio spectrum.

Providing the Technology Infrastructure for Manufacturing Competitiveness

NIST is working to ensure that U.S. manufacturers, particularly small and medium-size businesses, have the critical measurement, standards, data, and technology infrastructure to improve product quality, manufacturing productivity, and maintain global competitiveness. NIST develops measurement methods and standards to accelerate the commercialization of technology advances in burgeoning fields such as biotechnology, nanotechnology,



In one of many nanotechnology projects, NIST scientists are fabricating magnetic traps to improve manipulation and analysis of single strands of DNA or RNA.

homeland security technology, and IT. The effectiveness of the supply chain between small, medium, and large-size manufacturers is maintained by providing the critical measurement technology, standards, and data to allow the exchange of parts and raw materials, with the knowledge and confidence that specifications are met. NIST measurement methods and standards also facilitate secure, accurate, and efficient communication throughout the supply chain and with customers by aiding the development of information exchange standards, providing tools to accurately specify product performance and attributes, and improving cybersecurity. NIST laboratory measurement, standards, and data programs are complemented by its three extramural programs, which aid U.S. manufacturing competitiveness by supporting the development of high-risk, innovative technology, providing assistance to small and medium-size manufacturers to improve their productivity, and promoting performance excellence and quality.

Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the Department of Commerce

The Honorable Donald L. Evans

Secretary of Commerce

Washington, D.C.

In accordance with the Reports Consolidation Act of 2000, we herewith submit summaries of issues we have determined to be the most crucial management and performance challenges facing the Department of Commerce for inclusion in the Department's Performance and Accountability Report for FY 2003. In our view, these challenges represent significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations because they meet one or more of the following criteria: they are important to the Department's mission or the nation's well-being; they are complex; they involve sizable expenditures; or they require significant management improvements. Given the diverse nature of Commerce activities, many of these issues cut across bureau and program lines. We believe that by addressing these challenges the Department can enhance program efficiency and effectiveness; prevent or eliminate serious operational problems; decrease fraud, waste, and abuse; and achieve substantial savings. Our latest work in these areas is described in our recent Semiannual Reports to Congress.

1 Strengthen Department-Wide Information Security

Some Commerce information technology systems and data are among the Department's and the nation's most critical assets. For example, the National Oceanic and Atmospheric Administration's satellite, radar, and other weather forecasting data and systems protect lives and property; Bureau of Industry and Security (BIS) export license data helps control the release of dual-use commodities to foreign lands; the National Institute of Standards and Technology's research and measurement methods, tools, and data operate technologies from automated teller machines to x-ray equipment to semiconductors; USPTO's patent and trademark information promotes industrial and technical progress and helps strengthen the national economy. Loss of or serious damage to any one of these critical systems could have devastating effects. Thus identifying information security weaknesses and recommending solutions remain top priorities for this office.

Currently, 97 percent of the Department's systems have been reported as certified and accredited. However, our FY 2003 FISMA evaluations revealed that numerous systems reported as certified and accredited contain significant deficiencies in their certification and accreditation materials. Commerce senior management continues to give information security due attention and priority but much remains to be done to ensure that all vital IT systems are secure.

2 Effectively Manage Departmental and Bureau Acquisition Processes

Federal acquisition legislation in the 1990s was enacted to reduce the time and money spent on purchasing, and improve the efficiency of the procurement process. Commerce must focus on effectively managing the processes those initiatives fostered—from credit card usage to facilities' construction and renovation—balancing the desire to streamline the process with the need to ensure that taxpayer dollars are wisely spent and laws and regulations followed.

Streamlined processes, however, must not come at the expense of basic acquisition principles: careful planning, promotion of competition, prudent review of competitive bids, adept contract negotiations, well-structured contracts, and effective contract management and oversight. The Department agrees that acquisition planning and management need greater attention, and its Office of Acquisition Management has taken several steps to improve these processes: (1) establishing an acquisitions review board to oversee all major procurements; (2) evaluating Commerce's delegation and warrant program, with the goal of realigning contracting authorities to increase overall effectiveness and accountability; and (3) revising the contracting officer's technical representative certification program to improve accountability. However, recent reviews of acquisitions and related processes—from contract solicitation to execution and oversight—have revealed the need for additional action. We will continue to monitor the Department's efforts to improve in this important area.

3 Successfully Operate the U.S. Patent and Trademark Office as a Performance-Based Organization

As a performance-based organization, USPTO has expanded control over its budget allocations and expenditures, personnel decisions and processes, procurement, and information technology operations, as well as broader responsibility for managing its operations more like a business. To enhance those operations and its efforts to meet performance goals under the Government Performance and Results Act (GPRA) and the timeliness standards of the American Inventors Protection Act, the agency issued a 5-year, 21st Century Strategic Plan in June 2002. The plan is intended to provide a framework for developing necessary personnel competencies, establishing procurement and administrative policies, and instituting performance-oriented processes and standards for evaluating cost-effectiveness.

USPTO recently revised this plan to provide a more aggressive roadmap for changing patent and trademark processes, while (1) moving to a paperless environment and promoting e-government, (2) enhancing employee development, (3) exploring competitive sourcing, (4) improving and maintaining quality assurance, and (5) working with worldwide intellectual property offices to create a global framework for enforcing intellectual property rights.

We are evaluating a number of trademark and patent application issues in light of USPTO's current operating capabilities and its progress toward the goals in its strategic plan. Among our current areas of review are USPTO's efforts to reduce trademark application pendencies; the impact of the patent examiner awards system on pendency reduction; the efficiency and effectiveness of select internal operations; and, as part of our oversight of the Department's major construction and renovation projects, USPTO's construction of its new headquarters complex in northern Virginia. We will continue to monitor and report on its efforts to improve operations, achieve its strategic goals, and meet the performance requirements mandated by Congress.

4 Control the Cost and Improve the Accuracy of Census 2010

Few Commerce activities have more ambitious goals, higher costs, or intensive resource requirements than the constitutionally mandated decennial census. This decade marks the third in the tenure of the Office of Inspector General in which we will closely monitor and evaluate the Census Bureau's plans and preparations for conducting its decennial population count. Though much has changed in the methods and technologies for decennial census taking during our watch, and the population has grown and diversified dramatically, our primary concerns have remained the same: insufficient planning and upfront funding for an operation that by its very nature requires long-term vision and development and ongoing testing at key points along the way.

The Census Bureau has committed to making 2010 different and is overhauling its decennial processes. We have begun assessing its efforts to do so, and, during the duration of this decade will monitor a broad array of areas, such as the following: (1) completeness of the 2010 count and coordination and integration of its elements; (2) systems/software acquisition, development, testing, and security; (3) correction of address and map information; (4) field tests and dress rehearsal; (5) planning for incorporation of the American Community Survey; (6) approach to measuring data quality; (7) impact of construction and occupancy of Census' new headquarters on decennial scheduling; and (8) implementation of decennial operations. We will report on the bureau's progress in these areas as its work proceeds throughout the decade.

5 Increase the Effectiveness of Marine Resource Management

The NOAA National Marine Fisheries Service (NMFS) must balance two competing interests: (1) promote commercial and recreational fishing as vital elements of our national economy and (2) preserve populations of fish and other marine life. In support of this second goal, NMFS conducts stock assessments—studies that collect and analyze demographic information about fish populations—and uses this information to determine whether additional regulations are necessary to rebuild fish stocks or whether greater fishing opportunities can be allowed. Because of their potential impact on commercial and recreational fishing, these assessments are often controversial, and the methods used to create the estimates typically undergo intense scrutiny by fishers and conservation groups. It is critical that both the data and the collection methods be beyond reproach.

We recently evaluated data collection processes for stock assessments in response to concerns about the equipment's condition and calibration. We also reviewed the enforceability of fishing regulations designed to prevent overfishing, and have turned our attention to assessing data collection procedures used in NMFS' observer program, which collects a variety of statistics to aid marine research and management.

6 Increase Fair Competition in International Trade

Commerce, through various offices within the International Trade Administration (ITA), works with a number of federal agencies to promote fair competition in international trade and monitor and enforce trade agreements. The Department helps enforce U.S. trade agreements and resolve trade complaints through the efforts of ITA's Import Administration, Trade Compliance Center and the U.S. and Foreign Commercial Service. US&FCS—through its network of overseas posts and domestic assistance centers—also helps increase America's market share abroad by identifying specific export market opportunities or trade leads for U.S. companies.

A regular focus of our work is the review of overseas posts to assess whether they are providing effective assistance to U.S. firms and following required protocols in doing so. We are currently expanding upon this focus by looking at the effectiveness of aid provided by U.S. Export Assistance Centers, which are located domestically. We also plan to evaluate Commerce's administration of the antidumping and countervailing duty regulations and other efforts to track, detect, and combat unfair competition to U.S. industry in domestic markets.

7 Enhance Export Controls for Dual-Use Commodities

The effectiveness of export controls is an ongoing issue. Commerce's Bureau of Industry and Security oversees the federal government's export licensing and enforcement system for dual-use commodities (goods and technologies that have both civilian and military uses). Five other agencies participate in the licensing process—the Departments of Defense, Energy, State, and the Treasury, as well as the Central Intelligence Agency.

The National Defense Authorization Act (NDAA) for Fiscal Year 2000, as amended, directed the inspectors general of these departments, in consultation with the directors of the CIA and the Federal Bureau of Investigation, to report annually through FY 2007, on the adequacy of export controls and counterintelligence measures to prevent the acquisition of sensitive U.S. technology and technical information by countries and entities of concern. NDAA's FY 2001 requirements stipulated that the IGs discuss in their annual interagency report the status of recommendations made in earlier reports submitted in accordance with the act. In complying, we have to date completed four reviews of export controls as well as three separate follow-up reports. Together with the other IGs, we have also issued four interagency reports on export controls for dual-use items and munitions.

To comply with NDAA's 2004 requirement, the interagency review will assess whether the current deemed-export control laws and regulations adequately protect against the illegal transfer of controlled U.S. technologies and technical information by foreign nationals to countries and entities of concern. Our efforts will focus on the effectiveness of the dual-use, deemed-export regulations and policies, including their implementation by BIS, and on compliance with the regulations by U.S. industry (particularly federal contractors) and academic institutions.

8 Enhance Emergency Preparedness, Safety, and Security of Commerce Facilities and Personnel

As the threat of terrorism against U.S. interests continues, the focus on strengthening security and emergency preparedness in both the public and private sectors continues. Effectively safeguarding Commerce employees and facilities is an important, yet complex, resource-intensive undertaking, given the size of the Department's workforce, its diverse and important missions, and the geographical spread of its hundreds of facilities and offices around the nation and overseas. The Department has significantly improved its security status in the past year—for example, it has increased in-house security expertise; created an emergency operations center; upgraded emergency communications and operations capabilities; and enhanced occupant emergency plans to address special needs, establish shelter-in-place procedures, and provide for periodic assessments of its emergency capabilities.

More, however, is needed, in such areas as infrastructure risk assessment, emergency backup sites, upgraded physical security, and employee awareness and training. Our work has identified weaknesses in these areas at various operating units and facilities. The Department must continue with its efforts to comprehensively evaluate the security status of its operations and employees, make needed improvements, regularly revisit established procedures and modify them as warranted by new or changing circumstances.

9 Strengthen Financial Management Controls and Systems

Federal law requires agencies to prepare and disseminate financial information, including audit reports of their financial statements, to enable Congress, agency executives, and the public to assess the agency's operational and program management and determine whether its financial management systems comply with legislative mandates.

Maintaining a clean audit opinion remains a major challenge for the Department, especially under the accelerated financial reporting dates established by the Office of Management and Budget (OMB). Additional improvements in financial management systems and operations will better enable the Department to provide reliable financial and performance information that complies with federal laws and regulations. The Department's focus on strengthening financial management systems is reflected in the implementation of the Department-wide Commerce Administrative Management System (CAMS), which was substantially completed in FY 2003. When fully deployed, CAMS will be the single system of record for Census, NIST,

NOAA, and 10 of the Department's operating units whose accounting functions are handled by either NIST or NOAA. Three units—International Trade Administration, U.S. Patent and Trademark Office (USPTO), and National Technical Information Service (NTIS)—will submit data along with all other units into a Commerce-wide financial database that will serve as the source for the Department's consolidated financial reports.

We will continue to monitor the Department's efforts in this regard and report our findings accordingly.

10 **Continue to Improve the Department's Strategic Planning and Performance Measurement in Accordance with the Government Performance and Results Act**

Congress and agency managers require relevant performance measures and credible performance data to effectively fulfill their oversight responsibilities with respect to federal programs. The Government Performance and Results Act of 1993 was designed to ensure the availability of such data by mandating that agencies set goals for program performance and report outcomes measured against those goals. As the government moves toward integrating budget and performance information and using performance data to make funding decisions, the validity of reported performance results will be increasingly important.

Although we believe the Department has made progress toward meeting the challenge of measuring its performance, significant opportunities for improvement remain for meeting GPRA and other reporting requirements: our audits of several such measures used by departmental units indicate a widespread need for stronger internal controls to ensure accurate reporting of performance data and improved explanations and disclosures of results. For example, procedures should be established to ensure that (1) reported information is reconciled against supporting data and (2) only data from the appropriate time period is included in performance results.

We will continue to evaluate performance measurement and reporting and, as warranted, make recommendations to the Department and its operating units regarding the accuracy, appropriateness, reliability, and usefulness of accumulated performance data.

This year marks the 25th anniversary of the passage of the Inspector General Act, and thus the establishment of a partnership between OIGs and federal agencies that was intended to promote sound and efficient government operations. I believe that at Commerce, we have together done much to accomplish that goal through the years. And as you and your senior officials continue in your efforts to meet the challenges we have identified here, additional improvements should be forthcoming.



Johnnie E. Frazier
Inspector General
October 20, 2003

**FISCAL YEAR 2003
PERFORMANCE
REPORT**

DEPARTMENT OF COMMERCE



UNITED



STATES OF AMERICA

STRATEGIC GOAL 1

*Provide the information and the
framework to enable the economy to
operate efficiently and equitably*





Economic Development Administration

Mission Statement

Help our partners across the nation (states, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill, higher-wage jobs through world-class capacity building, planning, infrastructure, research grants, and strategic initiatives.

The Economic Development Administration's (EDA) mission clearly drives its economic development strategy by focusing on enhancing regional competitiveness, fostering innovation, increasing productivity, and developing industry clusters. By catalyzing strategic linkages and investing in infrastructure for innovation, EDA works to promote a rising standard of living for all citizens and move regional economies to a more diversified, stable economic basis.

EDA's objective is to "create an environment where the role of the public sector is to leverage resources in which the private sector risks capital investment." While the pace of innovative activity and competitiveness must be driven by the private sector at the regional level, public-sector policies at the national and regional levels play a critical supporting role.

Economic development supports two important public policy objectives: creating wealth and minimizing poverty. The creation of wealth enables people to become economically self-sufficient and provides the resources needed for building safe, healthy, convenient, and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only dehumanizing, but also extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public health care costs, high crime rates, and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts and strategies that bring economic opportunity to all segments of society.

EDA's investment policy guidelines focus on results rather than processes. Application of these guidelines encourages investment in U.S. communities based on risk and the expected return on the taxpayer's investment. These guidelines help center EDA's investments on those that attract private sector investment, have a high probability of success, and ultimately result in an environment where higher-skill, higher-wage jobs are created. Guidelines focus on investments that: (1) are market-based; (2) are proactive in nature and scope; (3) look beyond the immediate economic horizon, anticipate economic changes, and diversify the local regional economy; (4) maximize the attraction of private-sector investment and would not otherwise come to fruition absent EDA's investment; (5) have a high probability of success; (6) result in an environment where higher-skill, higher-wage jobs are created; and (7) maximize return on taxpayer investment.

Strategic investments by EDA in public infrastructure and local capital markets provide lasting benefits for economically disadvantaged areas. Acting as catalysts to mobilize public and private investments, EDA's investments address problems of high unemployment, low per capita income, and other forms of severe economic distress in local communities. EDA also provides special economic adjustment assistance to help communities and businesses respond to major layoffs, plant shutdowns, trade impacts, natural disasters, military facility closures, and other severe economic dislocations.

EDA promotes cluster-based and regional economic development by giving priority to those regions that seek to invest in their regional systems of education, research, physical infrastructure, and quality of life while enhancing its focus on the nation's communities in distress. EDA's investment will attract private sector capital investment and growth in personnel, knowledge, and capital that will strengthen the region as a "platform for economic growth." In the next generation economy that regions are seeking to build, the hallmark of vitality will be the agility of institutions and their leaders to recognize and collaborate in the improvement of existing or creation of new sources of economic advantages. EDA intends to capitalize on this solid, market-based strategy to help communities seize the economic opportunities of tomorrow.

Priorities/Management Challenges

Throughout FY 2003, EDA continued to deploy the following three "pillars of reform" described in more detail in the FY 2002 Performance and Accountability Report (PAR) that have been the basis for transforming itself into a results-oriented bureau.

● *Pillar I — Organizational Management Initiatives*

Alignment of Resources — Continued to work to maximize alignment of existing financial and human resources to accomplish EDA's mission through restructuring and effective deployment of resources.

Management Process — Developed standard operating procedures at headquarters to reduce inefficiencies and duplication of efforts. Through identifying best practices in its regional offices, EDA will implement standard operating procedures among the regions, articulate clear investment policy guidelines to ensure due diligence on the front end, and require thorough post-approval monitoring to ensure the maximum return on taxpayer investment. EDA will implement process improvements through collaborative efforts launched in FY 2003 with the National Oceanic and Atmospheric Administration (NOAA) in two significant areas: consolidation of EDA's Commerce Administrative Management System (CAMS) grant and salary and expenses (S&E) accounting activities and environment into NOAA's existing CAMS support operations, and development of a comprehensive online back-office grants processing system via the electronic investments component of the EDA's Economic Development Communications and Operations Management System and NOAA's Grants Online initiatives.

Competency-based Human Resource System — Continued to work to build the foundation of a competency-based human resource system through rigorous personnel performance reviews, clear performance plans that set high standards, and recruitment and training strategies to provide necessary skills and competitiveness. Continued implementation of agency workforce restructuring to maximize alignment of skills and resources.

● *Pillar II – Performance Measures*

Balanced Scorecard (BSC) — The second pillar is based on performance measures. EDA's development of the BSC management approach is critical in translating the bureau's strategic vision into action. The BSC is a value-added management process that provides the critical means for getting from the vision to execution. This continual process, which evolves with use and experience, tracks both financial and non-financial areas of organizational performance.

Outcome Funding — EDA focused on the performance outcomes of its investments, such as leveraging private sector and local dollars and attracting higher-skill, higher-wage jobs. All investments are reviewed rigorously and are based on EDA's investment policy guidelines that target those projects with an expected high rate of return, community commitment, regional impact, and success.

Outcome-oriented Performance Measures — In FY 2003, EDA monitored its new outcome performance measures for capacity-building programs that were developed in FY 2002. These new outcome-oriented measures are better indicators of the taxpayer's and EDA's return on investment, and compliment EDA's investment policy guidelines. All of EDA's performance measures are clearly tied to EDA's annual budget request and appropriation. Targets for the new measures are based on FY 2002 reported data.

● *Pillar III – Congressional and Public Affairs*

Congressional and Public Affairs — EDA enhanced and strengthened congressional, state, and local government affairs, and public and media relations while continuing to communicate with key stakeholders and customers in a compelling, multi-faceted way. In support of the Administration's goal to leave no geographic or demographic sector of the nation behind, EDA continued to broaden its reach to U.S. communities and create vital partnerships to strengthen those areas in distress.

EDA has two major priorities for FY 2004. One is the reauthorization of EDA, and the other is the restructuring and streamlining of EDA headquarters operations.

EDA's present reauthorization expires on September 30, 2003. The Secretary of Commerce submitted the Administration's proposal to reauthorize the EDA to Congress on May 15, 2003, and Congress is presently debating the reauthorization. EDA is optimistic that this reauthorization will improve the delivery of its core responsibilities through an increased emphasis on performance. Concurrently, EDA is undertaking a comprehensive review of its regulations to ensure they are performance based, user-friendly, and focused on areas of greater need. Through improvements accomplished as a result of the implementation of the headquarters reorganization, implementation of the BSC, and changes in its authorizing legislation, EDA expects FY 2004 to be its most productive year in terms of creating jobs and attracting private sector investment.

In FY 2003, EDA received congressional and Administration approval for a significant restructuring of its headquarters operations, which in the new structure aligns resources with EDA's core mission. This streamlining of headquarters operations allows EDA to reposition resources in the regional offices where the bulk of EDA's grant processing occurs and where these resources can be closer to the people they serve as called for in the President's Management Agenda. In FY 2004, EDA will complete the headquarters restructuring followed by a review of regional operations, focused on implementing best practices and standardizing key business processes to ensure consistent, high quality service delivery across the nation.

Investment Strategies

The President is providing the leadership to spur economic growth and job creation stating, "The role of government is to create conditions in which jobs are created, in which people can find work." EDA is an important tool in accomplishing this mandate. Sound research-based, market-driven economic development policy is the foundation for effective and efficient economic development program implementation. EDA embraces an economic development strategy based on enhancing regional competitiveness, fostering innovation, increasing productivity, and developing industry clusters.

Priority is given to investments that enhance regional competitiveness and support long-term development of the regional economy. In healthy regions, competitiveness and innovation are concentrated in clusters or groups of interrelated firms and industries in which regions specialize. The nation's ability to produce high-value added products and services that support high-wage jobs depends on the creation and strengthening of these regional hubs of competitiveness and innovation. EDA outlined seven investment priorities in the FY 2002 PAR that it continued in FY 2003 to enhance regional competitiveness and support long-term development of the regional economy.

EDA sustained its strategic context and focus by reaffirming its mission. The activities that EDA undertakes with public dollars will demonstrate a return on investment through measurable, quantifiable performance measures. To achieve such a return on investment, EDA is looking for partners willing to work hand-in-hand to ensure the success of their ventures. As a public investment capital firm, EDA is evolving with the times. EDA must invest in those economic development initiatives that are consistent with the best thinking and best practices of economic development in the twenty-first century.

EDA recognizes that the economy of the twenty-first century is based on high productivity, rapid technological change, deregulations and market liberalization, the global marketplace, and the mobility of capital and labor. Conditions at the start of the twenty-first century signal that such economic benefits cannot be taken for granted when the underlying grounds for competitive advantage shift. In meeting this challenge for FY 2003, EDA investments focused on: (1) regional economies in transition (EDA's market niche); (2) opportunities that are economic drivers (locomotives, not cabooses); (3) trade and resource-based industries or clusters that compete beyond local markets and across regional boundaries; (4) including value-added processes; and (5) rational, comprehensive strategies developed by key economic stakeholders.

Successful economic development projects attract private sector capital investment, create value-added jobs, and support local communities and government at all levels. By investing in successful undertakings, creating jobs, and expanding the economy, EDA investments can be multiplied through tax revenues increases.

Investment Eligibility

EDA's investment eligibility requirements were established by the Public Works and Economic Development Act of 1965, as amended. This legislation specifically defines eligible recipients. EDA identifies eligible recipients as "distressed communities" that are rural and urban communities experiencing severe economic distress in the form of high unemployment, low per capita income, and other conditions of economic distress, including sudden economic dislocations due to industrial restructuring and relocations or natural disasters.

To determine a community's eligibility for investment per EDA's legislation, the agency relies upon two primary measures of distress. One measure is per capita income. To qualify as a distressed community, the area's average per capita income must register as 80 percent or less of the national per capita income average. The other primary measure is the 24-month unemployment rate, which must be at least one point higher than the national average. Communities or areas may also qualify based on special needs arising from actual or threatened severe unemployment or economic adjustment problems. EDA uses statistics from the Bureau of Economic Analysis (BEA) for per capita income data and the Bureau of Labor Statistics (BLS) for 24-month unemployment data to determine distress conditions nationwide. EDA also provides assistance in "pockets of distress," which are small areas defined without regard to geographical or political boundaries (for example, city, county, and Indian reservation) that are experiencing economic distress even though it may be part of a larger community.

Based on current per capita income or unemployment data, approximately 2,106 counties are eligible for EDA assistance. In FY 2003, EDA made 158 Public Works investments and 117 Economic Adjustment Assistance investments. In addition, EDA made 343 investments under its Partnership Planning program to Economic Development Districts (EDD) and Indian tribes; 108 investments under its Technical Assistance program, a portion of which went to 65 University Centers (UC); 48 investments under its Short-term Planning program; and 12 investments for Trade Adjustment Assistance Centers (TAAC). These capacity-building programs serve multi-county areas where significant portions of the service area are distressed. Because distress data are not available for multi-county areas, small rural areas, or Puerto Rico, they do not correlate with EDA's existing management information system.

As part of strengthening performance through the President's Management Agenda, EDA addressed each of the government-wide initiatives. Under the human capital initiative, EDA was approved and began the process to reorganize its headquarters structure and provide for the efficient and effective deployment of human resources that supports a citizen-centered, results-oriented, and market-based organization. Headquarters will be streamlined, have fewer supervisors, and be staffed by employees with the requisite skills to support regional operations. This reorganization plan recognizes that the primary function of headquarters is to provide support for the core mission and operations of the bureau. The reorganization plan, approved by the Department, Office of Management and Budget (OMB), and Congress, offers employee incentives for voluntary separation, voluntary early retirement, and employee relocation. In addition, a rigorous review of the performance management system was undertaken that aligned personnel performance to the goals of the Bureau.

EDA rigorously analyzed its functions and positions, and identified 105 "commercial" positions within the organization. The Bureau met its FY 2003 competitive sourcing goals by outsourcing its excess capacity review function and performing a cost analysis of the accounting technician function. EDA currently contracts for eight positions in the Information Systems Division and Compliance Review Division.

FY 2003 Performance

In FY 2003, EDA had two goals and 12 measures with two measures having two targets each. Of those 14 targets, EDA met or exceeded all of them. In FY 2002, EDA met seven of its seven targets.

For many distressed communities, realizing the promise of the twenty-first century will depend on the investments that EDA makes today. In FY 2003, EDA continued to strictly adhere to an overall investment strategy that utilized the investment policy guidelines and targeted regional competitiveness, innovation, productivity, industry clusters, and long-term development of the regional economy.

EDA's performance system includes two mutually supportive sets of performance goals and measures—Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities, and Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth. Since the results of economic development investments are often realized years later as they are transformed into jobs, private sector investments, and social benefits that improve lives, measuring performance is a challenge. Each year, EDA uses the Government Performance and Results Act of 1993 (GPRA) review process as an opportunity to improve and refine its measures. After reviewing FY 1997 and FY 1998 investment performance results for job creation and private investment at the three-year interval, EDA took an extraordinary step and significantly raised its targets on several measures. The bureau continues to monitor its trend data for additional refinement.

As part of EDA's strategy to implement its mission and goals, and accomplish the President's Management Agenda, EDA implemented a BSC for both headquarters and the regional offices. EDA's BSC examines and identifies EDA's critical, strategic priorities in five perspectives: Stakeholders, Customer, Financial, Internal Processes, and Learning and Growth. The BSC reports are submitted and reviewed quarterly.

Information Technology (IT) Security: EDA made significant progress in meeting the full certification and accreditation requirements of its major applications and general support systems in FY 2003, including its new Web Portal. EDA is implementing action plans for full compliance with the Department's IT Security Program Policy, and the Unclassified System Remote Access Security Policy and Minimum Implementation Standards. EDA instituted a program for review of IT security program policies, procedures, and security plans on an annual basis. EDA worked to strengthen the controls required for support of Department financial management systems. The bureau developed comprehensive plans of action and milestones to ensure any vulnerabilities identified during annual audits of these controls, including independent audits of EDA's IT infrastructure conducted by outside sources (such as the Office of the Inspector General or General Accounting Office [GAO]) are properly addressed and mitigated. The Bureau's IT security program complies with Departmental and Federal Information Systems Security Policies and guidance, ensures access control to bureau information via the Web, maintains the integrity and reliability of information, and enhances security of the major and general support systems and communications infrastructure.

Consolidate Key Administrative Systems and IT Infrastructure Components: EDA worked with the Herbert C. Hoover Building Network Management Committee to prepare a migration plan to participate in the Department's newly implemented network infrastructure. In addition to implementing a state-of-the-art wiring plant for the building, the network infrastructure offers expanded disaster recovery capabilities, including redundant power and air conditioning. EDA intends to take advantage of the cost and functional efficiencies that can be gained from migrating to a centralized wiring infrastructure. EDA anticipates that the migration plan will be ready for review by members of EDA's IT Investment Review Board in FY 2004.

Outsource CAMS Accounting System: During FY 2003, EDA explored opportunities to consolidate its CAMS grant and S&E accounting activities and environment into existing CAMS support operations within NOAA. Detailed discussions with NOAA CAMS operations staff were conducted. Information on the technical infrastructure, database architecture, and functional requirements of EDA's CAMS environment were analyzed. In conjunction with the Department's Office of Financial Management, EDA and key members of the CAMS Support Center and NOAA's CAMS support staff discussed strategies for conducting the analysis of the technical and functional challenges of EDA's consolidation into the NOAA environments. As a result of these discussions, EDA issued a statement of work to Accenture LLP (the contractor currently working on NOAA's CAMS implementation) seeking functional and technical support to analyze and document its grant and loan business accounting processes and National Institute of Science and Technology S&E accounting processes against similar processes in NOAA. Based on the results of this analysis, EDA expects delivery of a comprehensive cost benefit analysis and migration plan by third quarter FY 2004.

Targets and Performance Summary

See individual Performance Goal sections for further description of each measure.

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities¹

Measure	FY 1999 Target	FY 2000 Target	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Private sector dollars invested in distressed communities as a result of EDA investments	\$420M by FY 2002	\$400M by FY 2003	\$199M from FY 1997 investments ²	\$971M from FY 1998 investments ⁴	\$640M from FY 1999 investments ⁶	\$1,251M from FY 2000 investments ⁸	X	
	\$1,040M by FY 2005	\$1,020M by FY 2006				\$2,475M from FY 1997 investments ¹⁰	X	
	\$2,080M by FY 2008	\$2,040M by FY 2009						
Jobs created or retained in distressed communities as a result of EDA investments	11,300 by FY 2002	11,300 by FY 2003	12,056 from FY 1997 investments ³	12,898 from FY 1998 investments ⁵	29,912 from FY 1999 investments ⁷	39,841 from FY 2000 investments ⁹	X	
	28,400 by FY 2005	28,200 by FY 2006				47,607 from FY 1997 investments ¹¹	X	
	56,900 by FY 2008	56,500 by FY 2009						

Measure	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
State and local dollars committed per EDA dollar		\$1 - \$1.2	\$1 - \$1.2	\$1 - \$1	\$1 - \$1.1	\$1 - \$1	\$1 - \$1.08	X
Percentage of investments to areas of highest distress		36%	45%	43%	40.1%	37-43%	37.6%	X
Percentage of EDA dollars invested in technology-related projects in distressed areas		New	New	N/A	11.8%	7-10%	8.8%	X

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

Measures	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Percentage of Economic Development Districts (EDD) and Indian tribes implementing economic development projects from the Comprehensive Economic Development Strategy (CEDS) process that lead to private investment and jobs	New	New	New	New	95%	98.7%	X	
Percentage of sub-state jurisdiction members actively participating in the Economic Development District (EDD) Program	New	95%	92%	95.3%	89-93%	96.7%	X	
Percentage of University Center (UC) clients taking action as a result of the assistance facilitated by the UC	New	New	New	New	75%	78.1%	X	
Percentage of those actions taken by University Center (UC) clients that achieved the expected results	New	New	New	New	80%	85.7%	X	
Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAAC	New	New	New	New	90%	92.4%	X	
Percentage of those actions taken by Trade Adjustment Assistance Center (TAAC) clients that achieved the expected results	New	New	New	New	95%	98.4%	X	
Percentage of local technical assistance and economic adjustment strategy investments awarded in areas of highest distress	31%	35%	32%	30.0%	30%	30.2%	X	

- ¹ Detailed information relating the annual Actuals and Targets of the private sector dollars and the Jobs measures reflected here is stated in the footnotes below and in the section addressing EDA performance measures individually.
- ² Actual private sector dollars — Three-Year Performance exceeds the FY 1997 projected target of \$116 million by FY 2000. (snapshot of performance for first reporting interval for FY 1997 investments)
- ³ Actual jobs — Three-Year Performance exceeds the FY 1997 projected target of 5,040 jobs by FY 2000. (snapshot of performance at first reporting interval for FY 1997 investments)
- ⁴ Actual private sector dollars — Three-Year Performance exceeds the FY 1998 projected target of \$130 million by FY 2001. (snapshot of performance for first reporting interval for FY 1998 investments)
- ⁵ Actual jobs — Three-Year Performance exceeds the FY 1998 target of 5,400 jobs by FY 2001. (snapshot of performance at first reporting interval for FY 1998 investments)
- ⁶ Actual private sector dollars — Three-Year Performance exceeds the FY 1999 projected target of \$420 million by FY 2002. (snapshot of performance for first reporting interval for FY 1999 investments)
- ⁷ Actual jobs — Three-Year Performance exceeds the FY 1999 target of 11,300 jobs by FY 2002. (snapshot of performance at first reporting interval for FY 1999 investments)
- ⁸ Actual private sector dollars — Three-Year Performance exceeds the FY 2000 projected target of \$400 million by FY 2003. (snapshot of performance for first reporting interval for FY 1999 investments)
- ⁹ Actual jobs — Three-Year Performance exceeds the FY 2000 target of 11,300 jobs by FY 2003. (snapshot of performance at first reporting interval for FY 2000 investments)
- ¹⁰ Actual private sector dollars — Six-Year Performance exceeds the FY 1997 projected target of \$581 million by FY 2003. (snapshot of performance for second reporting interval for FY 1997 investments)
- ¹¹ Actual jobs — Six-Year Performance exceeds the FY 1997 projected target of 25,200 jobs by FY 2003. (snapshot of performance at second reporting interval for FY 1997 investments)

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	15.5	17.2	18.7	19.8	19.6
Economic Development Assistance Programs					
Public Works	205.7	204.5	285.3	249.9	208.8
Economic Adjustment	91.8	90.3	58.3	26.9	41.2
Total Funding ¹	313.0	312.0	362.3	296.6	269.6
IT Funding ²	1.7	1.2	0.9	1.8	0.8
FTE	170	174	165	155	149

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	8.3	9.3	10.0	10.6	10.5
Economic Development Assistance Programs					
Planning	23.9	23.9	24.0	24.0	23.9
Technical Assistance	9.6	9.2	9.2	9.5	9.2
Research and Evaluation	0.5	0.5	0.5	0.4	0.5
Trade Adjustment Assistance (TAA)	9.5	10.5	10.5	10.5	10.4
Economic Adjustment	26.2	20.6	22.5	13.8	3.9
Total Funding ¹	78.0	74.0	76.7	68.8	58.4
IT Funding ²	1.0	0.7	0.5	0.9	0.5
FTE	92	94	89	84	80

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	23.8	26.5	28.7	30.4	30.1
Economic Development Assistance Programs	267.2	359.5	410.3	335.0	297.9
Total Funding	391.0	386.0	439.0	365.4	328.0
Direct	391.0	386.0	439.0	365.4	328.0
IT Funding	2.7	1.9	1.4	2.7	1.3
FTE	262	268	254	239	229
Emergency Supplemental ³	18.0	20.5	64.9	6.7	5.6
Reimbursables ⁴	19.5	20.6	24.4	7.9	15.1
Total Funds Accounted For	428.5	427.1	528.3	380.0	348.7

¹ Total funding includes program dollars, salaries, and expenses. It also reflects direct obligations. It does not include one-time, disaster investments.

² IT funding included in total funding.

³ EDA receives emergency supplemental funding on an irregular basis to respond to disasters or emergencies.

⁴ EDA receives reimbursable funding that is variable in nature from year-to-year. Therefore, reimbursable resources are not factored into the performance goals.

Skill Summary:

EDA possesses the following institutional skills: economic development policy and planning; community outreach and project development; program and investment management; civil rights, environmental, and legal compliance; engineering; financial management; research and evaluation; program and management analysis; and general administration.

Information Technology (IT) Requirements:

The need for proficient IT infrastructure support is critical in order to maintain the security and stability of EDA's IT enterprise. As a result, contractor resource requirements to support and secure the new operations environment have been modified to reflect the new network, mail and office automation application standards being implemented. Increased software and hardware licensing and maintenance costs are also being incurred to fully implement the new environment. The implementation of technology upgrades during FY 2003 and FY 2004, and future technologies will require continued restructuring of EDA's current contractor support resources to effectively manage and secure the expanded enterprise environment.

FY 2003 Performance Goals

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

EDA fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity, thereby providing the higher-skill, higher-wage jobs that offer opportunity for all Americans. Whatever activities EDA undertakes with public dollars must demonstrate return on investment through measurable, quantifiable performance outcomes.

While successful economic development projects attract private sector capital investment and create value-added jobs, they are also beneficial for local communities and all levels of government. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decreases while tax revenues increase.

Within the framework of this goal, EDA focuses on two of its programs, the Public Works and Development Facilities, and the Economic Adjustment program.

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.

The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress including revolving loan fund (RLF) grants that capitalize a locally administered fund and are used for making loans to local businesses, which, in turn, create jobs and leverage other private investment while helping a community 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 disasters, natural resource depletion, outmigration, underemployment, and destructive impacts of foreign trade.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested and jobs created. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. FY 2000 was the first year for which data are available on long-term outcomes.

According to the performance evaluation of EDA's Public Works program (Rutgers et al. 1997), the investments "produce jobs, usually in increasing amounts, after project completion." The study found that "direct jobs six years after completion (nine years after investment award) are, on average, twice those found at completion." Because most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award.

EDA's Ongoing Performance Measurement System

EDA established an ongoing reporting system, beginning with FY 1997 grant awards, to track long-term program outcomes for private investments and job creation in distressed communities. EDA collects data (snapshots of actual performance) at three-year intervals for up to nine years following the award of the grant. This system will enable EDA to develop a database with multi-year trend data on private investments and job creation by EDA investments. FY 2000 was the first year in which data became available under the system, representing the initial reporting interval for FY 1997 Public Works investments.

Adjustments to FY 1997 and FY 1998 Performance Targets

Early projections for FY 1997 and FY 1998 performance included both direct and indirect jobs for EDA Public Works projects. In response to GAO report RCED-99-11R, job targets were adjusted to exclude indirect jobs. This downward adjustment was largely offset when EDA began setting job targets for economic adjustment construction and RLF projects. Projections are now based on direct jobs only, resulting in conservative targets and reporting standards (beginning with FY 1999 awards). EDA continues to review and refine performance measures and targets in consultation with Congress, GAO, OMB, and other bureau stakeholders and will adjust targets as appropriate when adequate trend data become available.

Data on Past Performance

To provide complete information on long-term outcomes (private investment and job creation), EDA includes data on past performance for two sets of construction projects that have reached the final reporting interval. Data are also provided for two sets of RLF investments. Both the two sets of construction projects and the two sets of RLF data involve projects that were approved prior to FY 1997, and provide the only long-term final outcome data available at this time. As EDA continues to collect actual outcome results, it will report trend data derived from that information. For more detail on the baseline and pilot projects, see the FY 2002 PAR.

FY 2003 Performance

In FY 2003, EDA achieved seven of the seven performance targets for Performance Goal 1.

EDA's role is that of a catalyst, funding the most viable projects and ensuring the progress of economic growth in distressed communities. EDA looks for investments that will generate significant returns for many years.

An example of such investments is a FY 1997 project with the City of Seattle in Washington. The results of this highly successful project six years after the investment award are \$625 million in private sector investment and total jobs of 3,555 for the community. The city needed assistance to construct a grade-separated access road that would relieve vehicle and rail congestion and permit development of a 30 acre, major biotech research campus near the Seattle waterfront, formerly owned and used by the Port of Seattle. A global biotechnology company created an expansive campus for its operations to develop, manufacture, and market important human therapeutics based on the advances in cellular and molecular biology. The access road serves not only the research campus, but also four Port of Seattle terminals. The improved access to the waterfront will attract further economic development to the area.

Alexander City, Alabama, is another example of a highly successful EDA investment in FY 2000. The city was facing two major plant closures that would affect textile operations across the entire state. Modifications to a wastewater treatment plant were needed to maintain the flow operations necessary to retain two major textile industries. This critical crossover point from textile to finished apparel manufacturing provides 6,682 jobs in Alexander City and across the state. EDA’s investment saved the industrial jobs associated with the two industries that utilize these local wastewater treatment facilities, as well as the other jobs in the area that depended on these two textile-dyeing operations.

An EDA investment to the City of Pomona in FY 2000 was a successful project. The project focuses on a community that was severely impacted by the closure of a federally owned Department of Defense manufacturing center and another large plant closure. The city developed and expanded infrastructure to serve an industrial park. This project created 3,100 new jobs and saved 2,100 jobs for a total of 5,200.

Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$116M by FY 2000	\$130M by FY 2001	\$420M by FY 2002	\$400M by FY 2003	\$480M by FY 2004	\$390M by FY 2005	\$360M by FY 2006
	\$581M by FY 2003	\$650M by FY 2004	\$1,040M by FY 2005	\$1,020M by FY 2006	\$1,200M by FY 2007	\$970M by FY 2008	\$910M by FY 2009
	\$1,162M by FY 2006	\$1,300M by FY 2007	\$2,080M by FY 2008	\$2,040M by FY 2009	\$2,410M by FY 2010	\$1,940M FY 2011	\$1,810M by FY 2012
Three-Year Actual from investments				\$199M ¹	\$971M ²	\$640M ³	\$1,251M ⁴
Six-Year Actual from FY 1997 investments							\$2,475M ⁵
Met / Not Met				Met	Met	Met	Met

¹ See FY 1997 Three-Year target of \$116M by FY 2000.
² See FY 1998 Three-Year target of \$130M by FY 2001.
³ See FY 1999 Three-Year target of \$420M by FY 2002.
⁴ See FY 2000 Three-Year target of \$400M by FY 2003.
⁵ See FY 1997 Six-Year target of \$581M by FY 2003.

Explanation of Measure

This measure is based on the anticipated results of the Public Works and Development facilities and economic adjustment implementation and RLF investments three years after investment award. The formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University that compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected private investment was realized within the first three years. Analyses of FY 1997 and FY 1998 revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to 20 percent.

EDA will conduct an in-depth review of the first six-year investment results that are reported here. After close analysis of the six-year actual private sector investment results, EDA will determine whether to adjust its targets further or to collect another year of six-year investment data prior to adjusting the six- and nine-year targets. The bureau will continue to analyze the three-year private sector investment data to identify any anomalies prior to modifying the three-year target. Actual results reported here reflect a 25 percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 2003 Performance

EDA was successful in meeting the targets established for this measure (EDA has two submeasures for this measure, one for three-year projections based on FY 2000 funding and the other being six-year projections based on FY 1997 funding). At the end of FY 2003, three years after these investments were awarded in FY 2000, private sector investments leveraged \$1,251 million. The three-year target for these FY 2000 investments was to generate \$400 million in private sector dollars by the end of FY 2003. At the end of FY 2003, six years after investments that were awarded in FY 1997, over \$2,475 million in private sector investments had been leveraged. The six-year target for these FY 1997 investments was to generate \$581 million in private sector dollars by the end of FY 2003.

As stated in the explanation of this measure, EDA will conduct an in-depth review of its results from the FY 2000 investments and FY 1997 investments. The analysis will help determine whether to adjust its three-year targets again, and whether to collect a second year of six-year investment data prior to adjusting the six- and nine-year targets. FY 2003 Performance for Performance Goal 1 cites several exceptional examples of EDA successful investments and their results.

Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments							
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Target	5,040 by FY 2000	5,400 by FY 2001	11,300 by FY 2002	11,300 by FY 2003	14,400 by FY 2004	11,500 by FY 2005	10,500 by FY 2006
	25,200 by FY 2003	27,000 by FY 2004	28,400 by FY 2005	28,200 by FY 2006	36,000 by FY 2007	28,900 by FY 2008	26,300 by FY 2009
	50,400 by FY 2006	54,000 by FY 2007	56,900 by FY 2008	56,500 by FY 2009	72,000 by FY 2010	57,800 by FY 2011	52,700 by FY 2012
Three-Year Actual from investments				12,056 ¹	12,898 ²	29,912 ³	39,841 ⁴
Six-Year Actual from FY 1997 investments							47,607 ⁵
Met / Not Met				Met	Met	Met	Met

¹ See FY 1997 Three-Year Performance target of 5,040 jobs by FY 2000.

² See FY 1998 Three-Year Performance target of 5,400 jobs by FY 2001.

³ See FY 1999 Three-Year Performance target of 11,300 jobs by FY 2002.

⁴ See FY 2000 Three-Year Performance target of 11,300 jobs by FY 2003.

⁵ See FY 1997 Six-Year Performance target of 25,200 jobs by FY 2003.

Explanation of Measure

This measure is based on the anticipated results of EDA construction and RLF investments three years after investment award. As in the previous explanation of measure 1a, the formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the three-year results for FY 1997 and FY 1998 performance measures showed that 20 percent of the projected jobs were realized within the first three years. As in the previous explanation of measure, analyses of the data revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to 20 percent.

EDA will conduct an in-depth review of the first six-year investment results that are reported here. After close analysis of the six-year actual total job results, EDA will determine whether to adjust its targets further or to collect another year of six-year investment data prior to adjusting the six- and nine year targets. The Bureau will continue to analyze the three-year job results to identify any anomalies prior to modifying the three-year target. Actual results reported here reflect a 25 percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 1997 and 1998 target data included both direct and indirect jobs for EDA Public Works projects. In response to comments from GAO, job targets were adjusted to exclude indirect jobs. This downward adjustment was offset when EDA set job targets to include economic adjustment construction and RLF projects beginning in FY 1999.

FY 2003 Performance

EDA was successful in meeting the targets established for this measure (EDA has two submeasures for this measure, one for three year projections based on FY 2000 funding and the other being six-year projections based on FY 1997 funding). At the end of FY 2003, three years after these investments were awarded in FY 2000, the number of jobs reported as created and retained was 39,841. The three-year target for FY 2000 investments was to create or retain 25,200 jobs by the end of FY 2003. At the end of FY 2003, six years after investments were awarded in FY 1997, the number of jobs reported as created and retained was 47,607. The target for these FY 1997 investments was to create or retain 25,200 jobs by the end of FY 2003.

As stated in the explanation of the measure, EDA will conduct an in-depth review of its results from the FY 2000 investments and FY 1997 investments. The analysis will help determine whether to adjust its three-year targets again, and whether to collect a second year of six-year investment data prior to adjusting the six- and nine-year targets. FY 2003 Performance for Performance Goal 1 cites several exceptional examples of EDA successful investments and their results.

Measure 1c: State and Local Dollars Committed per EDA Dollar		FY 2000	FY 2001	FY 2002	FY 2003
Target	State and local dollars/EDA dollar	\$1 – \$0.7	\$1 – \$1	\$1 - \$1	\$1 - \$1
Actual ¹	State and local dollars/EDA dollar	\$1 - \$1.2	\$1 – \$1	\$1 - \$1.1	\$1 - \$1.08
Met/Not Met		Met	Met	Met	Met

¹ Due to limitations in EDA's operational planning and control system, actuals may include some projects funded under emergency supplemental appropriations.

Explanation of Measure

Original targets for this measure were based on program evaluations (Rutgers et al. 1997), which found that construction projects funded under the Public Works Program had an EDA share of 53.6 percent and that projects funded under the Economic Adjustment Program had a median EDA share of 75 percent (reflecting different grant rate requirements for these programs under prior legislation). After reviewing the findings from both studies during FY 1998, EDA determined that an EDA share of 60 percent was a reasonable estimate for the combined program activities. With the enactment of the Economic Development Administration Reform Act of 1998, EDA issued new regulations during FY 1999, increasing requirements for nonfederal funding to 50 percent of total project costs, except for areas of high distress, which qualify for higher EDA grant rates.

Targets for the ratio of state and local dollars to federal dollars remain constant after FY 2003 for two reasons. First, statutory requirements regarding the community’s matching funds changed for economic adjustment implementation investments from 75 percent to 58 percent to match the Public Works program in FY 1999. Second, external factors such as economic downturns increase the number of areas eligible for higher grant rates and decrease the availability of state and local dollars in distressed communities. Areas of severe economic distress can qualify for higher grant rates, which can lower the average. EDA will continue to collect multi-year data on this measure to analyze any trends to determine adjustments to the target as sufficient data become available.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. For each EDA dollar invested in FY 2003, state and local entities committed \$1.08 to the project to reflect the community’s dedication to the success of project.

Measure 1d: Percentage of Investments to Areas of Highest Distress				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	30%	40%	40%	37-43%
Actual ¹	45%	43%	40.1%	37.6%
Met/Not Met	Met	Met	Met	Met

¹ Due to limitations in EDA’s operational planning and control system, actuals include some projects funded under supplemental appropriations.

Explanation of Measure

EDA actively encourages proposals from areas of highest distress, and directs program and staff resources to assist these communities in developing viable proposals and plans for successful investments. Highest distress areas are defined as those areas where the 24-month unemployment rate is at least 180 percent of the national average, or where the per capita income is not more than 60 percent of the national average. EDA investments in areas of highest distress have surpassed the performance target for two consecutive years following implementation of the Economic Development Reform Act of 1998. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than 80 percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with highest distress that must meet the criteria discussed above.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. While all EDA’s investments were made in distressed areas eligible under its legislative requirements, EDA awarded 37.6 percent of its infrastructure investments in areas of distress “higher” than its legislative requirements. Both definitions are outlined on the previous page.

Measure 1e: Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	10%	7-10%
Actual			11.8%	8.8%
Met/Not Met			Met	Met

Explanation of Measure

EDA programs provide support for the efforts of the nation’s distressed communities to become competitive in the new global economy. By supporting technology-based economic development, EDA offers those parts of the United States that have lagged behind in the opportunity to become leaders in the new economy. The new measure supports increased investment in technology-led economic development to provide better jobs and opportunities for growth in distressed communities. EDA already supports local and state initiatives to upgrade infrastructure, telecommunications, and technology-transfer facilities to support existing firms and new enterprise development. EDA also encourages greater participation by universities, community colleges, and business organizations to ensure that local firms and communities benefit from new information technologies, manufacturing processes, and applied research and development in environmental and life sciences. A task force researched EDA investments and other federal assistance available to support technology-led economic development in distressed areas.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. EDA awarded 8.8 percent of its investment funding for technology investments that were primarily related to constructing or acquiring technology infrastructure or equipment.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA’s goal is to evaluate major program activities on a regular basis as resources permit. A research team led by Rutgers University—and including the New Jersey Institute of Technology, Columbia University, Princeton University, the National Association of Regional Councils, and the University of Cincinnati—undertook evaluations of the EDA Public Works investments, economic adjustment construction, and RLF projects. In FY 2004, a evaluation is scheduled for the Economic Adjustment Program (Wayne State University et al.).

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

Powerful economic forces are at work today and will grow stronger in the years to come. Organizations will be pushed to reduce costs, improve quality of products and services, and increase productivity. Although adjustment to changing conditions is a challenge, EDA is nonetheless committed to it. EDA is creating a new, stronger organization that will provide practitioners with a one-stop source for information and professional development.

Economic development is a local process; however, the Federal Government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA's approach is to support 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, leverage outside resources to improve the local economy, and sustain long-term economic growth.

EDA planning funds support the preparation of Comprehensive Economic Development Strategies (CEDs) that guide EDA Public Works and economic adjustment implementation investments, including RLFs. Sound local planning also attracts other federal, state, and local funds plus private sector investments to implement long-term development strategies. Evaluations of EDA's Public Works and defense adjustment programs show that EDA capacity-building programs play a significant role in the successful outcomes of its infrastructure and RLF projects.

EDA is proud of its active partnership with its economic development partners at the state, regional, and local levels. The partnership approach to economic development is key to effectively and efficiently addressing the economic development challenges facing the nation's communities.

EDA must continue to build upon its partnerships with local development officials; EDDs; UCs; faith-based and community-based organizations; and local, state, and federal agencies. But more importantly, EDA will forge strategic working partnerships with private capital markets, and look for innovative ways to spur development.

Goal 2 includes the following program activities authorized by Public Works and Economic Development Act: the planning program for investments to EDDs, Indian tribes, and other planning organizations; Economic Adjustment program strategy investments; and the Technical Assistance program for UCs, local and national technical assistance; and the Research and Evaluation program. Performance measures for TAA to firms authorized by the Trade Act of 1974, as amended, are included under this goal.

The Partnership Planning program is the cornerstone to effective economic and sustainable development. EDA supports local planning and long-term partnerships with state and regional organizations that assist distressed communities with strategic planning and investments. The program helps communities set priorities, determine the viability of projects, leverage resources to improve the local economy, and sustain long-term growth.

The Economic Adjustment Assistance program provides flexible investments to develop economic adjustment strategies for communities facing sudden or severe economic distress. 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 disasters, natural resource depletion, outmigration, underemployment, and destructive effects of foreign trade.

EDA's Technical Assistance program has three major components. The Local Technical Assistance program supports community leaders by providing technical expertise to assess local development issues and market-based solutions, feasibility studies, specialized engineering and environmental services, and other special services. The UC program is a partnership that draws on the expertise of colleges and universities to strengthen distressed communities by providing access to current economic data, technical knowledge, analytical skills, and manpower. The National Technical Assistance program disseminates timely economic development resources, tools, and information critical for economic development professionals responding to economic changes in communities.

The Research and Evaluation program recognizes that knowledge-based programs are central to EDA's ability to respond effectively to the changing circumstances of economic development. Assessing new opportunities and initiatives, Research and Evaluation provides the vital economic information for national and local economic development practitioner and provides data critical to EDA's ability to evaluate program implementation, adapt to changing needs and priorities, and measure performance.

The Trade Adjustment Assistance (TAA) Program is a national network of 12 TAACs funded by EDA to assist trade-injured U.S. manufacturing firms. TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA); analysis of the firm's strengths and weaknesses and development of an adjustment strategy; and in-depth assistance for implementation of the strategy. Assistance in preparing certification petitions is free, but the balance of assistance is cost-shared between the TAA Program and the benefiting firm with the firm paying at least 25 percent of the cost.

The TAA program helps U.S. manufacturing firms and industries injured as a result of increased import competition. The program has received increased attention with each new round of trade agreements that lower trade barriers and increase foreign competition for U.S. manufacturers.

FY 2003 Performance

EDA was successful in meeting the seven targets established for the measures under this goal. The targets for the five new capacity-building measures were achieved. These targets were established for FY 2003 using the data reported and analyzed at the end of FY 2002. The new measures will continue to be monitored and analyzed in order to develop trend data. Of the two retained measures, EDA achieved both. The results of the measures will be discussed in more detail in each measure-specific section.

Measure 2a: Percentage of Economic Development Districts (EDD) and Indian Tribes Implementing Economic Development Projects from the Comprehensive Economic Development Strategy (CEDS) process that Lead to Private Investment and Jobs

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	95%
Actual				98.7%
Met/Not Met				Met

Explanation of Measure

This measure will determine whether the CEDS process is market-based, and if an environment where high skill, high wage jobs is being created. Research conducted on FY 2002 data established a baseline for the FY 2003 target. The EDA-funded CEDS is a plan that emerges from a broad-based continuous planning process addressing the economic strengths and weaknesses, and the opportunities and threats posed by external trends and forces, as well as partners and resources for development.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Three hundred seventy-six of the total 381 EDA-funded economic development organizations and Indian tribes implemented economic development projects from their CEDS. This includes economic development projects that were funded from all sources, but identified in their CEDS.

Measure 2b: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District (EDD) Program

	FY 2000	FY 2001	FY 2002	FY 2003
Target	75%	85%	93%	93%
Actual	95%	92%	95.3%	96.7%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Under EDA’s amended legislation, participation of sub-state jurisdictions in EDDs was reduced from 75 percent to more than 50 percent for district designation purposes. EDDs generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation is an indicator of the district’s responsiveness to the area it serves and shows that the services they provide are of value. Active participation was defined as either attendance at meetings or financial support of the EDD during the reporting period. In FY 2001, EDA revised the definition of sub-state jurisdiction members as follows:

“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.”

EDA will continue to analyze trend data for further refinement.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Of the 12,082 sub-state jurisdictions recognized as eligible for participation in EDDs, 11,679, or 96.7 percent, are participating in the districts.

Measure 2c: Percentage of University Center (UC) Clients Taking Actions as a Result of the Assistance Facilitated by the UC

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	75%
Actual				78.1%
Met/Not Met				Met

Explanation of Measure

EDA funded 68 UCs that provide technical assistance and specialized services (e.g., feasibility studies, marketing research, economic analysis, environmental services, technology transfer) to local officials and communities in FY 2003. This assistance enhances the community’s capacity to plan and manage successful development projects. The new measure will determine the perceived value-add of the UCs to its clients. UCs will develop client profiles and report findings to EDA, which will evaluate the performance of each center once every three years and verify the data. *Taking action as a result of the assistance facilitated* means to implement an aspect of the technical assistance provided by the UC in one of several areas: 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.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Of the 1,733 UC clients that were provided eight or more hours of technical assistance by the Centers, 1,354 took action as a result of the assistance. The types of technical assistance are identified in the explanation of measure above.

Measure 2d: Percentage of Those Actions Taken by University Center (UC) Clients that Achieved the Expected Results

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	80%
Actual				85.7%
Met/Not Met				Met

Explanation of Measure

EDA-funded UCs provide technical assistance and specialized services (e.g., feasibility studies, marketing research, economic analysis, environmental services, technology transfer) to local officials and communities. This assistance enhances the community’s capacity to plan and manage successful development projects. This new measure will determine if the assistance provided by the UC is market-based. UCs develop client profiles and report findings to EDA. The Bureau evaluates the performance of each center once every three years and verifies the data at that time.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Of the 1,354 UC clients that took action as a result of the technical assistance by the Centers, 1,161 achieved the expected results.

Measure 2e: Percentage of Trade Adjustment Assistance Center (TAAC) Clients Taking Actions as a Result of the Assistance Facilitated by the TAAC

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	90%
Actual				92.4%
Met/Not Met				Met

Explanation of Measure

EDA-funded 12 TAACs work jointly with trade-impacted firms to identify and define specific actions to improve each firm's competitive position in world markets. The new measure will determine the value-add of the funded TAACs to its clients. The Centers develop client profiles and report findings to EDA, which will review the profiles to verify data as part of periodic site visits to monitor and evaluate each Center's performance. *Taking action as a result of the assistance facilitated* means to implement an aspect of the TAA provided by the TAAC. The TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA), analysis of the firm's strengths and weaknesses and development of an adjustment strategy, and in-depth assistance for implementation of the strategy.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Of the 241 TAAC clients that were provided eight or more hours of technical assistance by the Center, 217 took action as a result of the assistance.

Measure 2f: Percentage of Those Actions Taken by Trade Adjustment Assistance Center (TAAC) Clients that Achieved the Expected Results

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	95%
Actual				98.4%
Met/Not Met				Met

Explanation of Measure

EDA-funded TAACs work jointly with trade-impacted firms to identify and define actions to improve each firm's competitive position in world markets. The new measure will determine if the assistance facilitated by the TAACs is market-based. The Centers will conduct client surveys and report findings to EDA.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. Of the 217 TAA clients that took action as a result of the assistance by the TAAC, 213 achieved the expected results.

Measure 2g: Percentage of Local Technical Assistance and Economic Adjustment Strategy Investments Awarded in Areas of Highest Distress

	FY 2000	FY 2001	FY 2002	FY 2003
Target	25%	30%	30%	30%
Actual	35%	32%	30.0%	30.2%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Local technical assistance investments provide specialized technical or professional services to help local officials evaluate investment opportunities and solve complex development issues. Strategy investments help local communities adjust to sudden and severe economic dislocations and long-term declines that affect key sectors of the local economy. Areas of highest distress for this measure include areas where the 24-month unemployment rate is at least 180 percent of the national average and where per capita income is not more than 60 percent of the national average, as well as Indian tribes and areas suffering from natural disasters. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than 80 percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with highest distress that must meet the criteria discussed above.

FY 2003 Performance

EDA was successful in meeting the target established for this measure. While all EDA’s investments were made in distressed areas eligible under its legislative requirements, EDA awarded 30.2 percent of its capacity-building investments in areas of distress significantly “higher” than its legislative requirements. Both definitions are outlined above.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA’s goal is to evaluate major program activities on a regular basis as resources permit. Evaluations involving EDA planning, technical assistance, and trade adjustment programs planned for FY 2004, include the *Local Technical Assistance Program* (Bowling Green State University).

In 2002, OMB conducted a performance assessment of EDA using OMB’s Program Assessment Rating Tool. The Bureau improved the design of its program to increase its impact on alleviating conditions of economic distress by establishing investment policy guidelines that focus on results rather than process. Application of these guidelines encourages investment in U.S. communities based on expected return on the taxpayer’s investment.

The following are summaries of the recommendations.

Recommendation 1: Adjust targets to better reflect achievable performance.

Since implementation of its performance management system in FY 1997, EDA has adjusted targets on various measures to reflect the performance results of its programs as data have been collected.

Recommendation 2: Develop unit-cost measures for private sector leverage related to EDA investments.

The Ratio of EDA Investment Dollars to Private Sector Dollars Leveraged are Reflected Below									
(Dollar amount in thousands)	FY 1997 Actual Amount	FY 1998 Actual Amount	FY 1999 Actual Amount	FY 2000 Actual Amount	FY 2001 Actual Amount	FY 2002 Actual Amount	FY 2003 Estimate Amount	FY 2004 Estimate Amount	FY 2005 Estimate Amount
Infrastructure obligations	\$164,802	\$177,905	\$304,392	\$296,608	\$345,712	\$277,176	\$232,111	\$281,450	\$309,400
Three-year target projections	116,000	130,000	420,000	400,000	480,000	390,000	320,000	380,000	438,000
Target ratio	0.70	0.73	1.38	1.35	1.39	1.41	1.38	1.35	1.42
Six-year target projections	581,000	650,000	1,040,000	1,020,000	1,200,000	970,000	810,000	950,000	1,095,000
Target ratio	3.53	3.65	3.42	3.44	3.47	3.50	3.49	3.38	3.54
Nine-year target projections	1,162,000	1,300,000	2,080,000	2,040,000	2,410,000	1,940,000	1,620,000	1,900,000	2,191,000
Target ratio	7.05	7.31	6.83	6.88	6.97	7.00	6.98	6.75	7.08
Actual private investment	199,000	971,000	640,000						
Three-year ratio	1.21	5.46	2.10						
Private investment minus anomalies	119,000	340,000	205,574						
Three-year ratio using anomaly total	0.72	1.91	0.68						

Recommendation 3: Better target EDA resources to areas of greatest need through administrative steps and reauthorization.

This recommendation is being addressed through reauthorization and the regulation review. As part of the process to draft a new reauthorization bill, EDA researched a variety of modifications to the eligibility criteria to address this recommendation.

EDA Data Validation and Verification

The EDA GPRA pilots provided trend data on past performance, as presented earlier. They also provided critical outreach and training for EDA grantees and staff on valid reporting methods and verification of performance data on long-term outcomes. EDA achieved a 98 percent response rate on the pilots and conducted site visits to more than 25 percent of the projects to validate and verify data reported. The data were provided to Rutgers University for review and comparison with the original evaluations.

EDA validated some of the FY 2000 performance results on private sector investment and job creation upon receipt of the data. Regional offices verified 94 percent of the total Public Works and economic adjustment private sector investment and 35 percent of the total Public Works and economic adjustment jobs reported for FY 2003 by directly contacting investment recipients to request supporting information. Reports were completed that identified how the data were verified and the person or business contacted to verify the data. In FY 2003, EDA conducted six validation site visits on six FY 1999 investments, one in each region that had been closed out by the end of FY 2002. At the time of the visits, the investments were reviewed utilizing the report outline below. In all cases, the private investment and jobs created were verified, and the results were even higher at the time of the visit than at the time the data were reported, which ranged from one to two years earlier. Now that six-year data are also available, the Bureau plans to conduct site visits on a sampling of its three- and six-year investments to validate results.

EDA processing procedures specify that staff verify proposed private investment and jobs. Proposals for EDA investments are reviewed by regional Investment Review Committees (IRC) then forwarded to the Senior Advisor for Performance Evaluation at Headquarters. This quality assurance process was implemented to determine whether the IRC endorsed investment satisfies the regulations and the Investment Policy Guidelines, as amended. Once a project has been invited for investment, the application includes a form, Assurances of Compliance, Exhibit V.B.1.b., that requires the entity to identify the estimated number of jobs and sign the form.

EDA utilizes the following criteria for site selection to verify the private investment, job creation, and retention data reported for its performance measures.

- The fiscal year data being verified is from an investment that was closed within the appropriate three-, six-, or nine-year reporting time frame.
- EDA investment is equal to or greater than \$400,000.
- Private investment dollars and jobs created or retained is present.
- At least one verification site visit per region will be conducted.
- A varied selection of Public Works and economic adjustment (regular, defense, or RLF) investments will be reviewed.

The GPRA site validation visit report includes background of the EDA investment and a project description. The following data are requested from the investment recipient with accompanying documentation for each item to verify the information.

- The tax assessment of the property, before and after the construction or renovation.
- The number of jobs created or retained at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.

- The average salary of property's previous and present tenants, if applicable, or average annual wage before and after EDA investment.
- Are the present jobs considered 'higher skilled' than the previous jobs and why?
- The amount of private investment at the time of project closeout and at the time of the site visit. Sources must be identified with documentation.
- The increase in Local Real or Business Property Tax Base (in dollars).
- The percentage of population growth (or decline) since investment award.

Direct project-related results, direct non-project-related results, and indirect results (if any) are identified in the report, as well as an overall assessment of the EDA investment. Photos, brochures, and news-related articles (if available) are also included.

As EDA collects and analyzes the data, EDA will use it to adjust performance targets as needed. The EDA Data Validation and Verification table can be found starting on the following page.

EDA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Private sector dollars invested in distressed communities as a result of EDA investments	Investment recipient performance reports.	At three- and six-year intervals (typically three, six, and nine years after investment).	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on-site visits with some recipients.	Universe —FY 1997 and 2000 Regular Appropriations for Public Works and Development Facilities and Economic Adjustment Implementation and revolving loan fund (RLF) investments. Private investment may vary along with economic cycles.	EDA will continue to monitor investment data.
Measure 1b: Jobs created or retained in distressed communities as a result of EDA investments	Investment recipient performance reports.	At three- and six-year intervals (typically three, six, and nine years after investment).	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on-site visits with some recipients.	Universe —FY 1997 and FY 2000 Regular Appropriation for Public Works and Development Facilities investments and Economic Adjustment Implementation and RLF investments. It may be more expensive to create or retain jobs during economic downturns because of fewer private sector investments; therefore, fewer jobs would be created or retained.	EDA will continue to monitor job creation data.
Measure 1c: State and local dollars committed per EDA dollar	Investment recipient applications and progress reports.	At the time of award of investment.	EDA Management Information System	EDA verifies nonfederal funds committed to projects prior to disbursement of investment funds.	Universe —FY 2003 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the match rate may decrease in cases of severe distress while eligible areas increase during economic downturns.	EDA will continue to monitor state and local investment data.
Measure 1d: Percentage of investments to areas of highest distress	Investment Recipient applications, the Bureau of Labor Statistics (BLS) current 24-month unemployment data, and the most current Bureau of Economic Analysis (BEA) per capita income data.	Ongoing	EDA Management Information System	EDA regional offices verify the eligibility of potential projects upon receipt. EDA also samples projects periodically to ensure accurate project location codes. Statistical data are based on BLS current 24-month unemployment data and the most current BEA per capita income data.	Universe —FY 2003 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the number of highest distressed areas will increase during economic downturns and decrease during economic expansions.	EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results.
Measure 1e: Percentage of EDA dollars invested in technology-related projects in distressed areas	Investments that are specifically identified and coded in EDA's Management Information System.	Ongoing	EDA Management Information System	EDA regional offices verify and code potential projects upon invitation. EDA also samples projects periodically to ensure accurate codes.	Universe —FY 2003 Investments from EDA funding sources that are direct investments in technology-related construction or acquisition, or investments related to expanding the technology potential of companies, communities, or areas; EDA investments are dependent on the type of opportunities communities present.	EDA will continue to monitor and develop trend data.

EDA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2a: Percentage of Economic Development Districts (EDD) and Indian tribes implementing economic development projects from the Comprehensive Economic Development Strategy (CEDS) process that lead to private investment and jobs	EDA grantee performance evaluations and CEDS.	Annually	EDA Management Information System	EDA conducts performance reviews and site visits on approximately one-third of the District and Indian tribe investments per year.	Universe—FY 2003 EDA Partnership Planning investments only. This measure shows the market-based value of the CEDS process in the communities. CEDS are developed by the EDDs and Indian tribes in which EDA invests.	EDA will continue to monitor results to collect trend data.
Measure 2b: Percentage of sub-state jurisdiction members actively participating in the Economic Development District (EDD) Program	EDA grantee Government Performance and Results Act of 1993 (GPRA) data collection performance results and their CEDS.	Annually	EDA Management Information System	EDA conducts performance reviews and site visits on approximately one-third of the District and Indian tribe investments per year.	Universe—FY 2003 EDA Partnership Planning investments only. This measure shows the value-add of the EDDs in which EDA invests. While an EDD may be effective, members still may not participate for other reasons.	EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions.
Measure 2c: Percentage of University Center (UC) clients taking actions as a result of the assistance facilitated by the UC	UC client profiles and reports.	Annually	EDA Management Information System	Performance data will be verified by the UCs. EDA headquarters will annually review profile data.	Universe—FY 2003 EDA local technical assistance investments.	EDA will continue to monitor results to collect trend data.
Measure 2d: Percentage of those actions taken by University Center (UC) clients that achieved the expected results						
Measure 2e: Percentage of Trade Adjustment Assistance Center (TAAC) clients taking actions as a result of the assistance facilitated by the TAAC	TAAC client reports.	Annual	EDA Management Information System	Performance data will be verified for the TAACs. EDA headquarters will annually review data.	Universe—FY 2003 EDA local technical assistance UC investments.	EDA will continue to monitor results to collect trend data.
Measure 2f: Percentage of those actions taken by Trade Adjustment Assistance Center (TAAC) clients that achieved the expected results	TAAC client reports.	Annual	EDA Management Information System	Performance data will be verified by the TAACs. EDA headquarters will annually review data.	Universe—FY 2003 EDA Trade Adjustment Assistance (TAA) investments.	EDA will continue to monitor results to collect trend data.
Measure 2g: Percentage of local technical assistance and economic adjustment strategy investments awarded in areas of highest distress	Investment recipient applications, BLS current 24-month unemployment data, and the most current BEA per capita income data.	Ongoing	EDA Management Information System	EDA verifies data prior to investment approval.	Universe—FY 2003 EDA local technical assistance and economic adjustment strategy investments. The number of highly distressed areas will increase during economic downturns and decrease during economic expansions affecting EDA investments in these communities.	EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results.



Economics and Statistics Administration

Mission Statement

Help maintain a sound federal statistical system that monitors and measures the United States rapidly changing economic and social arrangements; improve understanding of the key forces at work in the economy and the opportunities they create for improving the well-being of Americans; develop new ways to disseminate information using the most advanced technologies; support the information and analytic needs of the Commerce Department, the Executive branch, and the Congress.

The United States is the world's economic information leader, due in large part to the timely, accurate data and analyses produced by the agencies of the Economics and Statistics Administration (ESA). These agencies, the Census Bureau and the Bureau of Economic Analysis (BEA), collect vital demographic and economic data through the decennial census and other surveys, and produce key economic measures such as the gross domestic product (GDP) and the balance of payments. The data produced by BEA and the Census Bureau and the analyses produced by ESA headquarters affect the lives of all Americans by providing the President, Congress, local communities, and businesses with the information they need to make sound decisions.

ESA Headquarters

ESA headquarters (comprised of the Office of the Under Secretary, the Chief Economist, and STAT-USA) has four main roles: (1) to provide executive direction, management, financial analysis, and administrative support to all ESA agencies; (2) to evaluate current economic conditions; (3) to provide economic policy analysis; and (4) to provide data dissemination services.

The Office of the Under Secretary provides leadership and executive oversight of all activities of ESA. The Chief Economist is assisted by the Office of Economic Conditions and the Office of Policy Development. The Office of Economic Conditions monitors and interprets major new economic statistics with the goal of anticipating the future directions of the economy. The Office of Policy Development conducts research on the factors contributing to U.S. industrial strength and the relationship between industry performance and economic growth, including recent major studies on the scope and economic impacts of electronic commerce. Data dissemination services are provided by STAT-USA, an easy-to-use "one-stop shop" that provides a focal point for business, economic, and trade statistics.

All resource requirements of ESA headquarters, including STAT-USA, are shown on the Resource Requirement Summary table that follows in the BEA chapter. STAT-USA is a revolving fund account that requires no government funding. These resources contribute directly to ESA's performance goal, "To develop relevant, accurate, and timely GDP and economic accounts statistics."

STAT-USA

STAT-USA provides the public with access to key business, economic, and international trade information. STAT-USA's mission is to produce, distribute, and assist other government agencies in producing world-class business, economic, and government information products that U.S. businesses and the public can use to make intelligent, informed decisions. It accomplishes this goal through three primary products and services: (1) STAT-USA/Internet, (2) USA Trade Online, and (3) EuroTrade Online.

With over 18 years of sustained performance in producing and delivering business information, STAT-USA has acquired the reputation as a model for federal agencies. STAT-USA builds effective yet inexpensive government data dissemination systems that effectively and efficiently provide business, economic, and international trade information to U.S. businesses and the public.

STAT-USA operates on a revolving fund, obtaining all financial support for its activities through the fee sales of information products and services, and receives no congressional funding.

The most important issue facing STAT-USA is the need to attract and retain customers for its products. In light of the rapid growth of the Internet and increased availability of economic and trade data, STAT-USA works constantly to identify ways to improve information delivery and enhance product content as a means to enhance its value to consumers.

The Bureau of Economic Analysis

BEA is the nation's economic accountant, developing measures and systems for collecting and interpreting vast amounts of diverse data from both government and private sources. BEA combines and transforms the data into a consistent and comprehensive picture of economic activity, which is summarized by estimates of GDP. BEA's national, regional, industry, and international economic accounts form much of the core of the federal statistical system and are critical for informed decision-making by businesses; individuals; and federal, state, and local governments. These data, which provide the yardstick by which the health and potential of the economy are measured, are vital ingredients in major decisions affecting such areas as interest rates, tax and spending policies, and social security projections. Thus, they affect every American who runs a business, saves for retirement, or borrows to buy a house.

The Bureau of the Census

The Bureau of the Census chronicles societal and demographic change. The Bureau fulfills the constitutionally mandated requirement to conduct a decennial census, and the Bureau collects a wide range of economic and demographic data. The data provided by the Census Bureau shape important policy decisions that help improve the nation's social and economic conditions.

Summary

ESA's staff and programs provide vital information, analysis, and advice to Department of Commerce officials and other executive branch departments, agencies, and officials. Many of the nation's decisions are based upon the economic and demographic information the agency produces.

U.S. Department of Commerce



Bureau of Economic Analysis

Bureau of Economic Analysis

Mission Statement

The Bureau of Economic Analysis (BEA) promotes 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.

BEA is one of the world's leading statistical agencies. Although it is a relatively small agency, BEA produces some of the most closely watched economic statistics that influence the decisions made by government officials, business people, households, and individuals. BEA's economic statistics, which provide a comprehensive, up-to-date picture of the U.S. economy, are key ingredients in critical decisions affecting monetary policy, tax and budget projections, and business investment plans. The cornerstone of BEA's statistics is the National Income and Product Accounts (NIPA), which feature estimates of gross domestic product (GDP) and related measures. The Department of Commerce recognized GDP and the NIPA as its greatest achievements in the twentieth century, and GDP has been ranked as one of the three most influential measures that affect U.S. financial markets.

Since the NIPA was first published, BEA has developed and extended its estimates to cover a wide range of economic activities. Today, BEA prepares national, regional, industry, and international accounts that present essential information on such key issues as economic growth, regional economic development, inter-industry relationships, and the nation's position in the world economy.

Priorities/Management Challenges

The past decade has witnessed rapid, widespread changes in the size and complexity of the U.S. economy. These changes reflect the increasing role of services relative to goods, technological advances, new modes of communication, and the introduction of new goods, services, and types of financial transactions. These and other new factors have made it far more difficult for BEA to produce accurate and comprehensive economic statistics.

BEA must adapt and change in order to continue accurately capturing information about the U.S. economy. To help facilitate this change, BEA recently updated its Five-year Strategic Plan. While the plan outlines specific requirements to improve the work of BEA, it is also a fluid document that allows BEA to adjust to the changing economy. The four primary objectives identified in the BEA Strategic Plan are outlined on the following page.

- **Objective 1. Make BEA's economic accounts and services more responsive to the needs of its customers and partners.** BEA is concentrating on improving its relationships with its customers and partners. Specific actions are identified in the plan that address such objectives as: establishing and improving two-way communication with customers through regular customer surveys and other sources of feedback; expanding outreach efforts to data users, the Congress, trade associations, the business community, and the news media through the more effective use of technology, partnerships, and informational materials; upgrading the technology used to collect and disseminate information; and redesigning the BEA Web site, *www.bea.gov*, to provide more explanations, background information, searchable links to metadata, and other interactive features.
- **Objective 2. Attract, develop, and retain a highly qualified, diverse workforce prepared to innovate and improve BEA's statistics.** BEA faces a variety of workplace challenges. The plan provides for specific actions that address such workplace objectives as improving employee retention and recruitment by: assessing and improving BEA's organizational climate, more effectively using the flexibilities of the Personnel Demonstration Project, supporting continuous career development for all employees to meet future workforce needs, and improving the system for recognizing and rewarding employees for their work.
- **Objective 3. Upgrade resource management to support BEA's strategic objectives.** Support for the initiatives outlined in the strategic plan will come from the more effective use of existing resources (through productivity-enhancing IT investments and changes in work processes and products) and from incremental resources. To manage its resources effectively, BEA will have to better account for the costs and benefits of existing and proposed work. By using new financial accounting support and by stepping up its interaction with customers, the Department, and statistical agency partners, BEA will more effectively conduct its programs, allocate resources, and plan for the provision of resources to achieve the Bureau's objectives.
- **Objective 4. Upgrade BEA's economic statistics by improving statistical methodologies and source data, and by using new technologies.** The strategic plan identifies statistical program priorities for FY 2004 through FY 2008. These priorities are summarized in detail in the strategic plan by economic account area and are accompanied by an across-the-board review of source data improvements.

Three major budget initiatives for BEA were requested by the President for BEA in FY 2003. They included funds to continue the work begun in FY 2002 to accelerate the release of numerous economic measures. The FY 2003 budget also included funds to allow BEA to continue to meet international obligations committed to by the U.S. Government. Finally, the President requested funds for BEA to upgrade its failing statistical processing systems.

FY 2003 Performance

In FY 2003, BEA had one overarching performance goal and seven measures to track its performance. BEA has met or exceeded all the targets established for each performance measure for FY 2003. BEA performance measures focused on the areas of: reliability of delivery of BEA data releases, customer satisfaction, percent of GDP estimate correct, quality of GDP and BEA's economic accounts, acceleration of economic estimates, compliance with international obligations, and upgrades to BEA's information technology systems.

Fiscal year 2003 was a year of significant improvements in the work of BEA. Guided by its Five-year Strategic Plan, BEA achieved all of its major milestones required to fulfill the targets of the seven performance measures in its annual performance plan. BEA continued to lead the world in the timeliness of its major macro-economic releases, and for a fourth year in a row, BEA released all its data on schedule at the appointed date and time. BEA's customers again gave the agency high marks on their overall satisfaction with the quality of BEA products and services. Many of these successes were due to BEA's commitment to provide the best possible estimates as quickly as possible. During FY 2003, BEA made important strides in improving its GDP and economic accounts by incorporating new measures and estimates into its accounts and improving data collection and sources. It also succeeded in accelerating two of the five measures to which it committed an accelerated release and is on schedule to complete the acceleration of remaining measures given sufficient funds. Work committed to in FY 2003 to incorporate the North American Industry Classification System (NAICS) into BEA measures to meeting U.S. international obligations was completed. Funding provided in FY 2003 allowed BEA to continue to upgrade its statistical processing systems, which allowed for a more efficient and reliable method of developing estimates.

BEA continues to strive to produce the most comprehensive, relevant, and accurate economic measures in a reliable and timely manner to policymakers, business, and the American public in order to insure that they have the tools available to make the most informed decisions possible.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Develop Relevant, Accurate, and Timely Gross Domestic Product (GDP) and Economic Accounts Statistics							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY2003 Target	FY2003 Actual	FY2003 Met	FY2003 Not Met
Reliability of delivery of economic data (number of scheduled releases issued on time) ¹	100%	100%	50 of 50	48 of 48	48 of 48	X	
Customer satisfaction with quality of products and services (mean rating on a five-point scale)	4.3	N/A (survey postponed)	4.3	Greater than 4.0	4.4	X	
Percent of gross domestic product (GDP) estimates correct	New	New	83%	Greater than 84%	88%	X	
Improving gross domestic product (GDP) and the economic accounts	New	New	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.	Successful completion of related strategic plan milestones, including benchmark and update of industry accounts, incorporate North American Industry Classification System (NAICS) into regional accounts, and update international accounts.	BEA completed all major strategic plan milestones related to improving the economic accounts (completed 164 milestones out of 171 overall).	X	
Accelerating economic estimates	New	New	New	Successful completion of related strategic plan milestones, including accelerate the release of international trade estimates (with Census Bureau), GDP by industry, annual input-output tables, gross state product (GSP), and metropolitan area personal income.	BEA completed all major strategic plan milestones related to accelerating economic estimates (completed 98 milestones out of 103 overall).	X	

(continued)

Performance Goal 1: Develop Relevant, Accurate, and Timely Gross Domestic Product (GDP) and Economics Accounts Statistics (cont.)

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY2003 Target	FY2003 Actual	FY2003 Met	FY2003 Not Met
Meeting U.S. international obligations	New	New	New	Successful completion of related strategic plan milestones, including assist Treasury in designing a survey of derivatives; incorporate estimates of short-term claims and long-term assets in accounts; and provide data for Special Data Dissemination Standards (SDDS) compliance; and publish annual supplemental ownership-based accounts.	BEA completed all major strategic plan milestones related to meeting U.S. international obligations (completed 99 milestones out of 103 overall).		X
Upgrading information technology systems	New	New	Developed new systems, including implementation of prototype phase of new National Income and Product Accounts (NIPA) core processing system; developed improved interactive features on the BEA Web site; extended electronic reporting for international surveys.	Successful completion of related strategic plan milestones, including implement a new system for industry accounts benchmark processing and balance of payments processing; extend BEA's electronic reporting option for six international investment surveys.	BEA completed all major strategic plan milestones related to upgrading IT systems (completed 95 milestones out of 98 overall).		X

¹ Prior to FY 2002, the measure reported the percent of releases that were delivered on time and on schedule.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Develop Relevant, Accurate, and Timely Gross Domestic Product (GDP) and Economic Accounts Statistics

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
STAT-USA - Reimb				
Total Funding	2.0	3.4	2.5	1.9
FTE	19	27	12	10
Salaries and Expenses				
Policy Support				
Total Funding	6.5	5.9	7.1	7.4
FTE	40	44	58	53
BEA:				
Total Funding	46.0	48.6	57.1	65.0
IT Funding ¹	6.1	6.3	10.2	11.9
FTE	409	403	418	431

Grand Total	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	52.5	54.5	64.2	72.4	
Total Funding ²	54.5	57.9	66.7	74.3	
Direct	52.8	56.5	62.5	70.6	
Reimbursable ²	1.7	1.4	4.2	3.7	
IT Funding ¹	6.1	6.3	10.2	11.9	
FTE ³	468	474	488	494	

¹ IT funding included in total funding.

² Reimbursable funding included in total funding (includes STAT-USA and ESA/BEA reimbursables).

³ Total FTE includes ESA/BEA reimbursable FTE.

Skill Summary:

Economists, accountants, statisticians, and information technology specialists.

FY 2003 Performance Goals

Performance Goal 1: Develop Relevant, Accurate, and Timely Gross Domestic Product (GDP) and Economic Accounts Statistics

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

The economic statistics produced by BEA enable government and business decisionmakers, researchers, and the public to follow and understand the performance of the U.S. economy; making the statistics critical to sound economic decision-making at all levels, from the highest-level policymakers to the individual American household. BEA prepares national, industry, regional, and international economic accounts that present essential information on such key issues as economic growth, inter-industry relationships, regional economic development, and the nation's position in the world economy.

- The national economic accounts include NIPA, which provide a quantitative view of the production, distribution, and use of the nation's output, and feature GDP, one of the most closely followed of all economic measures. The national accounts also include estimates of the U.S. stock of fixed assets and consumer durable goods.
- The industry economic accounts include the input-output tables, which show how industries interact to provide input to and take output from each other, and the gross domestic product by industry data, which measure the contributions of private industry and government to GDP.
- The regional economic accounts provide estimates and analyses of personal income and earnings by industry for regions, states, metropolitan areas, and counties. They also include estimates of gross state product (GSP) by industry.
- The international economic accounts include the international transactions accounts (balance of payments) and the estimates of U.S. direct investment abroad and foreign direct investment in the United States.

BEA's current estimates often appear first in news stories, and they are available on the BEA Web site and in the BEA monthly journal of record, the *Survey of Current Business*.

To be most useful to data users, BEA's statistics must be as timely, relevant, and accurate as possible in order to provide a clear and comprehensive picture of current economic activity. In addition, they must be readily accessible in easy-to-use formats. The first two measures reported below are aggregate indicators of BEA's success in producing data that are consistently released on schedule (reliability of delivery), and useful and readily available to the public (customer satisfaction). The third measure is an indicator of BEA's success at providing the GDP with the highest possible accuracy (percent of GDP estimate correct).

Because the U.S. economy is continually undergoing rapid changes and becoming more and more complex, it is essential that BEA improve its accounts to keep pace with the economy and meet the needs of its data users. BEA annually updates its Five-year Strategic Plan with aggressive milestones to provide a guide to improving the quality and accuracy of its measures. The BEA Strategic Plan can be accessed via the BEA Web site at www.bea.gov. For each of the economic accounts, the plan lists specific milestones for achieving these improvements in the coming years. BEA routinely reviews these milestones and updates the plan to make adjustments for changing conditions and priorities. The milestones also are incorporated into the performance plans of all BEA employees.

Performance Goals for FY 2003

BEA has established seven performance goals to monitor its progress toward meeting its budget objectives and operating goals. The first three performance goals measure overall agency performance with respect to the agency mission to provide timely, relevant, and accurate economic data. These measures include reliability of delivery of economic data, customer satisfaction with quality of products and service, and accuracy of the GDP estimate. The final four measures are directly related to BEA budget initiatives and track BEA's ability to meet its commitments to the President, Congress, and American public when initiative funds are provided.

Measure 1a: Reliability of Delivery of Economic Data (Number of Scheduled Releases Issued on Time)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	100%	100%	50 of 50	48 of 48
Actual	100%	100%	50 of 50	48 of 48
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

This measure is at the heart of BEA's mission to provide relevant and timely economic data. The importance of BEA data as an ingredient of sound economic decision-making requires BEA to deliver data into the hands of decisionmakers and other data users not only quickly but also reliably, that is, on schedule. Since instituting this performance measure, BEA has consistently met its target of releasing economic data on schedule and on time.

FY 2003 Performance

BEA has met this target in all four years since it was developed including in FY 2003. In fact, BEA has made significant improvements in its information processing systems that have enabled it not only to release indicators such as GDP to the press on time and on schedule, but also to post the GDP on the BEA Web site (www.bea.gov) at the 8:30 a.m. release time, giving all users immediate access to it. Given adequate investment in these systems, BEA will continue its perfect record of issuing its data releases on schedule and on time in FY 2004.

Measure 1b: Customer Satisfaction with Quality of Products and Services (Mean Rating on a Five-point Scale)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Greater than 4.0	Greater than 4.0	Greater than 4.0	Greater than 4.0
Actual	4.3	N/A (survey postponed)	4.3	4.4
Met/Not Met	Met	Not Met	Met	Met

Explanation of Measure

Customer satisfaction is a critical element of BEA's mission that cuts across all three of the core elements: timely, relevant, and accurate. BEA must achieve all three of these elements in its data releases to maintain user or customer satisfaction with its products. To measure levels of satisfaction, BEA conducts an annual mail and Internet survey of users.

FY 2003 Performance

In the FY 2003 survey of customer satisfaction, BEA scored a 4.4 out of maximum 5.0 indicating that users are very satisfied with the quality of BEA's products and services. The survey is conducted via mail and the Internet and asks respondents a series of questions about their use of and satisfaction with BEA products and services. In general, respondents expressed increased satisfaction with the timeliness of BEA statistics, a top priority of BEA for FY 2003 and FY 2004. The survey also found that respondents were slightly less satisfied with the accuracy of BEA data, a finding that is not surprising given the large revisions in the quarterly GDP made in early FY 2003. BEA has made a number of important improvements to its methodologies in FY 2003 that, with the comprehensive revisions due in December 2003, will address these accuracy issues. An FY 2004 budget initiative to acquire and incorporate real-time data into the estimates also will have an important effect on the accuracy of the estimates. The customer satisfaction survey is conducted annually. The *Customer Satisfaction Survey Report, 2003* is available on the BEA Web site.

Measure 1c: Percent of Gross Domestic Product (GDP) Estimate Correct

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Greater than 82%	Greater than 84%
Actual			83%	88%
Met/Not Met			Met	N/A

Explanation of Measure

This broad measure of BEA performance, introduced in FY 2002, seeks to track the ability of BEA to accurately estimate its most important estimate, the 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) trend GDP growth rate, (5) average quarterly GDP growth rate, and (6) level of current-dollar GDP. These measures 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: a) at least 12 quarters of estimates are needed for statistical reliability, b) BEA’s annual revisions cover three years, c) the impact of statistical improvements occur over time, and d) reasonable balance must be struck between statistical reliability and a measure of current performance.

FY 2003 Performance

In both FY 2002 and FY 2003, BEA exceeded its targets of accurately measuring GDP. In FY 2003, BEA reported that it accurately measured GDP 88 percent of the time which exceeds its target of “greater than 84%.” The ability of BEA to exceed this target is due to the recent investments by the Congress and Administration to improve the accuracy of BEA statistics. Funds received in FY 2002 and FY 2003 allowed BEA to research and incorporate numerous updates and improvements to the GDP that have resulted in smaller more accurate estimates and smaller annual revisions. With investments requested in FY 2004 to acquire and incorporate real-time data into its accounts, BEA expects to continue to meet or exceed its targets on this performance measure.

Measure 1d: Improving Gross Domestic Product (GDP) and the Economic Accounts

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Develop new measures to address gaps in and update BEA’s accounts; design new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts.	Successful completion of related strategic plan milestones, including benchmark and update of industry accounts, incorporate North American Industry Classification System (NAICS) into regional accounts, and update international accounts.
Actual			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.	BEA completed all major strategic plan milestones related to improving the economic accounts (completed 164 milestones out of 171 overall).
Met/Not Met			Met	Met

Explanation of Measure

BEA must continually update its economic accounts to keep pace with the increasingly complex and rapidly changing U.S. economy. GDP, balance of payments, state personal income, and other data must be as timely, relevant, and accurate as possible to inform the decisions made by public and private leaders. The BEA Five-year Strategic Plan lays out steps that BEA will take to achieve quality improvements to all of its accounts. Based on the strategic plan milestones, specific budget initiatives have been proposed for each year since FY 2002 to improve the accounts. This performance measure was introduced in FY 2002 to track BEA’s progress in achieving the milestones related to these initiatives and provide agency accountability.

FY 2003 Performance

BEA made important improvements to its estimates during FY 2003 and met all of its major milestones. Of the 171 milestones in the BEA Strategic plan related to improving GDP and the economic accounts, BEA completed 164 of them (or 96 percent). All the major milestones were met while some were delayed to address other priorities. The initial FY 2003 targets were set based on the President's Budget for FY 2003. The FY 2003 appropriation was less and targets were adjusted. A list of specific accomplishments to meet this FY 2003 performance measure is presented below. In FY 2004, BEA plans to acquire and incorporate real-time data into its accounts to significantly improve the quality and timeliness of GDP and the national accounts. It also plans an effort to better integrate the national accounts with industry, international, and regional measures.

Below is a partial list of specific accomplishments made during FY 2003 to improve GDP and the economic accounts:

- Developed new price indexes that measure important quality improvements in non-residential structures and photocopy equipment that have been missed in existing measures of GDP and productivity growth.
- Completed research and development on new measures of insurance services that present a much more complete and up-to-date measure of insurance that better captures the economic effects on GDP and the balance of payments of national disasters such as Hurricane Andrew and the terrorist attacks of September 11, 2001.
- Developed more accurate estimates of financial services, which generates more accurate cyclical data for monetary and fiscal policy.
- Developed independent monthly estimates for prescription drugs.
- Improved BEA's current-period estimates of corporate profits to better capture the effect of employee stock options so as to avoid the distortions that affected corporate profit reports in the late 1990s.
- Filled gaps in coverage of U.S. international assets and liabilities, which provides a more accurate picture of U.S. exposure to overseas financial disruptions.
- Developed first sets of state and local area personal income estimates on NAICS basis, which presents a more up-to-date picture of the structure of the U.S. and regional economies.
- Further integrated BEA's economic accounts by using state-level estimates of sales tax by industry to derive national industry distributions of indirect business taxes and reconciling those with sales taxes in BEA's benchmark input-output accounts. For the first time, the same industry distributions will be used in BEA's input-output accounts, GDP by industry, GSP by industry, and Personal Consumption Expenditures accounts.
- Conducted research to measure pension disbursements by state.

Measure 1e: Accelerating Economic Estimates

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Successful completion of related strategic plan milestones, including accelerate the release of international trade estimates (with Census Bureau), gross domestic product (GDP) by industry, annual input-output tables, gross state product (GSP), and metropolitan area personal income.
Actual				BEA completed all major strategic plan milestones related to accelerating economic estimates (completed 98 milestones out of 103 overall).
Met/Not Met				Met

Explanation of Measure

In FY 2003, BEA was challenged by the Secretary of Commerce to accelerate the release of its major economic estimates to meet the demands of public and private sector users. To meet this challenge, the Agency proposed a multi-year initiative to accelerate the release of eight of its most important indicators. The BEA Five-year Strategic Plan was reviewed and amended to account for this acceleration work. This performance measure seeks to hold BEA accountable for its progress.

FY 2003 Performance

During FY 2003, BEA achieved the acceleration of two of the five measures slated for acceleration. International trade in goods and services was accelerated by one week with its March 12, 2003 release, and GDP by industry was accelerated by seven months with its release in April 2003. The timetable for the acceleration of the remaining estimates in this plan is on schedule and expected to be released as planned in the BEA Strategic Plan. A complete list of the accelerations that occurred during FY 2003 is below. The second phase of the acceleration planned in FY 2004 President's Budget targets three additional indicators: GDP, personal income and outlays, and county personal income.

Acceleration accomplishments during FY 2003:

- Accelerated release of monthly international trade in goods and services by one week with the March 12, 2003 release. Further acceleration has been delayed due to lack of funds at the Census Bureau. BEA continues to develop processes to accomplish the entire 30-day acceleration.
- Released accelerated GDP by industry on April 17, 2003, achieving the seven-month acceleration goal announced.
- Initiated research to develop methodology and identify data sources to accelerate annual input-output accounts. On schedule to release 2002 accounts in spring of 2004 and 2003 accounts in fall of 2004, thus reducing the lag to one year.
- Accelerated release of GSP by one month in FY 2003 and conducted preliminary research to accelerate GSP by 13 months. Produced experimental accelerated estimates. On schedule to release accelerated GSP estimates for 2003 in fall of 2004.

- Began research on the eight-month acceleration of metropolitan area personal income. Although release of accelerated estimates has been delayed due to reduced appropriations from President’s request, BEA has met its timing as defined in the BEA Strategic Plan.
- Worked with the Bureau of Labor Statistics (BLS) to improve the timeliness of the BLS ES-202 program for use in accelerating the timeliness of the state and county personal income estimates. On schedule to release quarterly state personal income on month earlier in June 2004.

Measure 1f: Meeting U.S. International Obligations

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Successful completion of related strategic plan milestones, including assist Treasury in designing a survey of derivatives; incorporate estimates of short-term claims and long-term assets in accounts; and provide data for Special Data Dissemination System (SDDS) compliance; and publish annual supplemental ownership-based accounts.
Actual				BEA completed all major strategic plan milestones related to meeting U.S. international obligations (completed 99 milestones out of 103 overall).
Met/Not Met			Met	

Explanation of Measure

The U.S. Government has made a number of commitments with international organizations and other countries in which BEA has been tasked with responsibilities. NAICS was developed jointly by the United States, Canada, and Mexico to provide a uniform basis for identifying, compiling, and presenting industry data. The Department of the Treasury serves as the official U.S. liaison with the International Monetary Fund to ensure U.S. compliance with the Special Data Dissemination System (SDDS). Meeting these commitments is important to maintaining the United States leadership role. Equally important, the statistical information required by these international commitments is important to U.S. policymakers.

FY 2003 Performance

This performance measure was introduced in FY 2003 to monitor BEA’s progress in meeting milestones related to international commitments as well as provide accountability for an FY 2003 and FY 2004 multi-year initiative to meet these commitments. For FY 2003, BEA has met all the major milestones related to meeting international obligations and completed over 96 percent of all related milestones. Some of BEA’s specific accomplishments toward meeting this performance measure for FY 2003 include:

- Prepared first estimates of direct investment for the international transaction accounts and international investment position in accordance with NAICS for release in June 2003.
- Updated statistical methods in light of international statistical standards. These updates include introduction of a new measure of insurance services that provide a more appropriate treatment of insured catastrophic losses, and the collection of improved measures of activities of foreign-owned U.S. firms in finance and insurance.

- Worked with the Federal Reserve Board, Federal Reserve Bank of New York, and the U.S. Department of the Treasury to design report forms that collect more comprehensive data on short-term financial instruments. This information, which is required to conform with the international SDDS, closes important data gaps in the international economic accounts for these volatile instruments.
- Met various international commitments by completing the transition to NAICS in all international data products and conducting a study of the measure of derivatives.
- Published benchmark input-output accounts on a NAICS basis for the first time in December 2002. These accounts serve as the benchmark to the NIPA, which includes GDP.

Measure 1g: Upgrading Information Technology Systems

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Develop new systems, including design and prototype phase of new National Income and Product Accounts (NIPA) core processing system; develop improved interactive features on the BEA Web site; extend electronic reporting for international surveys.	Successful completion of related strategic plan milestones, including implement a new system for industry accounts benchmark processing and balance of payments processing; extend BEA's electronic reporting option for six international investment surveys.
Actual			Developed new systems, including implementation of prototype phase of new NIPA core processing system; developed improved interactive features on the BEA Web site; extended electronic reporting for international surveys.	BEA completed all major strategic plan milestones related to upgrading IT systems (completed 95 out of 98 overall).
Met/Not Met			Met	Met

Explanation of Measure

An essential ongoing investment in BEA is in the upgrading and integration of BEA information technology systems. BEA's statistical processing systems are essential elements in the production of the economic accounts. Rapid and far-reaching changes in the economy and the ongoing need to update concepts and estimation methods made it critical that IT systems be continuously evaluated and upgraded utilizing current technologies. This will improve the speed, reliability, and accuracy of the statistical production process. BEA's latest customer survey showed that user-friendly electronic access is important to customers. Current improvements to the BEA Web site already have dramatically increased the usability of BEA data. Increased customer satisfaction from these changes has been reflected in customer satisfaction ratings. Information technology improvements also are being incorporated into electronic reporting options for respondents to BEA's international surveys. These surveys of foreign direct investment and international trade in services require the submission of more than 100,000 report forms each year. By providing the ability to report electronically, BEA will reduce respondent burden and reduce its own processing costs.

FY 2003 Performance

This performance measure was introduced in FY 2002 to provide accountability for an urgent FY 2002 budget initiative to repair failing components of the system. For out years, this measure monitors BEA's efforts to continually maintain and upgrade its statistical processing systems. In FY 2003, BEA met all its major milestones related to this measure and completed 95 of the 98 total milestones. Due to budget constraints, the installation and training for the phone system was delayed. The initial FY 2003 targets were set based on the President's Budget for FY 2003. The FY 2003 appropriation was less and targets were adjusted. Also, budget constraints slowed the implementation of the NIPA redesign although the new system is currently in testing phase running parallel with old. The conversion is scheduled to occur during the first quarter of 2004.

Other accomplishments toward meeting this performance measure for FY 2003 include:

- Completed requirements, design, and prototype for the new National Economic Accounts centralized processing system, which will provide a foundation for modernization of the accounts and provide for more integration between the accounts.
- Provided enhancements to GDP by industry systems to support advanced estimates, publication of tables and System of National Accounts translation, as well as completed work to enhance the benchmark input-output processing systems.
- Completed implementation of electronic reporting through the Automated Survey Transmission and Retrieval System for all 14 international surveys. The implementation presents an opportunity for reducing paperwork burden on multinational companies each year and for improving accuracy of estimates.
- Introduced dynamic data tables on *www.bea.gov*, which improve access and usability of BEA data to customers and increases accuracy.

Program Evaluation

Program Effectiveness: In FY 2002, BEA ranked among the top one percent of the 234 programs assessed for effectiveness by the OMB using its new assessment tool, called the Program Assessment Rating Tool (PART). The PART was applied to selected federal programs, including BEA. Each program was scored in four areas: Program Purpose and Design, Strategic Planning, Program Management, and Program Results/Accountability. Formal recommendations resulting from the PART process will be reflected in BEA's APP.

BEA Advisory Committee: Twice a year, the 13-member BEA Advisory Committee meets to review and evaluate BEA programs and services. The committee advises the Director of BEA on matters related to the development and improvement of BEA's 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 also provides recommendations from the perspectives of the economics profession, business, and government. The meetings are open to the public. In 2003, the General Services Administration contracted with the Gallup Organization to conduct a stakeholder engagement survey of all federal advisory committees. The BEA Advisory Committee members reported an 83 percent overall satisfaction rate with the work of the committee (the government-wide satisfaction rate for advisory committee members was 38 percent). One hundred percent of the BEA Advisory Committee members indicated they would work with the committee again as compared to 66 percent for members of all federal advisory committees.

Customer Satisfaction Survey: BEA conducts an annual survey of its users to understand their satisfaction with BEA products and services. This survey is critical to BEA's success as users are the final arbitrators of the timeliness, relevance, and accuracy of BEA data. Recent improvements in the accounts have been noticed in the survey with increased satisfaction by users. The customer satisfaction survey serves as one of the seven measures used to hold BEA accountable for its performance. The past two surveys have found that users rated BEA with a 4.3 out of 5 on the level of satisfaction with BEA products and services; the FY 2003 survey found a slight increase in satisfaction at 4.4. BEA strives to increase this level of satisfaction with continual improvements to the accounts and investments in the information technology systems used by most users to access BEA data.

In addition to the customer satisfaction survey, BEA monitors its contacts with users. The chart below lists a number of methods of communicating with users for FY 2002 and FY 2003 with estimated values for FY 2004 and FY 2005.

BEA USER MEASURES: FY 2002 — FY 2005				
Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
Press Releases (both scheduled and unscheduled)	61	59	60	60
Survey of Current Business:				
Articles	46	43	46	46
Statistical pages	1,358	1,416	1,500	1,500
Number of paid subscriptions	3,708	2,463	2,000	1,500
Publications, other than the Survey	3	5	5	5
BEA Web site — <i>www.bea.gov</i>				
Page views (monthly average)	1,468,000	1,514,529	1,666,000	1,833,000
Unique visitors (monthly average)	102,000	116,677	128,000	141,000
Downloads (annual)	2,135,547	3,381,319	3,700,000	4,090,000

Strategic Program Evaluation: The BEA Five-year Strategic Plan is the most important evaluation of its programs and performance. The strategic plan is a detailed operating plan that guides BEA's planning with over 200 detailed milestones per year over a five-year time frame. As mentioned in the introduction to this section, the plan is developed from the Department of Commerce goals and objectives and the mission and objectives set by BEA. Managers are responsible for insuring that the milestones are met as they feed directly into the performance measures and budget requests of the agency.

The publicly available strategic plan is annually reviewed and a report of successes is made available to the BEA Advisory Committee, Department of Commerce, OMB, Congress and the public. It clearly indicates which milestones were met and which were not met with an explanation as to why specific milestones did not get accomplished. In FY 2003, BEA met all of its major milestones and over 95 percent of the total number of milestones. BEA seeks to continue to meet its major milestones and works to improve its record in achieving the rest of the milestones.

Human Capital Management: In FY 2003, BEA again contracted with the Office of Personnel Management (OPM) to conduct an employee assessment survey to better understand the strengths and weaknesses of the organization. The 2003 assessment was conducted in August and September of 2003 and the results made available soon after the close of the survey. It found that BEA employees continue to place BEA among the highest-rated organizations in government. BEA was ranked above the federal median in all 17 dimensions included on the survey. In fact, BEA set the benchmark high on 12 of the 17

dimensions including in the areas of diversity, strategic planning, quality of worklife, and performance measures. In addition, important improvements were reported in all 17 dimensions from the 2002 survey. Some of the largest increases in favorable responses came in the three areas addressed by the 2002 Change Committees for quality of worklife, training/career development, and communications. Finally, BEA fared well and often exceeded the results on a number of aspects when compared with the private sector. Similar to last year, BEA will put in place an employee-based process to examine the areas that received the lowest scores and make recommendations for improvements.

Information Technology: In the information technology area, several evaluations were completed in support of the modernization of critical BEA software systems and their underlying infrastructure components. In preparation for a major reengineering effort, Booz Allen Hamilton completed an end-to-end study of the National Accounts core processing systems. This study resulted in the development of streamlined system requirements for a new unified central processing system. An analysis of BEA's financial management data was completed. This analysis formed the basis for the development of a management information system, which provides timely budget and cost data to Bureau managers. An evaluation of BEA's Central Publishing System was performed to serve as a foundation for moving forward with proposed improvements to BEA's publication processes. Eagle Design Corporation performed a "usability" assessment of the BEA Web site. The results of this study were incorporated into a redesign of the BEA Web site, which will improve customer access to BEA data. Additional independent evaluations performed included: a requirements analysis of expanding the detail of information provided on the BEA Web site, an examination of the alternatives for expansion of BEA's electronic reporting capabilities, and a review of the current capabilities and future requirements of BEA's telecommunication system.

In addition:

- BEA completed an annual self-assessment of management processes and procedures followed for IT capital planning, IT security and IT architecture. BEA's programs received above average rankings based on levels provided by DOC.
- Two tests and evaluations were made of BEA's disaster recovery capabilities. Each test focused on specific program areas. Testing successfully verified that BEA was capable of producing its critical data estimates at an off-site location in support of key mission activities.
- BEA completed an external IT security penetration test of its local area network in order to ensure that adequate defensive parameters protect BEA's critical data.
- BEA completed, with contractor assistance, a comprehensive National Information Assurance Certification and Accreditation Process for all IT security plans/systems. This accredited all BEA systems for continued full operation without exception.

BEA Data Validation and Verification

The Director of BEA conducts an annual review of the Bureau's performance data to ensure that it is complete and accurate. Significant deviations from the projected target, if any, are reviewed by the Director and action is planned to address deficiencies.

The validation process is conducted in a manner similar to audit principles including data collection and verification of data. Data are collected from independent sources and the BEA Five-year Strategic Plan and compared to actual outcomes to determine the success or failure of the agency to meet its specific goals. All data are maintained and publicly available for additional outside review.

The BEA Data Validation and Verification table can be found starting on the following page.

BEA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Reliability of delivery of economic data (number of scheduled releases issued on time)	A schedule of release dates for the coming calendar year is published each fall in the Survey of Current Business and is posted on the BEA Web site. BEA maintains a record of subsequent actual release dates.	Annually	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.	Scheduled and actual release dates are a matter of public record and can be verified via the Internet.	A few releases may not be included in the published annual schedule because their release dates cannot be established that far in advance, and those releases are excluded from the performance measure.	FY 2004 target will be added.
Measure 1b: Customer satisfaction with quality of products and services (mean rating on a five-point scale)	BEA customer survey.	Annually	BEA conducts the survey, compiles the results, and retains records of raw data and computations that lead to final results.	BEA will provide a copy of the survey to the Economics and Statistics Administration.	Data are not available for years, such as FY 2001, in which survey is not conducted.	Survey was conducted in FY 2003.
Measure 1c: Percent of gross domestic product (GDP) estimates correct	Background research studies published in BEA's Survey of Current Business. Annual report will be submitted to Office of Management and Budget (OMB) and available to the public on the BEA Web site.	Annually	The Survey of Current Business is published monthly and available for free online and for a fee through subscription. Statistical report will be made available on the BEA Web site.	The Survey of Current Business is a matter of public record and can be verified via the Internet or hard copy. The statistical report also will be available to the public on the BEA Web site.	Measure is the best single point estimation of the accuracy of GDP. Economic conditions, rather than statistical practices, could dramatically change the measure.	Research to calculate new measure will be conducted.
Measure 1d: Improving gross domestic product (GDP) and the economic accounts	BEA's strategic plan provides a timetable with annual milestones for achieving significant improvements in the economic accounts. At the end of each fiscal year, beginning with FY 2002, BEA will evaluate and report its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data.	BEA conducts internal review and analysis.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.
Measure 1e: Accelerating economic estimates	BEA's strategic plan provides a timetable with annual milestones for accelerating the release of its economic accounts estimates. Beginning with FY 2003, BEA will annually evaluate and report its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data.	BEA conducts internal review and analysis.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.

BEA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1f: Meeting U.S. international obligations	BEA's strategic plan provides a timetable with annual milestones for incorporating North American Industry Classification System (NAICS) in its economic accounts. At the end of each fiscal year, beginning with FY 2003, BEA will evaluate and report its progress in achieving the scheduled milestones.	Annually	BEA compiles and maintains data.	BEA conducts internal review and analysis.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.
Measure 1g: Upgrading information technology systems	BEA's strategic plan provides a timetable with annual milestones for modernizing the information technology systems used to produce the economic accounts estimates, collect survey data, and disseminate data to users. At the end of each fiscal year, beginning with FY 2002, BEA will evaluate and report its progress in achieving the scheduled results.	Annually	BEA compiles and maintains data.	BEA conducts internal review and analysis.	BEA's annual review and updating of its strategic plan could result in changes to milestones.	Milestones will be adjusted as necessary to match BEA's strategic plan.



Census Bureau

Mission Statement

The Census Bureau serves as the leading source of quality data about the nation's people and economy. We honor privacy, protect confidentiality, share our expertise globally, and conduct our work openly. We are guided on this mission by our strong and capable workforce, our readiness to innovate, and our abiding commitment to our customers.

The U.S. Census Bureau's mission is built around its large-scale surveys and censuses. This involves the full range of activities required to produce data, including survey and questionnaire design and data collection, processing, and dissemination. Research and data analysis will directly support the Census Bureau's capabilities to conduct large-scale surveys and censuses. Through strategic planning, the Census Bureau evaluates how best to accomplish this mission. The strategic plan provides a framework for articulating program goals and builds these goals through consensus. The planning process promotes synergy, innovation, and efficiency, and represents a better way of doing business.

The goal of the Census Bureau is to provide the best mix of timeliness, relevancy, quality, and cost for the data collected and services provided. The data provided by the Census Bureau shape important policy decisions that help improve the nation's social and economic conditions:

- Census data are used to distribute hundreds of billions of dollars in federal funding.
- Census data provide the basis for estimating the gross domestic product (GDP) and leading economic indicators.
- Census data determine the apportionment of congressional seats, as mandated in the Constitution.
- Census data inform about education, income, poverty, and health insurance coverage.
- National, state, and local governments use Census data to formulate policy.
- Large corporations and local businesses use Census data to devise their business plans.

To accomplish its mission, the Census Bureau depends on activities that:

- Provide the U.S. official measures on monthly unemployment, income, poverty, and health insurance coverage, as well as economic indicators that include housing starts, retail and wholesale trade sales; international trade; manufacturers' shipments, orders, and inventories, and quarterly estimates of corporate profits.
- Provide the statistical foundation and benchmark measures against which most data-based decisions and activities take place.

- Re-engineer the 2010 Decennial Census of Population to improve the relevance and timeliness of census long-form data, reduce operational risk, improve the accuracy of census coverage, and contain costs.
- Invest in statistical methodological research and new technologies to improve current operations and prepare for the future.
- Continue to provide strict security of census information, address privacy issues, and foster program goals while maintaining confidentiality of census information.

Priorities/Management Challenges

To deliver the most value, the Census Bureau must target measurement on those trends and segments of the population and economy most critical to continued U.S. success and prosperity. During FY 2003, the Census Bureau focused activities in these areas through a variety of priority program efforts that continue and improve ongoing statistical programs. They included distributing Census 2000 data, planning the 2010 Census, obtaining cyclical economic data through the Economic Census and the Census of Governments, and distribution of data from the 2002 American Community Survey (ACS).

Changing priorities and goals became an issue in FY 2003. Working with its congressional committee, the Census Bureau was commissioned to provide, and carried out, an extensive test on the ACS. The resources needed to complete this test were obtained by shifting resources from activities contributing to the original performance goal of completing three evaluation reports by September 30, 2003. The Census Bureau focused on conducting and evaluating the test instead of work on three evaluation reports. The test was successfully completed and the results were reported to Congress.

Last year's report cited several management challenges, including: concerns from the public about the perceived intrusiveness of data collection efforts, continued decline in trust of government, sensitivity to the confidentiality of data, and a greater demand for quality, which have complicated the Census Bureau's data gathering efforts and ability to maintain or increase response rates. These challenges continue to be of concern, and are being addressed in concert with an added emphasis in the Census Bureau's mission statement to "honor privacy, protect confidentiality, ... and conduct the Census Bureau's work openly." To this end, the Census Bureau has enunciated privacy principles, conducted privacy impact assessments, begun to assess employee awareness, and is developing an external communications plan. Each of these components helps to ensure that the Census Bureau is continually demonstrating its commitment to ensuring the quality, accessibility, and security of its data, and its ongoing sensitivity to privacy.

Business events in the last two years, the recession and slow recovery, and businesses' growing objection to paperwork burden contributed significantly to difficulties in gathering business data. This resulted in missing the target response rate on the Economic Census. The Census Bureau took some innovative and aggressive promotional and respondent contact steps that may have prevented the response rate from declining even further. The Census Bureau will continue to actively work towards maintaining targeted response rates.

In addition, the Census Bureau must use state-of-the-art technology to stay ahead of the demand from policymakers for accurate and timely information on emerging economic and societal trends. The current emphasis includes significant efforts for the fiscal year 2004 Decennial Census test to study both the benefits and security concerns to transmitting potentially sensitive data on mobile computing devices and the Internet.

FY 2003 Performance

In FY 2003, the Census Bureau had four goals, 14 measures, and 19 targets. The Census Bureau met or exceeded 16 of the targets.

The performance measures focused on providing and improving current measures of the U.S. population, economy, and governments; timely release of Decennial Census products; and the implementation of the 2010 Decennial Census. These measures promote the use of information in preserving and protecting the American public's interests through the following:

- Provided statistics that were critical to understanding current conditions in the U.S. economy, including principal federal economic indicators.
- Produced economic statistics that provided 75 percent of the source data used in preparing gross domestic product estimates, one of the nation's most important barometers of current economic activity.
- Provided information on the labor, capital, and material inputs to, as well as the outputs of, the nation's manufacturing, mining, and construction industries.
- Conducted company-based surveys for the collection of financial data, including data on capital investment, income, payroll, assets, and expenditures.
- Collected, processed, and compiled statistical data relating to U.S. merchandise trade (exports, imports, and transportation) with foreign countries and Puerto Rico and the Virgin Islands; detailed trade information is available on both a monthly and annual basis for 17,000 import commodities and 10,000 export commodities.
- Conducted annual sample surveys of state and local government finances and employment, and produced quarterly measures of taxes and government assets.
- Conducted surveys for other government agencies related to federal, state, and local government activities.
- Undertook reimbursable activities (surveys and special tabulations) that take advantage of the economic program's processing infrastructure and core competencies.

These economic conditions drive the interest rates of the United States, thus affecting consumer buying, confidence, and day-to-day living.

During FY 2003, the Census Bureau's demographic statistics program successfully developed and implemented plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. Other surveys that measured housing characteristics (such as home ownership), income, poverty, family composition, and the socioeconomic characteristics of race and ethnic groups were successfully completed. These surveys provide information on home ownership, income levels, poverty and health insurance coverage. Federal agencies, the Congress, and the states use these statistics as they consider modifying programs such as Social Security, Medicare, and Medicaid.

The 2002 Economic Census provided a significant expansion to content and coverage, as well as an accelerated release schedule. New for the 2002 Economic Census content includes information on e-commerce and leased employees, first-time service product data for 65 service industries, and supply chain information from manufacturing, retail, wholesale, and some service industries. Ensuring that coverage and release data are accurate and timely affects the daily lives of millions of Americans in their financial capabilities.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Meet the Needs of Policymakers, Businesses and Non-Profit Organizations, and the Public for Current Measures of the U.S. Population, Economy, and Governments¹

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
(1) Household response rate for the Current Population Survey (CPS), the National Crime Victimization Survey (NCVS), and the American Housing Survey (AHS)	100%	100%	100%	(1) 90%	(1) 91%	X	
(2) Response rate for the National Health Interview Survey				(2) 87%	(2) 88%	X	
(3) Response rate for the Survey of Income and Program Participation (SIPP) ²				(3) 62%	(3) 70%	X	
(1) Release data products from the Survey of Income and Program Participation (SIPP)	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	(1) Two data products by 9/30/03.	(1) One data product was released by 9/30/03.		X
(2) Release Data Products from the Survey of Program Dynamics				(2) One data product by 9/30/03.	(2) One data product released on 4/30/03.	X	
Release principal economic indicators	New	New	100% on time	Release all 116 monthly and quarterly principal economic indicators according to pre-announced time schedule.	All principal economic indicators were released according to their pre-announced time schedule.	X	
Unit response rates for annual economic surveys used to benchmark data during intercensal years (includes Annual Survey of Manufacturers, the Annual Trade Survey (ATS), the Annual Retail Trade Survey, and the Service Annual Survey (SAS) ³	New	New	New	New	New	N/A	N/A

Performance Goal 2: Support the Economic and Political Foundations of the United States by Producing Benchmark Measures of the Economy and Population for the Administration and Equitable Funding of Federal, State, and Local Programs⁴

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Implementation of electronic reporting and 24/7 Internet help desk for the Economic Census	New	New	New	2002 Economic Census 24/7 Internet help desk is operational by 12/20/02.	On 11/15/02 the 24/7 Internet/Help Desk was established. To date the site has received more than nine million hits, over 300,000 visits, and close to 100,000 requests for extensions, remails, and additional forms.	X	
Conduct the Economic Census and Census of Governments	New	New	New	(1) Complete initial mailing for the finance phase of the Census of Governments by 10/31/02 and five million Economic Census forms by 12/20/02.	Initial mailing for the finance phase of the Census of Governments was completed in October. By 12/20/02 some five million Economic Census forms had been mailed.	X	
				(2) Complete initial mailing 2002 Survey of Business Owners forms to 1 million businesses with paid employees by 9/30/2003.	Initial mailing for the 2002 Survey of Business Owners forms to 1 million businesses with paid employees was completed on 9/10/2003.	X	
Response rate for the Economic Census	New	New	New	84%	82%		X
(1) Release Decennial Census products	New	100% of scheduled releases	100% of scheduled releases	(1) Four data products by 9/30/03.	(1) 5 data products were released by 9/30/03.	X	
(2) Release Census of Governments products				(2) Two data products by 9/30/03.	(2) Product number 1-Government Counts from the Organization Survey was released 1/03, almost 6 months ahead of schedule. Product number 2-State by State Organization Report is being released on a flow basis beginning 9/03, with all states being released by 12/03.	X	
(3) Release Economic Census products				(3) None	(3) None	X	
Conduct an evaluation program to measure the effectiveness of Census operations and survey procedures	New	New	New	Release eight evaluation topic reports by 9/30/03.	Released 14 Census 2000 evaluation topic reports by 9/30/03.	X	

Performance Goal 3: Meet Constitutional and Legislative Mandates by Implementing a Re-Engineered 2010 Census that is Cost-Effective, Provides More Timely Data, Improves Coverage Accuracy, and Reduces Operational Risk⁵

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Implement the American Community Survey (ACS)	New	New	Completed field activities supporting the release of 2001 data from the long form transitional database in summer of 2002.	Release three evaluation reports on the continuous measurement program by 9/30/03.	Evaluation reports not released.		X
Implement Master Address File (MAF)/ Topologically Integrated Geographic Encoding and Referencing system (TIGER) modernization	New	New	Prepared plan and systems by end of FY 2002 to measure housing unit coverage of the address list; list is at least as complete as it was for Census 2000, as measured by the accuracy and coverage evaluation.	Complete map feature and housing unit location corrections of 250 counties by 9/30/03. ⁶	Completed map feature corrections of 250 counties by 9/30/03.		X
Conduct early 2010 Census planning, development and testing	New	New	New	Select 2004 Census test sites by 12/31/02. Develop and document design requirements for 2004 Census test by 12/31/02. Develop detailed operational schedule for the 2004 Census test in April 2004 by 9/30/03.	Selected 2004 Census test sites by 12/31/02. Developed and documented design requirements for 2004 Census Test by 12/31/02. Developed detailed operational schedule for the 2004 Census Test by 9/30/03.		X

Performance Goal 4: Foster an Environment that Supports Innovation, Reduces Respondent Burden, and Ensures Individual Privacy⁷

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Response to the annual Boundary and Annexation Survey (BAS)	New	New	New	83%	88%	X	
Meet milestone dates for Web-enabled portal technology demonstration project and for prototype imaging technology research project	New	New	New	100%	100%	X	
Segment score for overall customer satisfaction on the American Customer Satisfaction Index ⁸	New	New	New	New	New	N/A	N/A

¹ This goal has been reworded since the publication of the FY 2001 Annual Program Performance Report (APPR) and FY 2003 Annual Performance Plan (APP). This goal was previously worded as: "Provide and improve current measures of the U.S. population, economy, and governments that meet the needs of policymakers, businesses, and the public."

² Prior to FY 2003 this measure was worded as "Percentage of household surveys with initial response rates greater than 90 percent." The Census Bureau met 100 percent of the stated target by obtaining response rates better than 90 percent for FY 1999 through 2002. For FY 2003, this measure was separated into three components. The first component included response rates for the CPS, the NCVS, and the AHS.

³ This was not a reported measure in the FY 2001 APPR and FY 2003 APP. This is a new measure that will be reported in the FY 2004 APP.

⁴ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Provide the statistical foundation and benchmark measures of the population, economy, and government that meet the needs of policymakers, federal, state, and local governmental agencies, businesses and the public."

⁵ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Re-engineer the 2010 Decennial Census to be more efficient and cost effective, provide richer data, improve coverage, and reduce risk in meeting constitutional and legislative mandates."

⁶ This measure was reworded with the publication of the FY 2004 APP to read: "TIGER features are within five meters of true GPS location for 7.7 percent of the nation's counties by 9/30/03". The Census Bureau is reporting against the measure as published in the FY 2003 APP and FY 2001 APPR.

⁷ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Re-engineer the 2010 Decennial Census to be more efficient and cost effective, provide richer data, improve coverage, and reduce risk in meeting constitutional and legislative mandates."

⁸ This is not reported as a measure in FY 2003. This is reported as a new measure starting with the FY 2004 APP.

Resource Requirements Summary

(Dollars In Millions. Funding Amounts Reflect Total Obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Meet the Needs of Policymakers, Businesses and Non-Profit Organizations, and the Public for Current Measures of the U.S. Population, Economy, and Governments¹

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses				
Current Economic Statistics	88.9	102.7	111.3	122.9
Current Demographic Statistics	47.5	49.8	53.5	54.4
Survey Development and Data Services	3.5	3.8	4.1	N/A
Mandatory				
Survey of Program Dynamics	9.9	10.0	9.9	9.9
Children's Health Insurance Program	10.0	10.0	10.0	10.0
Periodic Censuses and Programs				
Economic Censuses	47.5	41.4	52.1	N/A
Census of Governments	3.6	3.1	5.7	N/A
Intercensal Demographic	5.4	5.7	6.3	N/A
Continuous Measurement	19.9	21.2	26.4	N/A
Demographic Surveys Sample Redesign	5.1	7.9	12.4	N/A
Electronic Information Collection	5.4	6.1	6.2	N/A
Geographic Support	6.5	13.9	18.6	N/A
Data Processing Systems	11.4	11.8	11.6	N/A
Suitland Federal Center	0.0	0.1	1.2	N/A
Reimbursable Obligations	170.7	205.2	226.9	223.5
Total Funding	435.3	492.7	556.2	420.7
IT Funding ⁵	100.0	100.1	157.6	41.7
FTE	5,462	5,931	6,457	4,626

Performance Goal 2: Support the Economic and Political Foundations of the United States by Producing Benchmark Measures of the Economy and Population for the Administration and Equitable Funding of Federal, State, and Local Programs ²

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Periodic Censuses and Programs				
Economic Censuses	New	New	New	86.4
Census of Governments	New	New	New	6.5
Intercensal Demographic Estimates	New	New	New	9.3
2000 Decennial Census	4,116.5	441.5	147.9	82.9
Demographic Surveys Sample Redesign	New	New	New	12.1
Electronic Information Collection	0.6	0.0	0.0	N/A
Geographic Support	26.0	20.9	5.6	N/A
Data Processing Systems	11.3	11.7	11.5	N/A
Suitland Federal Center	0.0	0.2	0.9	N/A
Total Funding	4,154.4	474.3	165.9	197.2
IT Funding ⁵	322.5	199.9	89.1	90.2
FTE	80,937	4,449	1,243	1,665

Performance Goal 3: Meet Constitutional and Legislative Mandates by Implementing a Re-Engineered 2010 Census that is Cost-Effective, Provides More Timely Data, Improves Coverage Accuracy, and Reduces Operational Risk ³

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Periodic Censuses and Programs				
2010 Decennial Census	New	New	64.3	144.7
Geographic Support	New	New	13.0	N/A
Total Funding	New	New	77.4	144.7
IT Funding ⁵	New	New	44.7	79.8
FTE	New	New	598	1,076

Performance Goal 4: Foster an Environment that Supports Innovation, Reduces Respondent Burden, and Ensures Individual Privacy ⁴

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses				
Survey Development and Data Services	New	New	New	4.3
Periodic Censuses and Programs	New	New	New	New
Electronic Information Collection	New	New	New	6.2
Geographic Support	New	New	New	37.6
Data Processing System	New	New	New	23.5
Suitland Federal Center Reconstruction	New	New	New	1.5
Total Funding	New	New	New	73.1
IT Funding ⁵	New	New	New	29.7
FTE	New	New	New	398

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries And Expenses	139.9	156.3	168.9	181.6
Periodic Censuses And Programs	4,259.0	585.5	383.8	410.7
Mandatory Programs	19.9	20.0	19.9	19.9
Total Funding ⁷	4,589.5	967.0	799.5	835.7
Direct	4,418.8	761.8	572.6	612.2
Reimbursable ⁶	170.7	205.2	226.9	223.5
IT Funding ⁵	470.0	347.4	291.4	241.4
FTE	86,399	10,380	8,420	7,766

¹ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Provide and improve current measures of the U.S. population, economy, and governments that meet the needs of policymakers, businesses, and the public."

² This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Provide the statistical foundation and benchmark measures of the population, economy, and government that meet the needs of policymakers, federal, state, and local governmental agencies, businesses and the public."

³ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Re-engineer the 2010 Decennial Census to be more efficient and cost effective, provide richer data, improve coverage, and reduce risk in meeting constitutional and legislative mandates."

⁴ This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Provide mission critical support for tools and capabilities that improve processes, products and services for the Census Bureau's surveys and censuses."

⁵ IT Funding included in Total Funding.

⁶ Reimbursable Funding included in Total Funding.

⁷ Total obligations in this table exclude Working Capital Fund obligations financed by other Census Bureau funds and already reflected in the results for the other funds.

Skills Summary:

Survey statisticians, mathematical statisticians, large-scale census and survey specialists, economists, geographers, demographers, program and management analysts, and information technology specialists.

FY 2003 Performance Goals

Performance Goal 1: Meet the Needs of Policymakers, Businesses and Non-Profit Organizations, and the Public for Current Measures of the U.S. Population, Economy, and Governments

(This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 Annual Performance Plan (APP). This goal was previously worded as: "Provide and improve current measures of the U.S. population, economy, and governments that meet the needs of policymakers, businesses, and the public.")

Corresponding 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.

Rationale for Performance Goal

Demographic Statistics:

The Census Bureau's demographic statistics program is responsible for:

- Developing plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. The Census Bureau undertakes analytical research on emerging issues and trends, such as the condition of children and the elderly, the employment of disabled individuals, and the characteristics of immigrants.
- Directing and coordinating technical and developmental work on the collection and analysis of data by race, Hispanic origin, and ancestry are major responsibilities.
- Providing official statistics on income, poverty, and health insurance coverage, as well as longitudinal data on income and program participation that federal agencies use to develop, modify, and monitor income transfer programs, come from demographic programs. These data determine the impact of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, often called welfare reform.
- Conducting the foundational analysis and research underlying the U.S. Office of Management and Budget's (OMB) decisions on national statistical standards on topics such as occupational classifications, metropolitan areas, and race and ethnicity.
- Planning and conducting surveys and special censuses funded by other federal agencies that focus on topics of national importance, such as unemployment, crime, health, housing, education, and consumer expenditures.

Economic Statistics:

The Census Bureau's economic statistics program is responsible for:

- Conducting more than 100 separate surveys monthly, quarterly, and annually, including principal economic indicators.
- Producing voluminous merchandise export and import statistics monthly.
- Accomplishing extensive compilations of administrative records.
- Undertaking numerous research and technical studies.
- Conducting a number of surveys under reimbursable agreements with other federal agencies.

FY 2003 Performance

The FY 2003 performance levels for most measures were achieved. During FY 2003, the Census Bureau's demographic statistics program staff successfully achieved most of the specified targets. The Census Bureau's demographic statistics program staff successfully developed and implemented plans and programs to collect, process, and disseminate information from surveys and censuses on the population and its characteristics, and on the size and characteristics of the housing inventory. Other surveys that measured housing characteristics, such as home ownership, income, poverty, family composition, and the socioeconomic characteristics of race and ethnic groups were successfully completed.

For the FY 2003 budget cycle, the Census Bureau underwent its first Program Assessment Rating Tool (PART) process. This process is still ongoing; however, initial reaction from the OMB has been generally positive. OMB assessed three areas in the demographic statistics program, using the PART process:

- Demographic Surveys Sample Redesign
- Intercensal Demographic Estimates
- Current Demographic Statistics

Formal recommendations resulting from the PART process will be reflected in the Census Bureau's APP.

During FY 2003, the Census Bureau's economic statistics program staff successfully:

- Provided statistics that were critical to understanding current conditions in the U.S. economy, including principal federal economic indicators.
- Produced economic statistics that provided 75 percent of the source data used in preparing GDP estimates, one of the nation's most important barometers of current economic activity.
- Provided information on the labor, capital, and material inputs to, as well as the outputs of, the nation's manufacturing, mining, and construction industries.
- Conducted company-based surveys for the collection of financial data, including data on capital investment, income, payroll, assets, and expenditures.

- Collected, processed, and compiled statistical data relating to U.S. merchandise trade (exports, imports, and transportation) with foreign countries and Puerto Rico and the Virgin Islands; detailed trade information is available on both a monthly and annual basis for 17,000 import commodities and 10,000 export commodities.
- Conducted annual sample surveys of state and local government finances and employment and produced quarterly measures of taxes and government assets.
- Conducted surveys for other government agencies related to federal, state, and local government activities.
- Undertook reimbursable activities (surveys and special tabulations) that take advantage of the economic program's processing infrastructure and core competencies.

In FY 2003, work was also begun to improve the relevancy of the Census Bureau's economic statistics. This was as a result of the \$10.7 million in addition to funding Congress provided in FY 2003 for the "Improved Measurement of Services" and the "e-business" initiatives. Products that will come from these initiatives include:

- A new principal economic indicator series, the Quarterly Services Survey. Data collection for this new quarterly economic indicator, the first to be introduced by the Census Bureau in over 40 years and the first by any federal agency in 30 years, will begin in April 2004. Currently, the only measures of service industry activity are available annually, 9-10 months after the reference period.
- Additional service industry product detail that will be added incrementally to the Services Annual Survey (SAS). This program component will provide new annual data on service industry products (i.e., breakdowns of service receipts by industry). These data will be used by the Bureau of Economic Analysis (BEA), the Bureau of Labor Standards (BLS), and others to improve measures of economic growth, real output, prices, and U.S. productivity statistics, helping to improve BEA's national and industry accounts and BLS' industry productivity measures. FY 2003 funding provides for services product detail being added incrementally to SAS over a three-year period.
- New purchase services data that will be added incrementally to the SAS. This program enhancement provides new annual data on purchased services by industry, permitting BEA and the Federal Reserve Board to compute economic value added by particular service industries. The FY 2003 funding increase added the purchased services categories described above to the SAS over a two-year period. Data collection occurred in January following the end of the reference year with dissemination no later than 12 months following the end of the reference year.
- Expansion of the Annual Trade Survey (ATS) to include manufacturers' sales branches and offices (MSBO). MSBO's of large manufacturing companies have and are using e-business processes to change the way they do business. These changing practices have resulted in consolidation and changing inventory levels and practices, yet these businesses are only surveyed once every five years in the Economic Census. FY 2003 funds will expand the 2003 ATS by covering MSBOs annually. The 2003 ATS will include a sample of about 1,600 MSBOs and will be mailed in early 2004 to collect data on total sales, e-commerce sales, and inventory where relevant. Providing BEA with annual coverage of MSBOs will address a long-standing BEA priority to obtain accurate enumerations of \$50 billion in wholesale inventories that they have had to estimate annually because these data are only collected in the Economic Census. Receiving these data from the Census Bureau annually, instead of only once every five years, will enable BEA to improve its GDP estimates since inventory change is a key component of GDP estimates.

- Expansion of the Annual Capital Expenditures Survey (ACES) to include information on information technology (IT) and related expenditures. The Census Bureau’s plan is to collect comprehensive and detailed annual data on economy-wide business expenditures for the information and communication technology (ICT) portion of the e-business infrastructure. Collected data will include all business spending, whether capitalized or expensed, associated with creating and maintaining the ICT infrastructure. The Census Bureau currently collects selected capitalized and expensed ICT data for various industries but most of these collections are limited to specific sectors of the economy and are not collected annually. Such data gaps and lack of consistency among data collections create problems for data users. In some sectors, the total cannot be calculated because the expensed data are not collected. In others, the total cannot be calculated because the capitalized and expensed data are collected in different years. In addition to these inconsistencies and gaps among collections, the current ACES excludes expenditures for IT equipment that businesses expense but that economists consider investment. Excluding these expenses is consistent with the ACES mission to collect capitalized expenditures only, but without data on these key ICT expenditures, the gap between the business and economic concept is difficult to assess. Collection of the ICT infrastructure data started with the 2003 ACES.

Measure 1a: (1) Household response rate for the Current Population Survey (CPS), the National Crime Victimization Survey (NCVS), and the American Housing Survey (AHS) (2) Response rate for the National Health Interview Survey NHIS) (3) Household response rate for the Survey of Income and Program Participation (SIPP)

	FY 2000	FY 2001	FY 2002	FY 2003
Target ¹	100%	100%	100%	(1) 90% (2) 87% (3) 62%
Actual	100%	100%	100%	(1) 91% (2) 88% (3) 70%
Met/Not Met	Met	Met	Met	Met

¹ Prior to FY 2003 this measure was worded as "Percentage of household surveys with initial response rates greater than 90 percent." The Census Bureau met 100 percent of the stated target by obtaining response rates better than 90 percent for FY 1999 through 2002. For FY 2003, this measure was separated into three components. The first component included response rates for the Current Population Survey (CPS), the National Crime Victimization Survey (NCVS), and the American Housing Survey (AHS).

Explanation of Measure

Maintaining a high response rate for household surveys ensures that the Bureau’s survey information is always reliable, comparable, and widely accepted by customers over the longer term. Since the sample design, interview content, length, and respondent rules vary by survey and are correlated with response rates, the Census Bureau’s target measures are different for: (1) The Current Population Survey (CPS), the National Crime Victimization Survey (NCVS), and the American Housing Survey (AHS). These households have rotating address-based panels and are usually contacted by a Field Representative (FR) in person when they first enter the sample and remain in sample for repeated visits over a prescribed period of time. The rotating design also ensures that there is a mix of new and returning households, which serves to stabilize response rates over time. FRs can make subsequent contacts by appointment and by telephone if the respondent wishes. Households that move are not followed; the new occupants are eligible for the interview. This methodology, coupled with an interview lasting from 10-40 minutes depending on the household size, is conducive to maximizing response rates. However, response rates across all surveys, regardless of design and content, have been declining in recent years as the Census Bureau competes with

other surveys and demands on the public’s time. (2) The National Health Interview Survey (NHIS) uses a different design in that a household is in the sample only once, the FR has a short interval of time to conduct the interview, and the average interview length is 60 minutes, hence the lower target response rate of 87 percent. (3) The Survey of Income and Program Participation (SIPP) is on average a 60-minute household interview and collects information on income, assets, transfer program participation, and various other socio-economic topics. Since 1996, the SIPP has had “abutting” rather than overlapping panels, which means that at any given time, all households have been in sample for the same time period, i.e., there is no replenishment of sample as in the CPS, NCVS, and AHS designs. In addition, respondents are interviewed every four months, are encouraged to consult their records and to report their social security number to ensure accurate data, and are followed to new locations if they move during the life of the panel, which is usually three to four years. These design features, particularly the requirement to follow original household members, have contributed to sharp declines in panel response rates in recent years. The Census Bureau has taken several steps to maximize response such as monetary incentives, redesigned introductory letters and materials, and enhanced FR training. The target response rates consider the age of the panel in the appropriate year. The SIPP has a household response rate target of 62 percent.

Beginning in FY 2003 this measure was expanded to include longitudinal surveys (such as SIPP and Survey of Program Dynamics (SPD)) for which the high response rates are difficult to maintain over time.

FY 2003 Performance

With the exception of one data product from SIPP, the FY 2003 performance level for this measure was achieved. The Census Bureau was able to achieve a response rate of 90 percent or greater for the its cross-sectional household surveys. This measure excludes household expenditure surveys. These response rates are developed during the data collection phase of the survey.

Measure 1b: (1) Release Data Products from the Survey of Income and Program Participation (SIPP) and (2) the Survey of Program Dynamics (SPD) (see the “Explanation of Measure” Section for Data Products List)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Maintain FY 1999 actual time achieved	Maintain FY 1999 actual time achieved	Maintain FY 1999 actual time achieved	(1) Two data products by 9/30/03. (2) One data product by 9/30/03.
Actual	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	Maintained FY 1999 actual time achieved	(1) One data product was released by 9/30/03. (2) One data product released on 4/30/03.
Met/Not Met	Met	Met	Met	Not Met/Met ¹

¹ There are two product measurements. This first was not met and the second was met.

Explanation of Measure

The Census Bureau has achieved optimal release times for many long-standing household surveys. For example, the Bureau releases data from the AHS nine months after collection. Other household surveys have different schedules based on their designs. This measure addresses newer surveys and survey supplements, such as SIPP and the SPD.

SIPP collects a “core” of data items on detailed income, program participation, and work experience at four-month intervals from a cohort of households that are in the sample for approximately three years. Each four-month interval is referred to as a “wave” of interviewing and, in addition to the core items, questions measuring other aspects of household economic and social well-being are included as “topical modules” during each wave. The core data supplies longitudinal (studies in which variables relating to an individual or group of individuals are assessed over a period of time) measures over the life of the panel while the topical module data supplies cross-sectional (studies that focus on phenomena that occur during a precise time interval, such as a calendar year) measures at one or more points in time.

The SPD is a follow-on survey conducted with SIPP respondents from the 1992 and 1993 panels who were last interviewed in 1995 and 1996, respectively, to comply with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, commonly known as the 1996 Welfare Reform Act.

FY 2003 Performance

While SIPP successfully produced the 2001 waves 1 through 4 longitudinal files planned for FY 2003, the 2001 waves 1 and 2 topical module files were not completed during FY 2003. These topical modules provide extensive demographic histories of the participants and require new disclosure avoidance procedures beyond those previously employed in order to respond to the rapid growth in personally identified information available through the Internet. New disclosure protocols are being developed to address these issues. As a result, the 2001 waves 1 and 2 topical module files are expected to be released by the end of calendar year 2003.

Measure 1c: Release Principal Economic Indicators				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	100% on time	Release all 116 monthly and quarterly principal economic indicators according to pre-announced time schedule.
Actual			100% on time	100% on time
Met/Not Met			Met	Met

Explanation of Measure

The Census Bureau provides statistics that are critical to understanding current conditions in the economy. These statistics include the principal federal economic indicators that drive national monetary policy, federal economic policy-making and investment, and business decisions. These principal economic indicators include the:

- Advance Retail Sales
- Manufacturing and Trade: Inventories and Sales
- Monthly Wholesale Trade
- Advanced Report on Durable Goods, Manufacturers’ Shipments, Inventories, and Orders
- Construction Put in Place
- Quarterly Financial Report (QFR): Manufacturing, Mining, and Wholesale Trade

- New Residential Construction
- New Residential Sales
- QFR: Retail
- Housing Vacancies
- The U.S. International Trade in Goods and Services—jointly released with the BEA¹

OMB Statistical Directive No. 3 requires that data for Census Bureau principal economic indicators be released within prescribed time periods. For most monthly indicators this means that they must be made available within one month of the end of the reference period, and for the quarterly indicators within two and a half months. Release dates for these indicators are available online at www.census.gov/epcd/econ/www/indijun.htm. The Census Bureau's goal is to release all 116 monthly and quarterly principal economic indicators on time.

FY 2003 Performance

During FY 2003, all principal economic indicators were released on time. The Census Bureau's principal economic indicators are among some of the most important and closely followed statistics generated by the federal statistical system. These indicators provide government policymakers and private decisionmakers with timely information about the current performance of the U.S. economy.

Program Evaluation

The Census Bureau's statistical program evaluations are numerous and ongoing. One measure the Bureau uses to determine data reliability is response rates. Another measure the Bureau uses to determine timeliness is the elapsed time from data collection to data release.

Demographic Statistics

The Census Bureau regularly generates quality profiles and management reports for both reimbursable and Bureau-sponsored demographic surveys. These profiles and reports provide statistical measures of reliability and note compliance with or accomplishment of project tasks.

Economic Statistics

Regular evaluations of programs by the economic statistics staff have led to better measures of capital expenditures by U.S. companies, improved the Bureau's ability to capture data on e-commerce activities, and clarified the information companies can provide on their pollution abatement activities. Also, every three years, as required by statistical directive no. 3, the Census Bureau prepares a report for OMB on the compilation, release, and evaluation of the principal economic indicators that the Bureau produces. The evaluation component assesses the accuracy and reliability of the published data.

¹ Previously, the U.S. International Trade in Goods and Services measure was reported in the BEA's APPR and APP with reference to the Census Bureau's data collection and processing responsibilities.

Performance Goal 2: Support the Economic and Political Foundations of the United States by Producing Benchmark Measures of the Economy and Population for the Administration and Equitable Funding of Federal, State, and Local Programs

(This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: “Provide the statistical foundation and benchmark measures of the population, economy, and government that meet the needs of policymakers, federal, state, and local governmental agencies, businesses and the public.”)

Corresponding 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.

Rationale for Performance Goal

The Census Bureau’s benchmark programs are a major source of baseline information upon which most data-based decisions and activities take place. Whether gathered through the Decennial Census of Population and Housing, the Economic Census, the Census of Governments, or the Intercensal Demographic Estimates that provide baseline demographic information in between the decennial censuses, the Census Bureau’s benchmark programs are where everyone turns to for information.

The demographic programs provide the data used by the states and other agencies to:

- Allocate nearly \$200 billion dollars in federal funds each year.
- Conduct the analyses that underlie the statistical definitions and standards used by the entire Federal Government in policy decisions.
- Establish the baseline sample units that underlie virtually every survey conducted in the United States by both private and public sectors.

The economic statistics programs count and profile U.S. businesses and government organizations in a rapidly evolving economic environment. They include conducting an Economic Census and a Census of Governments every five years. The Economic Census covers all nonagricultural sectors of the economy, publishes data on the activities of more than 22 million businesses and more than 1,100 industries, and provides detailed geographic information.

As a complement to the sectoral Economic Census program components, the Census Bureau also conducts a series of related programs to collect information on topics of special interest—for example, minority and women-owned businesses, the characteristics of the nation’s trucking fleet; business expenses; the flow of commodities; and the economies of Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

The Census of Governments represents the primary source of facts about the structure and function of the public sector of the U.S. economy. It provides essential information to Congress and federal agencies for planning and evaluating programs that involve intergovernmental relationships. The census contributes an important element for constructing composite national economic measures, such as GDP, BEA’s input-output tables that measure market sectors, and the Federal Reserve Board’s

flow of funds accounts that provide time-series data of financial flows in the economy. The Census of Governments' findings supply vital analytical tools for a wide variety of data users. Among the most prominent are state and local government officials, educational organizations, criminal justice organizations, public interest groups, private industry, economic research agencies, and the media.

The Census Bureau's Performance Goal 2 focuses on the major conduct and dissemination milestones for the 2002 Economic and Government Censuses and providing improved demographic intercensal estimates. Specific performance goals and measures related to these activities include

- Publishing and disseminating data from the 2002 Economic Census and the 2002 Census of Governments on a timely, scheduled basis.
- Mailing Survey of Business Owners forms for the 2002 Economic Census.

FY 2003 Performance

Primary activities concentrated on collecting and processing data for the Economic Census and Census of Governments. The 2002 Economic Census provided a significant expansion to content and coverage, as well as an accelerated release schedule. New for the 2002 Economic Census content includes information on e-commerce and leased employees, first-time service product data for 65 service industries, and supply chain information from manufacturing, retail, wholesale, and some service industries. This included the mailing of more than five million Economic Census forms to businesses. Except for Measure 2c (obtain an 84 percent response rate for the Economic Census), all performance targets were met during FY 2003. The Economic Census data provides detailed information on the structure of the economy. Some data uses include:

- *Public sector* — benchmarking, tracking economic change, assisting business development, and attracting new businesses.
- *Private sector* — study your industry (market share, product trends, and strategic planning), study business markets, and evaluate investments.

Measure 2a: Implementation of Electronic Reporting and 24/7 Internet Help Desk for the Economic Census

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	2002 Economic Census 24/7 Internet Help Desk is operational by 12/20/02.
Actual				On 11/15/02, more than a month ahead of schedule, the 24/7 Internet/Help Desk was established to expedite the handling of respondents' information requests.
Met / Not Met				Met

Explanation of Measure

This is a new performance measure for FY 2003. For the Economic Census, the Census Bureau followed a strategy that maximized response and minimized reporting burden. In order to do this, it is absolutely critical that the electronic reporting option and customer relations management programs be rolled out in a timely manner.

Over the past decade the Census Bureau has introduced a number of initiatives aimed at automating the collection and dissemination of economic statistics. These initiatives have been driven by external demand for services, available technology, requirements of the Paperwork Reduction Act and Government Paperwork Elimination Act, and efforts to facilitate and simplify reporting, improve quality, and reduce data collection costs. The overall electronic reporting strategy has been to focus on the most burdensome surveys, provide respondents with functionality that facilitates and simplifies reporting without requiring the programming or data processing expertise, and is cost beneficial to the Census Bureau.

The 1987 Economic Census was the first census to permit a limited number of large companies to report economic census data on magnetic tape. In response to demands from large companies, the Census Bureau broadened the magnetic tape reporting program in the 1992 Economic Census and developed an Electronic Data Interchange capability for use by large retailers. Electronic reporting initiatives for the 1997 Economic Census, like previous censuses, focused on large, homogeneous retail enterprises. For retail companies the Census Bureau developed a computerized self-administered questionnaire that covered 27 different economic census report forms. The Census Bureau received more than 200,000 retail establishment forms electronically, but because of timing and resource constraints it did not fully revamp the Census Bureau's processing systems. While non-retail establishments were permitted to file using a standard spreadsheet format, most companies did not follow the instructions and this resulted in significant processing problems.

The Census Bureau's experience has demonstrated that implementing an electronic reporting capability, if done effectively, demands substantial Bureau resources and significant changes to existing processing systems. An ambitious electronic reporting capability was introduced for the 2002 Economic Census. The Census Bureau's plan offered Web-based reporting to all 3.5 million participating businesses. If successful, the Census Bureau expects that both respondent burden and Census Bureau data processing costs will be reduced.

Also, as part of the Census Bureau's strategy to exploit the Web, a 24/7 Internet site was established to provide assistance to 2002 Economic Census respondents. The site provided the user with functionality, including the ability to get replacement forms, file extensions, download and submit electronic versions of the census, and to inactively ask and receive answers to questions. The effectiveness of the site will be part of the post-census evaluation. The evaluation will be based on the results of a customer satisfaction survey and the more traditional metrics such as number of hits, visits, downloads, etc.

FY 2003 Performance

On November 15, 2002, more than a month ahead of schedule, the 24/7 Internet Help Desk was established to expedite the handling of respondents' information requests. To date, the site has received more than nine million hits, over 300,000 visits, and responded to more than 100,000 requests for extension, re-mails, and additional forms. With the 2002 Economic Census a major milestone in collecting data from companies was achieved by offering more than 3.5 million businesses the opportunity to file electronically via the Internet. Almost 440,000 establishments filed their reports electronically. This represents about 12 percent of the total reports filed. In fact, three out of four responses by our nation's largest companies were submitted electronically.

Measure 2b: Conduct the Economic Census and Census of Governments

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	(1) Complete initial mailing for the Finance Phase of the 2002 Census of Governments by 10/31/02 and five million 2002 Economic Census forms by 12/20/02. (2) Complete initial mailing 2002 Survey of Business Owners forms to 1 million businesses with paid employees by 9/30/2003.
Actual				(1) Initial mailout for the finance phase of the Census of Governments was completed in October 2002. By 12/20/02 some five million Economic Census forms had been mailed. (2) Initial mailing for the 2002 Survey of Business Owners forms to 1 million businesses with paid employees on 9/10/2003.
Met / Not Met				Met

Explanation of Measure

This is a new performance measure for FY 2003. FY 2003 is the data collection and processing year for the Economic Census. The first two years were devoted to planning, forms design, mail list development, and the building of an infrastructure to support and process the Censuses. The Census of Governments has three phases – organization, employment and finance. The organization phase establishes the universe of state and local governments. The employment phase collects information on the number of employees and payrolls of state and local government employees. The finance phase collects information on the revenues, expenditures, debt and financial assets of state and local governments.

The complete and timely mailing of report forms to the more than five million business establishments and state and local governments is critical to the success of the Censuses. All future deadlines are predicated of the successful completion of these mailings.

FY 2003 Performance

The initial mailout for the finance phase of the Census of Governments was completed in October 2002. By December 20, 2002, five million Economic Census forms had been mailed. The meeting of these targets was critical to the successful completion of these programs. All future deadlines were predicated upon the completion of the activities by the dates identified.

The Census of Governments represents the primary source of facts about the structure and function of the public sector of the U.S. economy. It provides essential information to the Congress and federal agencies, for planning and evaluating programs involving intergovernmental relationships. The census contributes an important element for constructing composite national economic measures such as the GDP, which quantifies economic output, and the Federal Reserve Board’s Flow of Funds Accounts that provide time-series data of financial flows in the economy.

The Economic Census provides the nation with comprehensive, detailed, and authoritative facts about the structure of the U.S. economy. Every five years, the economic census profiles the United States economy from the national to the local level. It provides official measures of output for industries and geographic areas. Economic policymakers in federal, state, and local governments use economic census data to project trends, guide economic development, and assess the impact of economic policy. The data help build the foundation for the GDP and other indicators of economic performance.

Measure 2c: Response Rate for the Economic Census

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	84%
Actual				82%
Met / Not Met				Not Met

Explanation of Measure

Maintaining response rates consistent with previous censuses is critical to the Census Bureau's mission. Stakeholders rely on Census Bureau data to accurately portray the structure of the economy. High response rates are crucial to the reliability of these data.

FY 2003 Performance

As of the end of FY 2003, the response rate for the 2002 Economic Census was 82 percent. While the target was missed, had some innovative and aggressive promotion and respondent contact steps not been taken, the response rate may have declined even more. Business events in the last two years, the recession and slow recovery, and businesses' growing objection to paperwork burden likely contributed to the lower response rate. At the time it became clear to the Census Bureau that the goal would not be met, despite implementing all planned activities, a follow-up plan of action was developed.

Additional activities were initiated to further increase the response rate. Actions, beyond those initially planned, included increased and more targeted follow-up mailings, a stepped up telephone follow-up program, and a special campaign informing firms of the penalties for not responding. These actions, as well as others, constituted the multi-dimensional plan used by the Census Bureau to address response issues. The plan is outlined below:

- An account manager program for the top 1,000 companies. Reports from these companies ultimately provide data for close to 500,000 locations.
- Three form follow-ups to two million single-location companies and to all small and medium-sized multi-location companies.
- An extensive promotion and outreach program.
- A 24/7 Internet help site and toll-free telephone assistance.
- Offering an electronic reporting option to all 3.5 million business locations participating in the census.

Actions taken to mitigate the decline in response rate included:

- Having staff at the Census Bureau's National Processing Center call non-responding medium-sized companies in July.
- Having account managers call their non-responding companies in June and July.
- Sending a letter, signed by Under Secretary Cooper, to the largest 39 noncompliant companies informing them of their legal obligation to comply.

- Sending 40,000 non-responding single location companies a priority-mail letter from the Department of Commerce’s Office of General Counsel informing them of their legal obligation, to comply and potential penalties for non-compliance.

In addition to the actions outlined above, an intensive telephone follow-up effort is being conducted by senior-level Census Bureau staff.

Measure 2d: (1) Release Decennial Census Products (2) Release Census of Governments Products (3) Release Economic Census Products

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	100% of scheduled releases	100% of scheduled releases	1) Four data products by 9/30/03. 2) One data product by 9/30/03. 3) none
Actual		100% of scheduled releases	100% of scheduled releases	1) Five data products were released by 9/30/03. 2) Product number 1-Government Counts from the Organization Survey was released 1/03, almost six months ahead of schedule. Product number 2-State by State Organization Report is being released on a flow basis beginning 9/03, with all states being released by 12/03. 3) N/A
Met / Not Met		Met	Met	1) Met 2) Met 3) N/A

Explanation of Measure

Decennial Census

In FY 2003, the Census Bureau completed release and dissemination of all scheduled Census 2000 data products. Providing releases of Census 2000 data products on schedule is critical to the institutions and individuals that are responsible for managing or evaluating federal programs. The Federal Government distributes federal dollars that support schools, employment services, housing assistance, highway construction, hospital services, programs for the elderly, and more based on census data. For example, 22 of the 25 largest federal funding grant programs in FY 1998 were responsible for \$162 billion being distributed to state, local, and tribal governments. About half of this money was distributed using formulas that involved Census population data, according to the General Accounting Office. The Census Bureau expects that nearly \$200 billion will be distributed annually based on formulas that use Census 2000 data.

Census of Governments

The Preliminary State and Local Governments Data from the organization phase of the Census of Governments was released in December 2002. The organization phase establishes the universe of state and local governments that will be covered in the census. This preliminary data release provided the initial counts of state and local governments by type of government, that is, for counties, municipalities, townships, school districts, and special districts. In addition to these preliminary data, the final dataset in the organization phase will supply an historical dimension for counts of governments, characteristics of governments by population size and activities, and detailed descriptions of governmental organization within each state. These data are currently being released to the Internet on a flow basis. The final data set is scheduled for completion by January 2004.

FY 2003 Performance

During FY 2003, all measures for this goal were successfully met. During FY 2003, the Census Bureau completed production and delivery of data products from Census 2000. These included release of:

- PHC-2 — summary social, economic, and housing characteristics for all places in the country.
- Summary File 4 (SF4) — Tract level population and housing characteristics (similar to SF3) iterated for many detailed race and Hispanic or Latino categories, American Indian and Alaska Native tribes, and ancestry groups.
- Quick Tables — Table shells with population and housing characteristics where the user can specify a geographic area and a population group.
- Public Use Microdata Sample Files — One percent sample files (information for states, and for substate areas except for Alaska, Delaware, Washington DC, North Dakota, South Dakota, Vermont, and Wyoming since they do not meet the minimum size requirement for substate areas).
- Congressional District Data Summary File — Tract level 100-percent and sample data for each of the redistricted 108th Congress Districts.

All of these data products provide, for the entire nation, detailed social and economic characteristics of the population collected during Census 2000. They will be used for a wide variety of purposes over the rest of this decade by many types of users, including federal, state, local, and tribal governments, the private sector, public and private researchers, schools and libraries, and private citizens.

Measure 2e: Conduct an Evaluation Program to Measure the Effectiveness of Census 2000 Operations and Survey Procedures

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Release eight Census 2000 evaluation topic reports by 9/30/03.
Actual				Released fourteen Census 2000 evaluation topic reports by 9/30/03.
Met / Not Met				Met

Explanation of Measure

The Census 2000 evaluation program will measure the effectiveness of the Census 2000 design, operations, systems, and processes and will provide information about new survey procedures applied in a census environment. All work will undergo an extensive quality assurance process to ensure high-quality reports. Results will build the foundation for making early informed decisions about the Census 2010 design and provide information useful for developing the ACS, the Master Address File (MAF) Updating System, and other censuses and surveys. A series of Topic Reports will compile data from across the entire evaluation, experimental and research programs, and analyze the data to answer the fundamental questions on how well the Census achieved its goals. This is a new measure for FY 2003.

FY 2003 Performance

In FY 2003 the Census Bureau achieved its goal for releasing the Census 2000 Evaluation Topic Reports. The completed topic reports included:

- Address List Development
- Automation of Census Processes
- Content and Data Quality
- Coverage Improvement
- Coverage Measurement
- Data Capture
- Data Collection
- Data Processing
- Partnerships and Marketing
- Privacy
- Puerto Rico
- Race and Ethnicity
- Response Rates and Behavior Analysis
- Special Places and Group Quarters

By pulling together findings from multiple studies, these reports will provide a more integrated and effective assessment of Census 2000 results.

Program Evaluation

The continued dissemination of data products to federal, state, local and tribal governments, as well as to users in the private and public sectors make them available for countless applications. Some uses of the data include the resolution of population and boundary issues, and the distribution of federal dollars to states and localities to meet their needs. The completion of the Census 2000 evaluation report, particularly the Topic Reports, will provide both internal and external audiences useful information for planning and developing all components of the re-engineered 2010 Census program.

Performance Goal 3: Meet Constitutional and Legislative Mandates by Implementing a Re-Engineered 2010 Census that is Cost-Effective, Provides More Timely Data, Improves Coverage Accuracy, and Reduces Operational Risk

(This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Re-engineer the 2010 Decennial Census to be more efficient and cost effective, provide richer data, improve coverage, and reduce risk in meeting constitutional and legislative mandates.")

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

This is a continuation of a performance goal established for FY 2002. Census 2000 was an operational and data quality success: all operations were completed on time and within overall budget; overall coverage was improved; and differential undercount was improved for all minority groups and for children. However, Census 2000 was conducted with high cost and at great operational risk.

In response, and in striving to better meet this nation's ever-expanding needs for social, demographic, and geographic information, the Department of Commerce and the Census Bureau have developed a multi-year effort to completely modernize and re-engineer the Decennial Census program.

This re-engineering effort for the 2010 Decennial Census has four major performance outcomes:

- Improve the relevance and timeliness of census long-form data,
- Reduce operational risk,
- Improve the accuracy of census coverage, and
- Contain costs.

The re-engineered 2010 Decennial Census program consists of three highly integrated activities designed to take advantage of opportunities for innovations made possible through the expanded use of technology, major changes in the Census Bureau's business process for data collection, and the use of focused coverage improvement procedures:

- Collect and tabulate long-form data every year throughout the decade using a large household survey (the ACS). Besides improving the timeliness of these detailed socio-economic data for federal programs and other data users, this will allow the 2010 Census to focus solely on short-form data collection and coverage.

- Conduct a multi-year effort to enhance and improve the Census Bureau’s MAF and geographic database, TIGER, by bringing them into alignment with global positioning system (GPS) coordinates and by converting the Census Bureau’s home-grown processing environment into one based on commercial off-the-shelf and geographic information system (GIS) software products. In addition to the great benefits of these improvements to the nation’s geographic information infrastructure, this will allow the 2010 Census to utilize GPS-equipped mobile computing devices. This in turn will allow the Census Bureau to make major improvements in its business process for data collection.
- Conduct a multi-year program of integrated planning, development, and testing to completely restructure the management and conduct of a short-form only census in 2010. This effort encompasses time-critical major field tests under census-like conditions in 2004 and 2006, and a full Dress Rehearsal in 2008.

Together, these three components are needed to achieve its long-range performance goals for the 2010 Census—maintaining or reducing net differential undercounts compared to Census 2000, increasing the mail response rate compared to Census 2000, and containing the full cycle costs. That is, while each of these components can yield great benefits on its own, the full overall benefit comes from the combination and integration of these activities into a fully re-engineered Decennial Census program.

FY 2003 Performance

During FY 2003, the Census Bureau successfully met four of the five measures for this goal. The Census Bureau completed selecting sites, developed a detailed operational schedule, and prepared design requirements for the 2004 Census Test—the first major field test in preparation for the 2010 Decennial Census. These were key accomplishments within the Census Bureau’s multi-year effort of planning, development, and testing to reengineer the conduct of a short form only 2010 Census. They will allow the Census Bureau to implement and evaluate the critical objectives and research questions of the 2004 Census Test, and then to use the results of that test to refine the Census Bureau’s development and testing objectives for the remainder of this multi-year effort. Overall, it keeps the Census Bureau on track to define final requirements by 2007 so that it can implement a dress rehearsal currently planned in 2008 of the actual methods and systems the Census Bureau plans to use for 2010. These successes also contribute to the overall 2010 Census goals of reducing risk, improving coverage, and containing costs. Census also met the MAF/TIGER Enhancements Program goal of bringing map features into GPS alignment for 250 counties. This is planned to be completed by 2008 for all 3,233 counties (and county equivalents) in the United States, Puerto Rico, and the Island Areas. Completion of this program also supports our overall 2010 goals relating to risk reduction, coverage improvement, and cost containment. It also is critical to implementation of the ACS, and the ACS is in turn critical to meeting the Census Bureau’s fourth overall goal for 2010—improving the timeliness and relevance of data.

Measure 3a: Implement the American Community Survey (ACS)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Complete field activities supporting the release of 2001 data from the Long Form Transitional Database in summer of 2002.	Release three evaluation reports on Continuous Measurement Program by 9/30/03.
Actual			Completed field activities supporting the release of 2001 data from the Long Form Transitional Database in summer of 2002.	Reports not released.
Met/Not Met			Met	Not Met

Explanation of Measure

The ACS's methods of data collection involve three modes:

- Collecting data by mailing out forms and processing the completed responses.
- Contacting non-responding households by telephone in order to collect these data.
- Sampling households that have still not responded and attempting data collection by visiting these households and conducting interviews.

The overall weighted response rate reflects the contribution of all three modes of response. The FY 2004 budget proposed full implementation of the ACS beginning in the last quarter of FY 2004. Under full implementation, the ACS monthly sample will reach 250,000 households. The ACS will also assist data users to understand the quality of the published estimates by calculating and displaying the confidence interval for all estimates in the ACS data products. The Census Bureau conducted the Census 2000 Supplementary Survey, the 2001 Supplementary Survey, and the 2002 Supplementary Survey using ACS methods. These surveys collected the data for the Long Form Transitional Database. The data collection for the Long Form Transitional Database was conducted to study the operational feasibility of collecting long-form-type data using a different methodology than that used in the decennial census, to demonstrate the reliability and stability of state and large-area estimates over time, and to demonstrate the usability of multi-year estimates. Each of these surveys had a sample of approximately 700,000 residential addresses per year. Using a sample of this magnitude, data can be generated that will provide estimates for all states and essentially all counties of 250,000 people or more.

The success of the ACS is predicated on the ability to validate, as well as the willingness of data users to accept, the current expectation that the ACS will eliminate the need for the decennial census long form. To this end, the Census Bureau will conduct census tract-by-tract comparisons between the 1999-2001 ACS cumulated estimates and the Census 2000 long form in the 31 test sites. These comparisons are used to identify the causes of differences, ways to improve ACS design, and areas that require additional research. This analysis is a critical part of the transition to using data from the ACS as a national program. As currently planned ACS community profiles would be updated every year rather than every 10 years. These vastly improved data will enable the U.S. Government to distribute billions of dollars more efficiently and to more effectively evaluate federal programs.

By September 30, 2003, the following evaluations related to the program were scheduled for release:

- A comparison of the Census 2000 Supplementary Survey and the Census 2000 Short Form,
- A comparison of the Census 2000 Supplementary Survey and the Census 2000 Long Form (sample items) data, and
- A comparison of three-year averages from the ACS data from 31 sites.

FY 2003 Performance

For FY 2003, the Census Bureau did not meet its original performance goal for the ACS. This was due to a change in priorities and goals for this program for FY 2003. Working with the congressional committee, the Census Bureau was commissioned to, and carried out, an extensive test to assess the effect on mail response rates of changing the ACS from a mandatory to a voluntary survey. The methodological resources needed to complete this test were obtained by shifting resources from other

activities contributing to the Census Bureau’s previously determined performance goal. Therefore, completion of this test and reporting of the results to the Congress became the Census Bureau’s new focus for FY 2003. This test was accomplished and the results of the test are ready for presentation to the Congress.

Measure 3b: Implement Master Address File (MAF)/ Topologically Integrated Geographic Encoding and Referencing System (TIGER) Modernization

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Prepare plan and systems by the end of FY 2002 to measure housing unit coverage of the address list; List is at least as complete as it was for Census 2000, as measured by the Accuracy and Coverage Evaluation.	Conduct map feature and housing unit location corrections in 250 counties by 9/30/03. ¹
Actual			Prepared plan and systems by the end of FY 2002 to measure housing unit coverage of the address list; List is at least as complete as it was for Census 2000, as measured by the Accuracy and Coverage Evaluation.	Completed map feature corrections in 250 counties by 9/30/03.
Met/Not Met			Met	Met

¹ The original wording for this measure incorrectly included housing unit location corrections. The measure was reworded with the publication of the FY 2004 APP to read: "TIGER features are within 5 meters of true GPS location for 7.7 percent of the nation’s counties by 9/30/03."

Explanation of Measure

This was a new performance measure for FY 2003. Correctly locating every street and other map feature in the MAF/TIGER database is critical to providing geographic products and services that meet the accuracy expectations of the 2010 Census field data collection staff and the Census Bureau’s data product customers. The Census Bureau’s field staff members have reported extensive difficulties in completing address list updating and verification tasks, and in finding addresses and streets that required follow-up visits in Census 2000. Many local or tribal governments that participated in the Census 2000 geographic partnership programs and many potential customers for MAF/TIGER geographic products have told the Census Bureau that they would not consider future geographic partnership 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 assure uniform address and street coverage in the MAF/TIGER database and in Census Bureau data products.

FY 2003 Performance

In FY 2003, the Census Bureau met its goal of completing the MAF/TIGER alignment for 250 counties. This is part of a multi-year effort that is planned to be completed in FY 2008 with completion for all 3,233 counties (and county equivalents) in the United States, Puerto Rico, and the Island areas. Improving the geographic accuracy of the information in these two key databases is a vital, multi-year program that supports the Census Bureau’s overall 2010 goals relating to risk reduction, coverage improvement, and cost containment. It also is critical to implementation of the ACS, and the ACS is, in turn, essential to meeting the Census Bureau’s fourth overall goal for 2010—improving the timeliness and relevance of data.

Measure 3c: Conduct Early 2010 Census Planning and Testing

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Select 2004 Census Test sites by 12/31/02. Develop and document design requirements for 2004 Census Test by 12/31/02. Develop detailed operational schedule for the 2004 Census Test in April 2004 by 9/30/03.
Actual				Selected 2004 Census Test sites by 12/31/02. Developed and documented design requirements for 2004 Census Test by 12/31/02. Developed detailed operational schedule for the 2004 Census Test by 9/30/03.
Met / Not Met				Met

Explanation of Measure

A sustained, multi-year, integrated program for planning, testing, and development of a short-form only census for 2010 is the third key component of the re-engineering effort. Without it, the program is left with a census that improves data relevance and timeliness (through the ACS) and geographic accuracy (through the MAF/TIGER efforts), but at a greatly expanded cost and with no serious reductions in operational risk or improvements in coverage accuracy. With it, the data collection effort for 2010 can take advantage of and build on these other improvements to contain costs and improve accuracy while keeping operational risk to a minimum. This will be accomplished through things such as:

- Data collection using GPS-equipped mobile computing devices. Use of these devices will allow the Census Bureau to make major improvements to the business process for data collection — the largest and most expensive component of any census. For example, their use will significantly reduce the need for paper forms and maps, the huge staff and space required to handle that paper, and the printing, postage, and data capture costs associated with data collection using paper forms. These devices also will provide better information to field staff as they conduct their work. This should result in improved productivity and fewer errors.
- Mailing a second questionnaire to households that do not respond to the initial mail out. Research has shown this to have significant promise for increasing mail response rates, thus lowering field follow-up workloads and costs. The Census Bureau plans to offer alternative response modes, such as the Internet and telephone, to increase response rates.
- Finding ways to increase data quality for all population groups by improving questionnaire wording and instructions when collecting data about race and Hispanic origin.
- Exploring ways to increase within-household coverage for all groups and areas by improving questionnaire wording and instructions regarding the Census Bureau’s residence rules.
- Making methodological improvements to data collection for persons who live in group quarters.

To do these things successfully, procedures are tested under census-like conditions, and refined in advance of Census Day. This requires a sustained, multi-year effort of integrated planning, development, testing, revising, and retesting of all the many procedures needed to complete a successful census. A major field test will occur in 2004, focused primarily on improved methodologies for data collection and coverage. In 2006, a second major field test is planned that will focus primarily on the

systems integration needed to carry out this new census design. In 2008, a full dress rehearsal of the new census methods and systems is planned, setting the stage for a 2010 Census that can achieve all the goals of the 2010 Decennial Census re-engineering. Throughout the decade the Census Bureau also will conduct focused special purpose tests, cognitive studies, and technology assessments.

FY 2003 Performance

In FY 2003 the Census Bureau met its goals for this measure. The sites for the 2004 Census Test were selected by December 2002, as were the specific design requirements (test objectives and research questions). A detailed operational schedule for the 2004 Census Test was completed in September 2003. Early operations for this test are now underway, and the Census Bureau is on schedule to complete this first major field test of new and improved methods to be used for the 2010 Census.

Program Evaluation

The Census Bureau achieved four of its five performance measures for Performance Goal 3 in FY 2003. For the 2004 Census Test, sites were selected, a detailed operational schedule was prepared, and early operations got underway. The first major field test of 2010 Census methods is on schedule. As part of a multi-year effort, the Census Bureau met its goal of completing the MAF/TIGER realignment for 250 counties. For FY 2003, the Census Bureau did not meet its original performance goal for the ACS due to a change in priorities and goals for this program. Instead, at the request of its congressional committee, the Census Bureau planned and carried out an extensive test to assess the effect on mail response rates of changing the ACS from a mandatory to a voluntary survey.

The achievements relating to the 2004 Census Test were key accomplishments within the Census Bureau's multi-year effort of planning, development, and testing to reengineer the conduct of a short-form only 2010 Census. They will allow the Census Bureau to implement and evaluate the critical objectives and research questions of the 2004 Census Test, and then to use the results of that test to refine the Census Bureau's development and testing objectives for the remainder of this multi-year effort. Overall, it keeps the Census Bureau on track to define final requirements by 2007 so that the Census Bureau can implement a "real" dress rehearsal in 2008 of the actual methods and systems the Census Bureau plans to use for 2010. These successes also contribute to our overall 2010 Census goals of reducing risk, improving coverage, and containing costs. Completing the MAF/TIGER objective also was key to a critical, multi-year program that is planned to be completed by 2008 for all 3,233 counties (and county equivalents) in the United States, Puerto Rico, and the Island areas. Completion of this program also supports the Census Bureau's overall 2010 goals relating to risk reduction, coverage improvement, and cost containment. It also is critical to implementation of the ACS, and the ACS is in turn critical to meeting our fourth overall goal for 2010—improving the timeliness and relevance of data. While the Census Bureau did not meet the original measures for the ACS, it was able to successfully refocus its resources to carry out the test requested by the congressional committee, and completion of that test was a critical effort in developing congressional support of this program.

For the FY 2003 budget cycle, the Census Bureau underwent its first PART process. This process is still ongoing; however initial reaction from the OMB has been generally positive. OMB assessed four areas using the PART process, including the 2010 Decennial Census.

Formal recommendations resulting from the PART process will be reflected in the Census Bureau's APP.

Performance Goal 4: Foster an Environment that Supports Innovation, Reduces Respondent Burden, and Ensures Individual Privacy

(This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: "Provide mission critical support for tools and capabilities that improve processes, products and services for our surveys and censuses.")

Corresponding 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.

Rationale for Performance Goal

Mission critical support of the Census Bureau's goals and objectives provides a national resource for statistical, survey, and technological research; geographic systems; and IT services.

- Geographic systems, the cornerstone to our collection, processing, and dissemination systems, provide the basic maps, address lists, address and geographic reference files, and associated processing systems needed to meet the geographic requirements of all Census Bureau programs. The geographic support system (GSS) manages large volumes of information from both internal and external sources to establish and maintain a current and complete inventory of streets, roads, accurate boundaries, and other attribute information.
- Centralized IT services that provide stable, dependable information technology support and the ability to continually increase the Census Bureau's capacity for IT innovation are intimately linked to the accuracy, timeliness, and effectiveness of all Bureau programs. These information technology services must include an IT security program.
- Research, testing, and the prototyping of tools, systems and new methods to improve the Census Bureau's core processes—data collection, processing, and dissemination—across programs are essential for the Census Bureau to meet its increasing customer demands for more complex data in a timely and efficient manner. Maintaining adequate response rates, reducing respondent burden, meeting complex data needs, improving data quality, and developing innovative training techniques can all be facilitated through research and the application of core expertise in statistical and survey methodologies.
- The annual compilation and issuance of the *Statistical Abstract of the United States* provides vital program data for policy background and research for congressional staffs and federal, state, and local government officials. The *Statistical Abstract* is also the principal source of annual statistics describing the social and economic structure of the United States for over 250 government, private, and international organizations, and support for programmatic crosscutting periodic supplements such as the *County and City Data Book*, *State and Metropolitan Area Data Book*, and the Census Bureau's *Product Catalog*.

FY 2003 Performance

The Census Bureau met or exceeded its 2003 targets for Performance Goal 4 measures.

Measure 4a: Response to the Annual Boundary and Annexation Survey (BAS)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	83%
Actual		81%	84%	88%
Met / Not Met				Met

Explanation of Measure

The annual Boundary and Annexation Survey (BAS) is the mechanism by which the Census Bureau determines the legal boundaries and names of all governmental units (counties, cities, townships, American Indian reservations, etc.) for which it tabulates and disseminates statistical data in its various censuses and household surveys. The BAS is the longest running component of the GSS and the response typically declines in years farther from the previous decennial census. The Census Bureau is developing more options for local and tribal governments to respond and to notify when no changes have occurred. The Census Bureau expects this to increase the percentage of governments that respond to the BAS during the intercensal years.

FY 2003 Performance

The Census Bureau exceeded the target of 83 percent with an actual response rate of 88 percent. High participation rates from all governmental units is important to ensure that the latest legal boundaries and names of all units (counties, cities, townships, American Indian reservations, and so forth) are reflected in the geographic reference files that are used in the tabulation of statistical data from the various censuses and household surveys the Census Bureau conducts throughout the decade.

Measure 4b: Meet Milestone Dates for Web-Enabled Portal Technology Demonstration Project and for Prototype Imaging Technology Research Project

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	100%
Actual				100%
Met / Not Met				Met

Explanation of Measure

Designing and testing Web-based and imaging technology solutions for collection and processing tools/application systems will enable the Census Bureau to meet the needs of its customers and provide employees with more efficient electronic access to data and analysis tools.

FY 2003 Performance

The Census Bureau met its target by achieving 100 percent of its milestone dates for these projects. Meeting these milestones has allowed the Web-enabled portal technology demonstration project's team to move forward in its evaluation of the technology, in order to determine its future implementation status. Further, the prototype imaging technology has been implemented within the Census Bureau. This mission-critical support is essential for survey and census collection, processing, and dissemination.

Program Evaluation

The Census Bureau's ability to exploit technologies, enhance and apply support systems, and develop and implement improved statistical and survey methodologies is critical to meeting our mission needs of day-to-day and year-to-year measurement of the U.S. economy and population. Evaluations of the Census Bureau's mission-critical support programs are numerous and ongoing. Examples include BAS respondent reporting rates recorded in production control systems, the annual conducting of the IT Security Self-Assessment survey in accordance with the standard established by the National Institute for Standards and Technology, and measures of customer satisfaction with key Census Bureau products in various media.

Census Bureau Data Validation and Verification

The Census Bureau conducts an annual review of the performance data to ensure that projected targets are met. Data are verified by comparison with past release dates for those targets involving data release measures. The survey data tabulations are compared to publicly reported methodological standards for its surveys to verify that the specified measures are attained for targets involving reliability measures. During this process, significant deviations from projected targets, if any, are discussed with the appropriate program areas so that changes can be implemented to help meet the Census Bureau's performance goals.

In some cases, information is manually checked against actual paper files (when available) to ensure the accuracy of information. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved.

The Census Data Validation and Verification table can be found starting on the following page.

Census Bureau Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 1a: (1) Household response rate for the Current Population Survey (CPS), the National Crime Victimization Survey (NCVS), and the American Housing Survey (AHS) (2) Response rate for the National Health Interview Survey (3) Response rate for the Survey of Income and Program Participation (SIPP)</p>	<p>The Census Bureau collects, calculates, and assesses performance measure data on reliability as the surveys are tabulated.</p>	<p>Performance measures are available at the time of a survey's public data release.</p>	<p>Survey performance data are in Census Bureau databases and are published in public press releases and data reports (Source and Reliability Statements in every release).</p>	<p>The Bureau publicly reports methodological standards for its surveys. The survey data tabulations are compared to these standards to verify that the specified reliability measurements are attained.</p>	<p>None</p>	<p>None</p>
<p>Measure 1b: (1) Release data products from the Survey of Income and Program Participation (SIPP) and (2) the Survey of Program Dynamics (SPD)</p>	<p>Data collection dates are published in advance. These set the baseline for release dates.</p>	<p>As scheduled</p>	<p>Census Bureau databases and public data releases.</p>	<p>Data are verified by comparison with past release dates. Official responses to customers verify customer satisfaction.</p>	<p>None</p>	<p>None</p>
<p>Measure 1c: Release principal economic indicators</p>	<p>Data collection dates are published in advance. These set the baseline for release dates.</p>	<p>As scheduled</p>	<p>Census Bureau databases and public data releases.</p>	<p>The Bureau compares actual release dates quarterly with the Office of Management and Budget's (OMB) official release schedule.</p>	<p>None</p>	<p>None</p>
<p>Measure 2a: Implementation of electronic reporting and 24/7 internet help desk for the Economic Census</p>	<p>Operating schedule</p>	<p>As scheduled</p>	<p>N/A</p>	<p>By comparison with schedule.</p>	<p>None</p>	<p>None</p>
<p>Measure 2b: Conduct the Economic Census and Census of Governments</p>	<p>Performance measure data on response rates are collected as the responses to the census are tabulated.</p>	<p>As scheduled</p>	<p>Economic Census response database.</p>	<p>By comparison with historical data on response rates.</p>	<p>None</p>	<p>None</p>
<p>Measure 2c: Response rate for the Economic Census</p>	<p>Data dissemination is scheduled. These set the baseline for release dates.</p>	<p>As scheduled</p>	<p>American FactFinder</p>	<p>The Bureau compares actual release dates with the release schedule.</p>	<p>None</p>	<p>None</p>
<p>Measure 2d: (1) Release Decennial Census products (2) Release Census of Governments products (3) Release Economic Census products</p>	<p>Data dissemination is scheduled. These set the baseline for release dates.</p>	<p>As scheduled</p>	<p>Internal Census Bureau files.</p>	<p>By comparison with actual release dates.</p>	<p>None</p>	<p>None</p>
<p>Measure 2e: Conduct an evaluation program to measure the effectiveness of Census operations and survey procedures</p>	<p>ACS activity schedule.</p>	<p>As scheduled</p>	<p>ACS results and the American FactFinder.</p>	<p>The Bureau compares actual release dates with completion schedule.</p>	<p>None</p>	<p>None</p>

Census Bureau Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 3b: Implement Master Address File (MAF)/ Topologically Integrated Geographic Encoding and Referencing system (TIGER) modernization	MAF/TIGER activity schedule.	As scheduled	Census Bureau MAF/TIGER database.	The Census Bureau compares actual completion dates with scheduled dates.	None	None
Measure 3c: Conduct early 2010 Census planning and testing	2010 activity schedule.	As scheduled	Internal Census Bureau documentation of requirements.	2004 Census test requirements defined and test sites selected as scheduled.	None	None
Measure 4a: Response to the annual Boundary and Annexation Survey (BAS)	Geographic Support System (GSS) Intranet status reports.	As scheduled	Census Bureau MAF/TIGER database.	By comparison with actual reported response rates.	None	None
Measure 4b: Meet milestone dates for Web-enabled portal technology demonstration project and for prototype imaging technology research project	Data are collected and assessed as research, testing, and evaluations proceed.	As scheduled	Data are printed in the research reports, methodology and standards reports, and evaluation reports.	By comparison with actual project results and reports.	None	None



International Trade Administration

Mission Statement

To create economic opportunity for U.S. workers and firms by promoting international trade, opening foreign markets, ensuring compliance with our trade laws and agreements, and supporting U.S. commercial interests at home and abroad.

The International Trade Administration (ITA) is dedicated to opening foreign markets, promoting and expanding export activity, and ensuring fair competition and compliance with international trade agreements for the benefit of firms, particularly small and medium-sized enterprises (SME). ITA employs approximately 2,500 people, stationed in the United States and abroad, in five major programs: Trade Development, Market Access and Compliance, Import Administration (IA), U.S. and Foreign Commercial Service (US&FCS), Executive Direction and Administration.

ITA programs perform analyses and conduct market research that enable ITA to offer export promotion assistance products, export expansion services, commercial business counseling, exporter risk mitigation services, and an array of trade-related information services.

ITA is also responsible for ensuring that competition is fair and that U.S. trading partners comply with international trade agreements. ITA plays an important role in the World Trade Organization (WTO), by advancing trade policy and participating in multilateral trade negotiations, such as the Free Trade Area of the Americas (FTAA), and the Central America Free Trade Agreement. ITA is also involved in numerous bilateral negotiations, such as trade negotiations with Morocco and Australia. ITA, through its Trade Compliance Center (TCC), ensures that trade agreements negotiated by the U.S. are monitored for evaluation of their implementation by foreign governments and for identification of compliance problems. ITA also defends U.S. industry against injurious trade practices by administering efficiently, fairly, and in a manner consistent with U.S. international obligations, the antidumping (AD) countervailing duty (CVD) laws of the U.S.

Priorities/Management Challenges

ITA faces additional demands as the international trade environment rapidly changes. Challenges and opportunities are constantly emerging, such as: new markets to target (as in the cases of Iraq, Afghanistan), new trade barriers to overcome, new firms in need of export assistance, shifts in industry dynamics (as in the case of the travel and tourism industries), and a shifting emphasis on international organizations and alliances.

- ITA's success stems from its ability to integrate efforts to support the President's goal of promoting democracy and liberty through free trade by expanding profitable markets for U.S. goods and services. ITA is working to bring free trade to the emerging economies of the world in Iraq, Afghanistan, Africa, China, and the Americas. This work reinforces U.S. efforts to bring greater geopolitical stability to uncertain areas of the globe through enhanced opportunity and economic development.

- In March 2003, Secretary Evans outlined the Manufacturing Initiative. This initiative is intended to facilitate the role of manufacturing as a driving force in increasing productivity, growing the economy, and creating jobs. ITA has taken a comprehensive look at the challenges and opportunities facing U.S. manufacturers today by meeting with manufacturers around the nation. Working in close consultation with a variety of stakeholders, ITA plans to identify the challenges manufacturers face and to determine the best practices within both the private sector and government to encourage a vital manufacturing sector.
- Many in U.S. industry view foreign standards and technical regulation as the principal non-tariff barrier in markets around the world. Divergent standards, redundant testing and compliance procedures, and unilateral and non-transparent standard setting exercises are now recognized as impediments to free trade—estimated to affect 80 percent of the world’s commodity trade. Secretary Evans announced a new Department of Commerce Standards Initiative on March 19, 2003 to address these issues. ITA began developing training programs for overseas staff in foreign markets to strengthen their capability to recognize and respond to standards issues, to expand ITA’s ability to disseminate market intelligence and information on standards developments in key foreign markets; to partner with the proposed President’s Export Council subcommittee on technology and competitiveness; and to host a series of industry-specific roundtables to gather input from U.S. industry on the most pressing standards issues and priority foreign market.
- Monitoring and confronting access to China’s market and trade law compliance problems is one of ITA’s major priorities. As trade between the United States and China has grown, the number and complexity of AD investigations on products from China has increased. ITA initiated and concluded 35 market access and trade compliance cases. These cases have been opened based on inquiries from U.S. companies or monitoring activities conducted by ITA staff in Washington and China.
- ITA completed a survey of its customer base in order to set a baseline for performance metric reporting and tracking, and to better understand the customer base it serves. The indexed survey score, benchmarked against the American Customer Satisfaction Index (ACSI), indicates that ITA employees engaged in providing services to customers are satisfied with the services. ITA is reviewing the survey findings and center implementation strategies on high impact activities. Several recommendations were made that should enhance ITA’s service delivery and improve its scores in the next survey.

FY 2003 Performance

In FY 2003, ITA successfully tailored its products and services to its clients, enhancing the global competitiveness of U.S. industry, expanding its market access, increasing its exports, and taking prompt aggressive action against unfair trade practices by enforcing the U.S. trade laws and agreements negotiated with foreign governments.

- ITA continued to focus on compliance issues associated with existing trade agreements and market access issues. ITA measures “the number of market access and compliance cases initiated.”¹ In FY 2003, ITA initiated 157 cases. The dollar value of trade barriers addressed amounted to \$31.4 billion, which stands for potential growth in the U.S. share of the foreign market for U.S. industry. ITA has used these compliance and market access gains to enhance export promotion efforts.
- ITA made progress toward addressing the export promotion component of the President’s trade strategy. ITA measures several aspects of export promotion performance:

¹ Note: Each item that appears in quotes indicates an ITA-wide performance measure included in ITA’s Annual Performance Plan and Annual Program Performance Report.

- In FY 2003, the Advocacy Center successfully managed and coordinated 53 U.S. Government advocacy actions that accounted for a reported \$5.9 billion of U.S. export content (“*dollar value of completed advocacies [U.S. export content]*”).
 - In FY 2003, “*the number of U.S. firms exporting for the first time*” was 896.
 - During FY 2003, “*the number of export transactions made as a result of ITA actions*” was 14,031.
- ITA seeks to make its programs more customer-focused. To this end, ITA conducted its first-ever organization-wide customer satisfaction survey in order to better understand the customer base it serves and to set a baseline for performance metric reporting and tracking. The CFI Group administered the data collection online via a secure survey Web site from April 7 to May 16, 2003. Specifically, the customer satisfaction survey helped ITA improve its customer relationships. ITA satisfaction scores are calculated using the same methodology as the ACSI. Overall, ITA is performing well at 70, the ACSI score, and compares favorably to other federal agencies with similar functions (in the sense of how services are offered or delivered).

ITA intends to monitor progress over time against the survey’s baseline results and continue to benchmark ITA against best practice private and public sector organizations. ITA recognizes that collecting aggregated data from across its program units on the satisfaction and value that its customers derived from ITA’s products and services is critical to its ability to function as a performance-based organization and an essential step in moving toward a more customer-focused service model.

FY 2003 Accomplishments

- *President’s Steel Initiative* — ITA led the Organization for Economic Cooperation and Development (OECD) Steel High Level Group to strengthen discipline on trade-distorting subsidies to the global steel sector. These efforts resulted in important progress towards developing the core elements of a potential new steel subsidies agreement that could ultimately be negotiated in the WTO. Additionally, ITA created a steel import licensing and monitoring system to provide the Administration and the public with the earliest accurate information possible regarding steel imports covered by the remedies imposed by the President. Since the start of the licensing program in February 2003, more than 175,000 import licenses have been issued. It has proven to be a valuable resource for the Administration and the industry since surge data from the monitoring program has formed the basis for consultations with several excluded countries regarding potentially disruptive import increases.
- *Manufacturing Initiative* — ITA helped Secretary Evans launch a Manufacturing Initiative² to create an environment conducive to revitalizing the U.S. manufacturing sector. Manufacturing generates 16 percent of the national gross domestic product and directly employs 18 million Americans, 14 percent of all workers. ITA held approximately 25 roundtables across the country to provide meaningful dialogue with manufacturers concerning status and future direction of their industries. Feedback received from these sessions is being thoughtfully reviewed.
- *China Market* — ITA aggressively pursued China’s compliance with its trade obligations. ITA’s TCC initiated and closed 35 market access (market barriers) and trade compliance (violation of trade agreements) cases. IA initiated eight AD/CVD investigations, 22 administrative reviews, and 19 new shipper reviews in AD cases involving products from China. IA issued more than 30 final determinations in investigations and reviews. In large part due to concerns arising in China cases, IA issued a policy bulletin strengthening enforcement in new shipper reviews and established a task force with the U.S. Customs Service to address issues of possible fraud and duty evasion. While pursuing

² Under Secretary Grant D. Aldonas prepared testimony before the House Committee on Small Business, April 9, 2003.

China's compliance with trade obligations, ITA work to expand trade opportunities in China for U.S. firms. As a result of numerous and significant outreach efforts, the ITA staff in China produced a recorded 236 export successes valued at more than \$3 billion. The Advocacy Center, helping companies secure international government contracts, is currently working on 16 active requests in China representing \$18 billion of business for U.S. companies.

- *Iraq Reconstruction Task Force* – ITA created the Iraq Reconstruction Task Force on May 16, 2003, to help U.S. companies participate in the economic rebuilding of Iraq. The task force works closely with other U.S. Government agencies to ensure that the U.S. business community receives the information it needs regarding Iraq reconstruction efforts. ITA launched a Web site, www.export.gov/iraq, and telephone hotline (866-352-IRAQ or 866-352-4727) as part of this effort. These services will provide U.S. companies with the most up-to-date information about prospective opportunities and commercial conditions in Iraq. For example, the “Business Guide to Iraq” on the Web site provides valuable information on key industry sectors, current reconstruction efforts and potential obstacles to doing business in Iraq.
- *Afghanistan's Reconstruction* — ITA coordinated the U.S. Government commercial strategies in Afghanistan through the Trade Promotion Coordinating Committee (TPCC), conducted trade capacity-building training for the Afghan Government and private traders on the U.S. Generalized System of Preferences program, co-sponsored the “Afghanistan: Rebuilding a Nation” conference with U.S. Trade and Development Agency, coordinated a policy fact-finding mission to Afghanistan, and created www.export.gov/afghanistan Web site to disseminate information to the U.S. business community about the reconstruction efforts.
- *Trans-Atlantic Business Dialogue (TABD)* — ITA developed details for a renewed commitment to the TABD as a key forum for government and industry discussions on transatlantic commercial matters. Secretary Evans and his European Union counterpart, Commissioner Erkki Liikanen, restated the importance of TABD on June 25, 2003. Both leaders expressed their belief that the partnership is critical for future security and prosperity in the United States, Europe, and around the world.
- *Chile and Singapore Free Trade Agreements (FTA)* — ITA provided staff support, developed economic and commercial analysis, and developed data and information related to technical problems and obstacles during the FTAs negotiations. ITA also concluded the FTAs' reciprocal market access, tough rules of origin, and customs cooperation language specific to the textile and apparel industries. Secretary Evans stated on August 1, 2003, that “...The Chile and Singapore Free Trade Agreements will build on our economy's strengths while sending an important signal to the world that America is serious about expanding free trade and creating new opportunities for our workers, farmers, ranchers and businesses...”

Addressing the President's Management Agenda (PMA)

ITA is committed to ensuring that the PMA is implemented. Key tasks were identified and are described below.

- ITA integrated budget and programs with its strategic goals and objectives. This integration makes it much easier to determine the level of investment ITA applies to its various goals, and the outcomes and results achieved because of that investment.
- ITA prepared a comprehensive orientation program to enhance mission awareness of new recruits.
- ITA developed a competitive sourcing management plan to assure full implementation of the ITA competitive sourcing initiative for FY 2002 – FY 2004.

- To improve its financial performance, ITA developed new reports to evaluate financial data and inform ITA managers about program finances. ITA is currently revamping its financial coding system to reduce errors and capture better information to enhance cost-related performance data.
- ITA has initiated a program to unify its information technology (IT) infrastructure, both internally and externally. ITA's efforts to create a more customer-centric and user-friendly Web presence are evident through the use of Web sites, such as BuyUSA.com (www.BuyUSA.com) and Export.gov (www.Export.gov). Secretary Evans in his testimony before the Senate Committee on Banking, Housing and Urban Affairs, May 21, 2003, announced the enhancement of Export.gov that makes it easier to use and adds new features to help guide new exporters through the export process. Since the enhancement, customers' satisfaction with the Web site has steadily improved during the last half of FY 2003, averaging an 82 percent satisfaction rate.

Initiatives and Priorities

ITA's top priorities will center on export promotion and enforcement of U.S. trade laws and agreements. ITA's work on export promotion and enforcement of U.S. trade laws and agreements contributed to the strong economic growth the economy and fostered the creation of conditions that will allow exporters to maximize their competitiveness and spur economic growth.

- The 2002 National Export Strategy (NES) Report lists 65 separate recommendations for improvement in the TPCC trade promotion process. As ITA implements the recommendations outlined in the NES, some of the efforts already paid off for SMEs. To illustrate, the President's e-government program included an "International Trade Process Streamlining Initiative." Under the initiative, ITA worked to create a seamless environment for SMEs to research markets, gather trade leads, and conduct a majority of their export transactions using Export.gov, the government's existing online portal for small business export assistance information. That electronic backbone for U.S. exporters in the manufacturing sector will provide more timely and accurate export information and result in cost savings for U.S. businesses by reducing the amount of time they spend trying to get information and filling out applications and forms.
- Trade opportunities in China and the Middle East argue strongly for the establishment of business centers to serve as a support function to the policy and export promotion work currently being done by ITA. These centers will be tightly linked to the existing operations of the offices covering the regions.
- The Secretary's Standards Initiative, launched in March 2003, started a process of re-evaluation of the Department's activities on standards to ensure that they are most accurately reflecting industry's main concerns and needs. The effort will lead to the preparation of the Department's Global Standards Activity Assessment, set for finalization in January 2004, that will outline where the Department's priorities should be focused. ITA plans to promote competition and open new markets for U.S. exports by eliminating foreign standards and related regulatory barriers around the world.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of new or enhanced ITA partnerships with public and private sector entities to promote U.S. exports	New	New	Not Implemented	50	88	X	

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Percentage of undertaken advocacy actions completed successfully	New	New	11.8%	12% – 15% +	10%		X
Dollar value of completed advocacies (U.S. export content)	New	New	\$8.64B	\$4B to \$6B	\$5.9B	X	
Number of U.S. exporters entering new market	4,502	5,386	5,740	6,500	6,278		X
Number of U.S. firms exporting for the first time	673	742	699	800	896	X	
Number of export transactions made as a result of ITA involvement	New	11,160	12,178	13,500	14,090	X	

Performance Goal 3: Ensure Fair Competition in International Trade

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Percentage of antidumping (AD)/countervailing duty (CVD) cases completed on time	New	New	100%	100%	100%	X	
Number of market access and compliance cases initiated	New	New	253	180 to 210	144		X
Number of market access and compliance cases concluded	New	New	New	30 to 40	158	X	
Dollar value of trade barriers addressed	New	New	\$40.2B	\$15B to \$20B	\$27.2B	X	

Performance Goal 4: Advance U.S. International Commercial and Strategic Interest

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Dollar exports in targeted products and markets	New	New	\$166.3B	\$160B to \$180B	\$166.3B	X	

Performance Goal 5: Improve Customer and Stakeholder Satisfaction

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Customer satisfaction with ITA's products or services	New	New	New	66 to 70	70	X	
Customer perception of ease of access to export and trade information and data	New	New	New	60 to 80	74	X	
Level of awareness of ITA products and services	New	New	New	3.5 mean (70)	77%	X	
Employee Job Satisfaction	New	New	Not Implemented	3.5 mean	Not Implemented	X	
Number of customers acquired through proactive ITA efforts	New	New	New	1,000	Not Implemented		X
Number of U.S. exporter activities undertaken per customer surveyed	New	New	New	2	1		X

Performance Goal 6: Improve the U.S. Competitive Advantage Through Global E-Commerce

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of new subscribers using BuyUSA.com e-services	New	339	564	650	2,078	X	
Customer perception of portal ease of use	New	New	84.4%	Greater than 70%	69%		X
Percentage of ITA's significant products and services provided electronically to external customers	New	New	Not Implemented	75% to 80%	82%	X	

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	28.0	30.0	17.2	13.7
Market Access and Compliance	0.0	0.0	1.9	9.0
Import Administration	0.0	0.0	0.0	0.0
US&FCS	78.0	84.0	62.4	46.6
Administration	4.0	5.0	0.0	2.7
Total Funding	110.0	118.0	81.5	72.0
IT Funding ¹	7.7	9.0	6.6	5.5
FTE	774	744	462	410

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	16.0	17.0	21.4	28.6
Market Access and Compliance	6.0	6.0	1.9	3.4
Import Administration	0.0	0.0	0.0	0.0
US&FCS	97.0	100.0	52.0	131.9
Administration	5.0	5.0	0.0	0.9
Total Funding	124.0	129.0	75.3	164.8
IT Funding ¹	8.9	10.3	5.6	4.7
FTE	890	858	423	903

Performance Goal 3: Ensure Fair Competition in International Trade

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	4.0	5.0	6.9	4.4
Market Access and Compliance	15.0	15.0	24.2	14.3
Import Administration	34.0	39.0	40.9	31.3
US&FCS	4.0	5.0	20.8	0.7
Administration	2.0	2.0	0.0	0.0
Total Funding	59.0	68.0	92.8	50.7
IT Funding ¹	3.7	4.3	4.6	3.8
FTE	375	360	571	341

Performance Goal 4: Advance U.S. International Commercial and Strategic Interest

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	28.0	30.0	9.0	5.2
Market Access and Compliance	0.0	0.0	2.7	5.9
Import Administration	0.0	0.0	0.0	0.0
US&FCS	78.0	84.0	16.7	0.8
Administration	4.0	5.0	0.0	1.7
Total Funding	110.0	118.0	28.4	13.6
IT Funding ¹	7.7	9.0	1.1	0.9
FTE	774	744	157	79

Performance Goal 5: Improve Customer and Stakeholder Satisfaction

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	28.0	30.0	12.5	17.7
Market Access and Compliance	0.0	0.0	3.8	9.3
Import Administration	0.0	0.0	4.6	14.0
US&FCS	78.0	84.0	31.3	30.0
Administration	4.0	5.0	13.3	17.8
Total Funding	110.0	118.0	65.5	88.8
IT Funding ¹	7.7	9.0	4.2	3.5
FTE	774	744	420	552

Performance Goal 6: Improve the U.S. Competitive Advantage Through Global E-Commerce

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Trade Development	7.0	7.0	2.0	0.3
Market Access and Compliance	0.0	0.0	3.8	0.1
Import Administration	0.0	0.0	0.0	0.0
US&FCS	6.0	6.0	25.0	3.4
Administration	5.0	6.0	2.3	0.0
Total Funding	41.0	43.0	33.1	3.8
IT Funding ¹	3.0	3.5	3.5	2.9
FTE	305	294	197	23

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Total Funding	334.0	358.0	376.9	393.7
Direct	325.0	342.0	365.8	380.9
Reimbursable ²	9.0	16.0	11.1	12.8
IT Funding ¹	23.8	27.2	25.6	21.3
FTE	2,344	2,256	2,230	2,308

¹ IT funding included in Total Funding.

² Reimbursable funding included in Total Funding.

Staff Capabilities and Skill Summary:

The following list describes ITA's core competencies:

- In-depth knowledge of international and domestic trade laws and regulations
- Country and/or industry-sector expertise
- Specialized knowledge and experience in export marketing and promotion
- Understanding of foreign trade practices, and foreign government trade programs and policies
- In-depth knowledge of trade-distorting practices
- Understanding of key trade issue areas such as intellectual property rights and standards
- Knowledge of key U.S. Government positions for country/sector specific bilateral, multilateral, and plurilateral trade negotiations
- IT skills — to deliver services to clients; to identify, analyze, and manage information; and to interface with technology to improve productivity and client service
- Leadership skills — to lead and manage ITA's missions and programs
- Customer service skills — to improve delivery of service to customers
- Project management skills — to lead and manage projects and contracted work

FY 2003 Performance Goals

Performance Goal 1: Increase Trade Opportunities for U.S. Firms

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

ITA fosters free trade and recognizes that trade must also be based on rules followed by all and it must be non-discriminatory. President Bush has consistently declared that free trade cannot be a one-way street, saying “Every time I have a conversation with world leaders when it comes to trade, I remind them that we expect there to be a level playing field.”³ With the passage of Trade Promotion Authority (TPA) and the launch of multiple new FTA negotiations, ITA ensures that the interests of U.S. industry are fully represented during these negotiations. ITA develops negotiating priorities, recommends tariff negotiation procedures, and identifies and works on a government-to-government basis to overcome non-tariff barriers.

While the goal is to improve services for U.S. companies of all sizes, ITA focuses on the needs of SMEs. ITA works with SMEs to form export marketing and business development strategies that assist U.S. companies to expand their exports and create high-paying jobs. ITA consistently updates and modifies its strategies to meet changing needs and priorities of U.S. industries. ITA is a catalyst for bringing together the resources of other Commerce Department units and U.S. Government agencies in ways that leverage support for these strategies.

Clients look to ITA for assistance in understanding how the rapidly changing international marketplace impacts U.S. businesses. The “number of new or enhanced ITA partnerships with public and private sector entities to promote U.S. exports” performance measure quantifies ITA’s efforts to form new partnerships and enhance existing partnerships with public and private sector entities in order to increase trade opportunities for U.S. firms.

FY 2003 Performance

As the United States reasserted its leadership in international trade through the TPA, ITA participated in the completion of FTAs with Chile and Singapore. ITA is part of the reinvigorated talks designed to complete a hemisphere-wide FTA of the Americas, and supported the WTO negotiations. ITA has been involved in negotiations with Morocco and Australia and the members of the South African Customs Union by providing analysis and furnishing expert staff to achieve the projected negotiating objectives.

ITA’s products and services are systematically and continually aligned to the gamut of SMEs’ needs and the specific opportunities and barriers characteristic of each country market. Through 88 partnerships with public and private sector entities, ITA created export assistance infrastructure helping to increase trade opportunities for U.S. firms. One of the examples of enhanced partnerships with non-profit export multipliers such as states, trade associations, chambers of commerce, and world trade center and other industry groups, is the Market Development Cooperator Program (MDCP). The MDCP is a

³ Remarks by Under Secretary Aldonas before the House Committee on Appropriations, Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies, May 22, 2003.

competitive matching grant program that provides start-up costs of new export marketing ventures, which the export multipliers are often reluctant to undertake without Federal Government support. Since FY 1997, MDCP award winners have generated over \$227 million in export annually. During its ten-year history, the MDCP will have facilitated over \$2 billion of U.S. exports. When funded projects are completed, the private sector will have invested over \$78.4 million to develop foreign markets.

Measure 1a: Number of New or Enhanced ITA Partnerships with Public and Private Sector Entities to Promote U.S. Exports

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	36	50
Actual			Not Implemented	88
Met/Not Met			Not Met	Met

Explanation of Measure

This performance measure quantifies ITA's efforts to form new partnerships and enhance existing partnerships with public and private sector entities in order to increase trade opportunities for U.S. firms. Partnership is a new or enhanced relationship codified in writing through a memorandum or letter of understanding or agreement, reimbursable agreement, grant, cooperative agreement, or contract. A new partnership is defined as being with an entity with which ITA has not had a relationship in the preceding three years. An enhanced partnership is one that is changed so that it more positively affects the achievement of ITA goals and objectives.

FY 2003 Performance

The number of new and enhanced partnerships executed exceeds the FY 2003 annual target of 50 by approximately 75 percent. The difference between target and actual performance is attributed to inexperience with the performance measure. The performance measure has been fully operational for less than one year. To date, no useful leading economic, political, or programmatic indicator has surfaced that anticipates when industry and government will conceive and execute partnership agreements. Currently, no evidence exists to suggest that the partnership performance measure will grow at an accelerating pace. In fact, the performance measure may stabilize, at or perhaps below current projections, depending on the state of the economy and/or the stability or instability of world affairs.

Program Evaluation

ITA undertook a customer satisfaction survey. One of the issues addressed by the survey is customers' satisfaction with ITA's work in facilitating difficult negotiations that deal with fair trade and market access with foreign governments. Results were calculated using the same methodology as the ACSI, which is a uniform, cross-industry measure of satisfaction with goods and service available to U.S. consumers. The results show that customer service is a relative strength for ITA. ITA's score of 74 out of a possible 100 is a strong score. Although it may be difficult to substantially improve a score of 74, ITA is optimistic in improving customers' perceptions and better managing expectations where efforts have failed to meet customers' desires.

Performance Goal 2: Broaden and Deepen U.S. Exporter Base

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

The health of the U.S. economy depends on U.S. SMEs. ITA's mandate is to create an environment in which all enterprises, including SMEs, can flourish. In order to achieve this, ITA seeks to increase export opportunity awareness among U.S. companies by proactively identifying potential exporters who need assistance leveraging electronic and traditional media, centralizing relationships with customers, and developing alliances and partnerships to deliver export messages. ITA's domestic offices are located to capitalize on high-export activity areas identified by trade patterns and to facilitate aggressive outreach to traditionally under-served rural and minority communities.

ITA focuses on SMEs with less than 500 employees by tailoring existing products and services to their needs; providing technical assistance and matchmaking capability using e-commerce and the Internet; expanding established exporters into additional markets; and coordinating government-wide, collaborative advocacy efforts through TPCC. The chief aim of tailoring ITA's products and services is to consistently deliver the complete package of export assistance to U.S. businesses throughout the country in order to increase the number of U.S. exporting companies, as well as increase the value of U.S. exports to new markets.

The success of the U.S. export community depends on ITA addressing the challenges in the trade environment and meeting the expectations and needs of ITA's customers. ITA's Advocacy Center helps U.S. exporters, both large companies and SMEs, win procurement contracts, and each contract creates and retains U.S. jobs over the life of each successful advocacy project. Two performance measures capture the Advocacy Center's efforts, i.e., "percentage of undertaken advocacy actions completed successfully" and the "dollar value of completed advocacies (U.S. export content)." The "number of export transactions made as a result of ITA involvement" reflects ITA's effectiveness in increasing trade opportunities for U.S. exporters, and it captures information on the number of export transactions executed by U.S. firms that resulted directly from ITA's counseling, matchmaking, research, information products, and other trade promotion activities. ITA's success in helping U.S. companies export for the first time or enter a new overseas market shows ITA's effectiveness in promoting trade. These efforts have been reaffirmed by the Report Card on Trade II Report. The report confirmed that one in four trading companies that received support from the Department cited that it had a positive impact on their exports, or was critical to their success.

FY 2003 Performance

In FY 2003, ITA concentrated on aiding and protecting U.S. business interests abroad. ITA helped U.S. exporters conclude 14,090 export transactions despite the world economic slowdown. ITA successfully managed and coordinated 53 U.S. Government advocacy actions that accounted for a reported \$5.9 billion of U.S. exports. Even though only 10 percent of all advocacy projects were successfully completed, ITA exceeded the dollar value of completed advocacies target by \$1.9 billion. This occurred despite the downturn in the world economy and the SARS epidemic in China, where the epidemic interrupted travel plans of U.S. business representatives and hindered their efforts to complete contract negotiations. Growing the base of exporters benefits not only the exporting firm, but also other firms that are part of the export transaction, such as logistics and shipping firms. ITA introduced 896 U.S. firms to exporting and 6,278 U.S. exporters to new world markets.

ITA provided a carefully developed continuum of services to its clients. Oftentimes the first stop for SMEs is ITA's Trade Information Center (TIC). The TIC provides comprehensive export information via a toll-free line, 1-800-USA-TRADE; its Web site: <http://tradeinfo.doc.gov>; and through extensive Internet databases. In FY 2003, the TIC provided over 72,000 customers, primarily SMEs, with personalized help, and serviced over 12 million Web site hits, with general and country-specific counseling and information. The International Catalog Exhibition Program (ICEP) is a trade promotion partnership with state economic development agencies. In the past two years, ICEP has brought more than 60 active partnerships with state agencies, 2,000 service agreements with SMEs that would not otherwise have the means to explore opportunities, and promotional events in 98 cities and 55 country markets assisting more than 1,000 SMEs.

ITA recently launched a region-wide program called "Asia Now" designed to attract more U.S. exporters, and specifically more SMEs to Asia, including China. It features coordinated efforts in the areas of exhibitions, research, and client recruitment. US&FCS recorded a Web cast for U.S. exporters to China and published a brochure called "Contact China" as a guide to key organizations in China. In conjunction with the ITA Olympic task force, US&FCS distributes a newsletter to more than 3,000 firms providing information on commercial opportunities associated with China's hosting of the 2008 Summer Olympics. As a result of these numerous and significant outreach efforts, ITA's commercial officers have recorded 236 export successes valued at more than \$3 billion.

Measure 2a: Percentage of Undertaken Advocacy Actions Completed Successfully

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	15%-20%	12%-15%
Actual			11.8%	10%
Met/Not Met			Not Met	Not Met

Explanation of Measure

The success of the U.S. export community depends on ITA addressing the challenges in the trade environment and meeting the expectations and needs of ITA's customers. ITA's Advocacy Center helps U.S. exporters win procurement contracts, and each contract creates and retains U.S. jobs over the life of each successful advocacy project. The Advocacy Center advances trade promotion and deal-making to support three basic U.S. firms' needs: (1) access to new markets, (2) entry to markets, and (3) expansion of export activities.

FY 2003 Performance

Target not met. The percentage of advocacy actions completed successfully in FY 2003 fell short of the projected target. ITA received 254 new advocacy requests from U.S. firms in addition to 328 existing cases already handled by the Advocacy Center. Out of the 582 cases, eight requests for advocacy were denied; 17 cases were overtaken by events, for example, the U.S. firm requested U.S. Government advocacy too late; and 26 became inactive, for example, the foreign government postponed making a procurement decision because of economic uncertainties. Overall ITA's performance reflects the downturn in the world economy. The declining economic growth in Europe and uncertainties in Asia, such as SARS, resulted in a curtailment of procurement contracts.

Measure 2b: Dollar Value of Completed Advocacies (U.S. Export Content)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	\$3B to \$4B	\$4B to \$6B
Actual			\$8.64B	\$5.9B
Met/Not Met			Met	Met

Explanation of Measure

The “dollar value of completed advocacies,” measures the estimated dollar value of U.S. export content of foreign contracts signed or awarded to U.S. companies during a fiscal year. The performance measure reports only on the U.S. export content of the foreign contracts. Through its advocacy program, ITA supports three basic U.S. firms’ needs through its advocacy efforts, which are access to new markets, entry to markets, and expansion of export activities.

FY 2003 Performance

The Advocacy Center successfully managed and coordinated 53 U.S. Government advocacy actions that accounted for a reported \$5.9 billion of U.S. export content. Target exceeded by \$1.9 billion despite the downturn in the world economy and the SARS epidemic, especially in China, where the epidemic interrupted travel plans of U.S. business representatives and hindered their efforts to complete contract negotiations.

Measure 2c: Number of U.S. Exporters Entering New Market

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	4,540	5,900	6,500
Actual	4,502	5,386	5,740	6,278
Met/Not Met		Met	Not Met	Not Met

Explanation of Measure

This performance measure helps to assess ITA’s success in helping U.S. exporters enter a new overseas market and to measure ITA’s effectiveness in promoting trade. ITA will record and report on a number of U.S. exporters entering new markets that transact actual verifiable export sales, which include shipment of goods and delivery of services; signing of legally binding agreements, including agent and distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; and signing of contracts with future sales expected for the first time. Additional criteria of the definition for this measure are that the firm has not exported in the previous 24 months, prior exports have resulted from unsolicited orders, and exports were made through a U.S.-based intermediary.

FY 2003 Performance

Target not met. This reflects the downturn of the world economy. ITA lost many clients as the U.S. manufacturing sector continued to decline throughout the year. The declining economic growth in Europe and uncertainties in Asia resulted in falling demand for capital goods and hindered U.S. companies' exports.

Measure 2d: Number of U.S. Firms Exporting for the First Time				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	679	800	800
Actual	673	742	699	896
Met/Not Met		Met	Not Met	Met

Explanation of Measure

ITA focuses on SMEs that are export-ready, i.e., firms that have competitive products or services and already possess a level of financial and managerial strength that enables them to export. To assess ITA's success bringing new U.S. businesses into exporting and to measure ITA's effectiveness in promoting trade, ITA will record and report on the number of U.S. firms exporting for the first time that transact an actual verifiable export sale, which includes shipment of goods or delivery of services; signing of a legally binding agreement, including agent or distributor, representation, joint venture, strategic alliance, licensing, and franchising agreements; and signing of a contract with future sales expected for the first time. Other criteria of the definition for this measure are that the firm has not exported in the previous 24 months, prior exports have resulted from unsolicited orders, and exports were made through a U.S.-based intermediary.

FY 2003 Performance

Target met despite downturn in the world economic activities. ITA has structured its operations to serve SMEs efficiently and to coordinate closely with other organizations that provide export promotion services. Additionally, programs such as Global Diversity Initiative and the Rural Export Initiative, have capitalized on U.S. diversity to increase the number of minority-owned firms that export and increased the number of rural companies engaged in exporting by ensuring better access to export assistance programs and services.

Measure 2e: Number of Export Transactions Made as a Result of ITA Involvement				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	9,253	12,300	13,500
Actual		11,160	12,178	14,090
Met/Not Met		Met	Not Met	Met

Explanation of Measure

This measure reflects ITA's effectiveness in increasing trade opportunities for U.S. exporters, and it captures information on the number of export transactions executed by U.S. firms that resulted directly from ITA's counseling, matchmaking, research, information products, and other trade promotion activities. An export transaction occurs when ITA facilitates an actual verifiable export sale—shipment of goods or delivery of services—by the client and where the direct link between the assistance provided and the resulting outcome is clearly established for each export action claimed. A transaction also takes place when ITA helps a client identify and sign with an agent or distributor or sign a contract that ensures the expectation of future sales, when there is a direct link between the assistance provided and the resulting outcome. A transaction can also include helping a U.S. firm avoid harm or loss, for example, by helping it obtain payment or resolve some other kind of trade dispute.

FY 2003 Performance

Target met. Despite the world economic slowdown, ITA was able to exceed the target due to an extensive array of services provided to SMEs to help U.S. companies enter overseas markets. ITA identifies and qualifies agents, distributors, other types of partners and end users; provides access to timely, product-specific market information and country-specific information about appropriate market entry and distribution channels; and supplies information and assistance in the critical area of export financing and payment considerations. In addition, ITA offers other services, such as trade events; effective overseas advocacy for the business interests of U.S. firms; and government-to-government efforts to ensure compliance with trade law and regulations, so that U.S. companies can compete in a fair marketplace in each country.

Program Evaluation

In FY 2003, ITA undertook a Program Assessment Rating Tool (PART) Review of US&FCS. As a result of the review ITA developed long-term measures in order to gauge long-term results in response.

Four long-term measures were developed. They are:

- By 2007, the US&FCS will increase the baseline of the “Number of U.S. firms exporting for the first time” by one percent of the total exporting base. The US&FCS has targeted 5,000 firms to begin exporting over the next six years from a baseline of 400,000 SMEs that currently do not export.
- By 2007, the US&FCS will increase the baseline of the “Number of U.S. firms entering a new market” by 20 percent of the total baseline of firms exporting to only one market. The US&FCS has targeted 40,000 firms to enter more than one market over the next six years from a baseline of 200,000 SMEs that currently export to only one market.
- By 2007, the US&FCS will increase the “Number of transaction made as a result of ITA's involvement” by 43 percent. In FY 2001, the US&FCS completed 11,160 transactions and by 2007 the US&FCS has targeted 16,000 transactions. This constitutes a 43 percent increase over 2001.
- ITA has determined that by 2007, three percent of the US&FCS program will be fee funded.

More detailed recommendations resulting from the PART process will be reflected in ITA's FY 2005 Annual Performance Plan.

Performance Goal 3: Ensure Fair Competition in International Trade

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

ITA is committed to strong enforcement of U.S. trade laws, and will do everything within the parameters prescribed by Congress to ensure U.S. domestic industries obtain effective relief from dumped and subsidized imports. ITA tracks crucial market access and compliance problems to ensure timely engagement and resolution. Cases are classified as information requests, compliance (violation of a multilateral or bilateral trade agreement), noncompliance market access (market barriers other than compliance problems preventing or limiting a U.S. firm or industry sector from market entry or expansion), or commercial disputes (a U.S. company encountering problems with an existing transaction or venture).

ITA is committed to building a rules-based trading system in which international trade is both free and fair for U.S. firms and workers by combating dumping, when foreign goods are “dumped” at less than market value; evaluating the fairness of the subsidy of imports; and ensuring compliance with negotiated trade agreements. ITA identifies and monitors import surges created by imports that are sold in the U.S. at less than fair market value, foreign subsidy practices, and other harmful import trends. ITA defends U.S. industry against injurious trade practices by administering the AD and CVD laws of the U.S. ITA deploys attachés to foreign locations to educate foreign governments and businesses about U.S. AD/CVD laws and supports U.S. AD/CVD proceedings in foreign locations. ITA expedites investigations when warranted by import surges and foreign subsidy practices, defends unfair trade practices before the WTO, and coordinates the Department of Commerce’s role in the Administration’s steel strategy. The “percentage of cases completed” highlights timeliness of casework that is essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair foreign trade actions.

As the volume of world trade and investment expands and more countries enter into multilateral and bilateral trade agreements with the United States, ITA promotes compliance with trade agreements through consultation with foreign governments, quick identification of noncompliance by communicating and establishing a relationship with U.S. exporters, improvement of coordination with other agencies, rapid response to illegal acts by mobilizing strike forces, and close collaboration with the Office of the U.S. Trade Representative (USTR) on enforcement actions. ITA’s TCC monitors trade agreements for implementation by foreign governments and identification of compliance problems. The “number of market access and trade compliance cases initiated” performance measure has a direct impact on ITA’s ability to ensure fair competition. This performance measure assesses the extent of ITA’s efforts to monitor trade agreements, identify and initiate market access and compliance cases on behalf of U.S. businesses, and work to their resolution. The “dollar value of trade barriers addressed” complements the number of cases initiated by quantifying ITA’s efforts to obtain market access for U.S. exporters and achieve foreign government compliance with trade agreements.

FY 2003 Performance

ITA successfully worked directly with U.S. firms and foreign governments devising strategies in support of the ITA mission. The President is deeply committed to free and fair trade. The President has made a particular point of saying that the U.S. is going to enforce international trade laws to ensure that competition is fair⁴. To overcome market imperfections, all AD/CVD investigations, administrative reviews, and related proceedings have been completed within the statutory deadlines. ITA initiated 144 market access and trade compliance cases and successfully addressed trade barriers valued at \$27.2 billion, representing a potential growth in the U.S. share of the foreign market for both the company involved and for U.S. industry as a whole.

ITA dedicated an increasing share of its resources to ensuring China meets its WTO obligations and U.S. companies gain the market access to which they are entitled. ITA's TCC initiated and closed 35 market access (market barriers) and trade compliance (violation of trade agreements) cases. ITA continues to actively work on 23 cases (eight compliance, seven market access, and eight information requests). These cases have been opened based on inquiries from U.S. companies or monitoring activities conducted by ITA staff in Washington and China. IA initiated eight AD/CVD investigations, 22 administrative reviews, and 19 new shipper reviews in AD cases involving products from China. IA issued more than 30 final determinations in investigations and reviews. In large part due to concerns arising in China cases, IA issued a policy bulletin strengthening enforcement in new shipper reviews and established a task force with Customs to address issues of possible fraud and duty evasion.

ITA was given a clear mandate from President Bush to produce significant results in solving the underlying problems of the global steel industry—namely government intervention in the market that leads to over-capacity of steel in the global marketplace. On November 19, 2002, an amendment to the U.S.-Russia Comprehensive Agreement on Steel was signed, which allows steel producers to fully utilize the slab quota provided for under the United States 201 safeguard measure enacted by President Bush in March 2002. Under Secretary of Commerce Grant Aldonas and senior government officials from major steel producing economies formally launched talks to reduce, and ultimately eliminate, government subsidies that have distorted the global steel market for decades. The agreement was reached during the Fifth High-Level Meeting on Steel at the OECD in Paris, December 19, 2002. The agreement represents a political commitment made by the world's major steel producing nations to reach a subsidies agreement on steel. In addition, the group looked at ways industry restructuring could be accelerated to reduce inefficient excess capacity in the steel market.

On June 18, 2003, ITA issued a policy bulletin that outlines the standards for a market-based timber sales system. By addressing the underlying problems in one of the longest running and most difficult trade problems, ITA hopes to encourage an integrated North American lumber market and put an end to the softwood lumber dispute once and for all.

Measure 3a: Percentage of Antidumping (AD)/Countervailing Duty (CVD) Cases Completed On Time

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	100%	100%
Actual			100%	100%
Met/Not Met			Met	Met

⁴ Speech delivered by Secretary Evans to the Detroit Economic Club, September 15, 2003.

Explanation of Measure

The “percentage of AD/CVD cases completed on time” is a reflection of the vigilance of IA staff to complete its casework within the statutory timeframe. U.S. 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.

FY 2003 Performance

All AD/CVD investigations, administrative reviews, and related proceedings have been completed within the statutory deadlines set forth by the Tariff Act of 1930, as amended, and the AD/CVD regulations. IA does not solicit AD/CVD petitions for relief from unfair foreign trade practices, but rather initiates and conducts investigations after petitions are accepted and determined to warrant investigation. IA also conducts administrative reviews of AD/CVD orders if petitioners and respondents in the various cases request administrative reviews as well as sunset reviews of AD/CVD orders.

Measure 3b: Number of Market Access and Compliance Cases Initiated				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	180 to 210
Actual			253	144
Met/Not Met			N/A	Not Met

Explanation of Measure

The “number of market access and compliance cases initiated” performance measure assesses the extent of ITA’s efforts to monitor trade agreements, identify and initiate market access and compliance cases on behalf of U.S. businesses, and work to their resolution. Market access cases arise from complaints 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.

FY 2003 Performance

Target not met. The number of market access and trade compliance cases initiated decreased as a result of the significant slowdown in commercial activity in Asia caused by the outbreak of the SARS virus. Business travel to China, Hong Kong, Taiwan and other major Asian markets fell almost to zero, U.S. business representatives stationed in Asia were recalled, etc., resulting in a major decline in business activity from March through July of 2003. Less business activity resulted in fewer market access and compliance problems.

Measure 3c: Number of Market Access and Compliance Cases Concluded

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	30 to 40
Actual			253	158
Met/Not Met			N/A	Met

Explanation of Measure

The “number of market access and compliance cases concluded” performance measure addresses ITA’s effort to obtain market access for U.S. exporters and achieve foreign government compliance with trade agreements. The number of market access and compliance cases concluded is based on a number of cases processed by ITA where no further action by ITA is warranted: case was successfully resolved; compliant was groundless, i.e., no violation; industry decides not to pursue compliant; case referred to USTR for consideration for formal dispute settlement resolution; or problem cannot be resolved despite ITA efforts. Market access cases arise from complaints 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.

FY 2003 Performance

Target met. This is a new performance measure introduced in FY 2003. Discrepancies between target levels and actual performance exist due to a lack of baseline data. In FY 2003, ITA concluded 161 market access and trade compliance cases valued at \$31.4 billion. This level of cases can be attributed to, among other things, our continued engagement with existing trading partners. This engagement includes, for example, meetings at Commerce, video conferences, and international meetings.

Measure 3d: Dollar Value of Trade Barriers Addressed

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	\$15B to \$20B
Actual			\$40.2B	\$27.2B
Met/Not Met			N/A	Met

Explanation of Measure

The “dollar value of trade barriers addressed” performance measure addresses ITA’s efforts to obtain market access for U.S. exporters and achieve foreign government compliance with trade agreements. The dollar value of trade barriers is based on a projection of potential growth in the U.S. share of the foreign market for both the company involved and for U.S. industry as a whole, or is based on firm/industry-provided estimates. Market access cases arise from complaints 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.

FY 2003 Performance

Target met. ITA exceeded the target despite the lower number of cases initiated due to the fact that several large cases were closed in FY 2003, which brought the total dollar value up significantly.

Program Evaluation

ITA conducted its first-ever organization-wide customer satisfaction survey in order to better understand the customer base it serves. The ITA Customer Satisfaction Survey scores for IA and North American Free Trade Agreement (NAFTA) Secretariat are the lowest across all ITA programs, but are in line with other federal regulatory agencies. IA and NAFTA Secretariat segments registered scores at 51 and 50, respectively. However, the scores compare favorably with Internal Revenue Service, 52, or Occupational Safety and Health Administration, 54. The survey results point toward the details of proceedings (one of six survey quality components) as an area for immediate improvement since customers want ITA to continue enhancing the clarity of AD/CVD questionnaires and instructions. ITA’s long-term organization-wide survey strategy is currently under development. In the meantime, ITA plans on an ongoing basis to conduct a survey biannually, implement the survey results in the off-year (2004), and to measure its progress and any increases in the export activities undertaken per customer surveyed (2005).

Performance Goal 4: Advance U.S. International Commercial and Strategic Interests

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

Changing economic, technological, and social conditions in the last decade has altered how international trade is conducted. This changing international trading environment presents U.S. exporters with numerous challenges and opportunities. ITA advances U.S. international commercial and strategic interests by creating an infrastructure that encourages economic growth, technological competitiveness, and sustainable development. This is achieved through mobilization of financing and development of commercial infrastructure in target countries, increased information flow to U.S. exporters about target countries, increased facilitation of business-to-business exchange or contact in target countries, and increased compliance with accepted business standards and potential sanctions.

ITA works with other U.S. Government agencies to encourage foreign policy initiatives and assistance programs to include a role for expanding U.S. business in economic development. ITA has had significant success in expanding U.S. exports while supporting U.S. Government foreign policy initiatives. To quote President Bush, "...Free trade is also a proven strategy for building global prosperity and adding to the momentum of political freedom..." To capture information on designated markets and products, ITA reports the dollar exports to these markets and products. By generating U.S. exports, ITA simultaneously supports the development of a stronger market-oriented economic system in areas of the world (for example, Africa), contributing both to U.S. economic goals and global stability.

FY 2003 Performance

ITA's unique relationship with U.S. industry enables it to participate in shaping and implementing U.S. trade policy and to take a leadership role in trade negotiations. ITA employees, in addition to supporting U.S. trade negotiators in the WTO, FTAA, and through bilateral FTAs, worked to encourage foreign policy and assistance programs to include a role for expanding U.S. business in economic development programs. ITA has had a significant success in expanding U.S. exports while supporting U.S. Government foreign policy initiatives in China, Russia and the other Newly Independent States, Central America, Northern Ireland, Central and Eastern Europe, and South Africa. ITA continued the commercial energy dialogue with Russia, China, and Kazakhstan by providing a forum for energy companies to identify and overcome specific barriers and promote greater cooperation in energy trade and investment. ITA's actions facilitated increased exports and simultaneously supported a stronger, market-oriented economic system in these areas of the world, which contributed both to U.S. economic goals and global stability.

ITA is also committed to rebuilding Afghanistan in a manner that encourages peace and stability, commerce and opportunity, and freedom and democracy. More specifically, the ITA's Afghanistan Reconstruction Task Force, established in February 2002, has worked with the U.S. business community to gather and disseminate information about the reconstruction efforts.

The Department of Commerce created the Iraq Reconstruction Task Force, which will help U.S. companies by serving as a clearinghouse of information on how to participate in the economic rebuilding of Iraq. The task force, comprised of industry

and trade experts within ITA, works closely with other U.S. Government agencies to ensure that the U.S. business community receives the information it needs regarding Iraq reconstruction efforts.

Measure 4a: Dollar Exports in Targeted Products and Markets

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	\$160B to \$180B
Actual			\$166.3B	\$166.3B
Met/Not Met			N/A	Met

Explanation of Measure

Exports have accounted for almost one-quarter of U.S. economic growth during the past decade.⁵ ITA promotes U.S. business abroad, supports trade policy development, ensures compliance with trade agreements, and creates market access through trade negotiations and trade agreements. ITA management identified energy, telecommunications, services, and environment as targeted market or sectors. This measure tracks dollar exports in priority markets, captures the dollar value of exports generated by U.S. businesses in targeted sectors both in total and for individual foreign markets that are attributable to ITA programs.

FY 2003 Performance

The time line for producing the Performance and Accountability Report precludes us from providing FY 2003 data for this measure since complete data will not be available until December 15, 2003. Therefore, we are reporting data that was available as of September 2002. ITA management identified energy, telecommunications, services and environment as targeted markets or sectors. Data for the services sector are limited in the detail available and frequency of publication, and there is a substantial lag (three to four months) in its publication.

Program Evaluation

The Secretary's Standards Initiative, launched in March 2003, has started a process of re-evaluation of the Department's activities, including ITA's activities, on standards to ensure that they are most accurately reflecting industry's main concerns and needs. The effort will lead to the preparation of the Department's Global Standards Activity Assessment, that will outline where the Department's priorities should be focused. As a result of the re-evaluation process and in cooperation with the National Institute of Standards and Technology, ITA will (1) develop a training program for standards liaisons and foreign commercial service officers posted abroad; (2) develop a database of best practices in addressing standards issues in foreign markets; (3) strengthen and expand "Export Alert!," a free, Web-based service to disseminate market intelligence and information on standards developments in key priority foreign markets in Europe, Asia, and Latin America; (4) support the development of a dialogue on standards within the proposed President's Export Council subcommittee on technology and competitiveness; (5) host a series of industry-specific roundtables to gather input from U.S. industry on the most pressing standards issues and priority foreign markets; and (6) ensure that industries' priorities on standards are promoted through the international policies and programs.

⁵ Radio Address of the President to the Nation, April 27, 2002

Performance Goal 5: Improve Customer and Stakeholder Satisfaction

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

The PMA describes initiatives designed to create a government that is focused on results, is more accessible to its citizens, and is client-centered. In support of the Administration's vision for government that is client-oriented, ITA is committed to improving both customer and stakeholder satisfaction.

ITA's customers are U.S. businesses. U.S. firms expressed several needs for enhanced products and service offerings and service delivery capabilities from ITA to export more successfully in a fair trade environment. U.S. businesses want online customized information products and simplified access to ITA services. Providing easy access to trade information and data helps U.S. exporters access critical information considering the initiation or expansion of exporting activities. ITA cannot always address the needs of its customers as a single agency, but ITA often partners with other agencies, both public and private, to meet its customers' needs. Other government agencies frequently join ITA in its efforts to promote trade or expand market access. ITA also works with nongovernmental organizations such as trade groups, or other private sector organizations to deliver its mission and to address the needs of U.S. businesses.

ITA's policy and promotion efforts, ranging from information to hands-on assistance, help SMEs through every stage of the export process. ITA promotes the use of technology to speed up access to relevant information for customer and service staff, and assesses the effectiveness of its products and services in meeting customer needs. Collectively, these efforts assure timely, responsive, high-quality service to the customers and stakeholders; promote continuing program improvement; and ensure efficient operations. The success of ITA efforts depends upon level or awareness of products and services available to ITA users as well as the benefits they offer. The best export promotion programs or leads are for naught if no one knows about them. ITA places a strong emphasis on building programs and supporting information that are leveraged and strategically targeted so that exporters can make the most of trade opportunities.

FY 2003 Performance

ITA conducted its first-ever organization-wide Customer Satisfaction Survey in order to better understand the customer base it serves and to set a baseline for performance metric reporting and tracking. Overall, ITA is performing well at 70, a very strong score on the ACSI score and compares favorably to other federal agencies with similar functions. The survey also highlighted ITA's strengths and identified potential problems. ITA's strength lies with customer service. Customer perception of ease of access to export and trade information and data, a major component of the survey, registered a score of 74. The level of awareness of ITA products and services registered a high 77 percent among respondents. Areas of improvement center around customers achieving desired outcomes. Additionally, the Customer Satisfaction Survey captured information on the number of U.S. exporters activities undertaken per customer surveyed. Even though ITA did not meet the target, the survey

results will help in the development of a long-term strategy for improving service delivery to ITA's customers. As previously anticipated, the survey did not provide the necessary statistical information to calculate the number of customers acquired through proactive ITA efforts. However, ITA plans to develop an agency-wide client management system, which will enable ITA to track the number of customers acquired through proactive ITA efforts.

Measure 5a: Customer Satisfaction with ITA's Product and Services

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	66 to 70
Actual				70
Met/Not Met				Met

Explanation of Measure

U.S. exporters have expressed needs for specialized, customized products that are provided fast, accurately, and are consistently updated. The "customer satisfaction with quality of ITA's products and services" performance measure gauges the satisfaction of ITA's customers with the products and services they receive. ITA will use the survey data to improve the quality of products and services. Collectively, ITA's efforts must assure timely, responsive, high-quality service to the business community to promote the ability of U.S. customers to export, thus increasing U.S. market share.

FY 2003 Performance

Target met. ITA seeks to make its programs more customer-focused. To this end, ITA conducted its first customer satisfaction survey in order to better understand the customer base it serves and to set a baseline for performance metric reporting and tracking. The data collection was administered online via a secure survey Web site from April 7 to May 16, 2003. ITA satisfaction scores were calculated using the ACSI. Scores are reported on a 0 to 100 scale, with 0 indicating poor performance and 100 indicating excellent performance. Overall, ITA is performing well at 70, the ACSI score, and compares favorably to other federal agencies with similar functions.

Measure 5b: Customer Perception of Ease of Access to Export and Trade Information and Data

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	60 to 80
Actual				74
Met/Not Met				Met

Explanation of Measure

ITA continues to enhance its product and service delivery to U.S. exporters. The “customer perception of ease of access to export and trade information and data” measure is defined as assessing the perception among ITA customers that export and trade information and data may be obtained via ITA Web sites, database applications, export assistance centers, and other personal interactions with ITA personnel in a timely and efficient manner. By monitoring its performance in this regard, ITA hopes to increase timeliness and efficiency of service delivery to U.S. businesses and improve effectiveness of information and data for persons with disabilities. ITA believes that *all* customers should be able to obtain export and trade information and data quickly, accurately, on first contact, and in a courteous manner.

FY 2003 Performance

Target met. As part of the ITA-wide Customer Satisfaction Survey, ITA customers were asked to complete the online survey and answer customer satisfaction questions related to ease of access. While a few scores indicate there is room for improvement in providing access to suitable trade leads and market representatives, the survey results told ITA that customers were overall, very satisfied with their ease of access.

Measure 5c: Level of Awareness of ITA Products and Services				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	3.5 mean rating	3.5 mean rating (70)
Actual			Not Implemented	77%
Met/Not Met			Not Met	Met

Explanation of Measure

ITA is committed to performance and accountability. The “level of awareness of ITA products and services” ensures that ITA’s potential customers are informed of the products and services available to them, as well as the benefits they offer. It addresses awareness: does potential customer know about ITA’s products and services? It asks about understanding: if aware, does customer understand the benefits of using the products or services? It seeks out potential customers: someone who has used an ITA product or service, and who may benefit from using other products or services

FY 2003 Performance

Target met. ITA conducted its first-ever organization-wide customer satisfaction survey in order to better understand the customer base it serves and to set a baseline for performance metric reporting and tracking. The data collection was administered online via a secure survey Web site from April 7 to May 16, 2003. Specifically, the Customer Satisfaction Survey will help ITA to improve its customer relationships and more effectively meet customers’ needs. ITA registered over a 77 percent level of satisfaction. This information will be important in setting a baseline for ITA to track across time.

Measure 5d: Employee Job Satisfaction

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	3.5 mean rating	3.5 mean rating
Actual			Not Implemented	Not Implemented
Met/Not Met			Not Met	Not Met

Explanation of Measure

ITA seeks to improve individual and organizational performance by recruiting and retaining a high-quality, diverse workforce that is satisfied with the quality of their work lives. This measure will help to ensure effective management of human resources (HR) and will improve ITA's organizational capabilities and flexibilities. The ultimate objective of measuring employee job satisfaction is to improve individual and organization performance by putting people first.

The measure is broadly defined. While the primary source of data will be answers to questions on the employee perception survey, other data, which can gauge the level of employee training and development and awards and recognition, will supplement this source. The measure will also involve evaluating the effectiveness of quality-of-work-life programs (for example, telework, Alternate Work Schedules, and so on) to determine the extent to which these programs have an impact on overall job satisfaction.

FY 2003 Performance

Target not met. In FY 2003, ITA did not conduct an ITA-wide employee survey to specifically measure "Job Satisfaction." However, the results of the government-wide Federal Human Capital Survey conducted in 2002 by the Office of Personnel Management provide an indication of the status of this performance measure. Although a direct correlation cannot be made between the indicators used in the Human Capital Survey and the Job Satisfaction Survey, results indicate that if the latter survey had been conducted, the overall score would not reach the target of 3.5 out of a maximum of 5. For FY 2004, ITA needs to develop a plan to address the results of the Human Capital Survey in order to improve overall job satisfaction in the organization.

Measure 5e: Number of Customers Acquired Through Proactive ITA Efforts

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	1,000
Actual				Not Implemented
Met/Not Met				Not Met

Explanation of Measure

The "number of customers acquired through proactive ITA efforts" captures information on the number of U.S. businesses responding that they used ITA products/services for the first time as a result of ITA proactive outreach efforts. ITA provides to U.S. exporters market information, advocacy assistance, trade compliance assistance, and one-on-one export counseling; organizes trade events, matchmaking, etc.; thus encourages and enables U.S. companies to take full advantage of export opportunities.

FY 2003 Performance

Target not met. Actual performance data not available. ITA has just recently completed an organization-wide survey. As previously anticipated, the survey did not provide the necessary statistical information to calculate results. In FYs 2004 and 2005, ITA plans to develop an agency-wide client management system, which will enable ITA to track the number of customers acquired through proactive ITA efforts.

Measure 5f: Number of U.S. Exporter Activities Undertaken Per Customer Surveyed

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	2
Actual				1
Met/Not Met				Not Met

Explanation of Measure

The “number of U.S exporter activities undertaken per customer surveyed” performance measure that captures information on the number of export activities that surveyed customers report having taken as a result of ITA’s service to those customers. The information collected would be after the first year of receiving ITA’s assistance, and were export orders, sales, or tangible benefits relating to exporting that can be attributed in some measure to help that ITA provided. The export activities resulting from ITA’s help to a U.S. firm could include, but not be limited to, a signed agent or representative, a signed joint-venture agreement with a foreign company, cut lead time for market entry, obtained sales leads, secured export financing, immediate sales, or signed agreement pending.

FY 2003 Performance

Target not met. The original target for this performance measure was obtained from multiple internal-to-bureau sources. The actual FY 2003 data has been derived from the ITA-wide Customer Satisfaction Survey. The results will be used in setting a baseline for ITA to track results over time. ITA plans on an ongoing basis to conduct a survey biannually, implement the survey results in the off-year (2004), and to measure its progress and any increases in the export activities undertaken per customer surveyed (2005).

Program Evaluation

ITA undertook a customer satisfaction survey. Results showing ITA satisfaction scores were calculated using the same methodology as the ACSI, which is a uniform, cross-industry measure of satisfaction with goods and service available to U.S. customers. The results show that customer service (one of several quality components comprising the survey) is a relative strength for ITA. ITA’s score of 81 is relatively high scoring and high impact, meaning it has a large influence on customer satisfaction. Although it may be difficult to substantially improve a score of 81, ITA is optimistic not to let that score slip, as a decline in customer service would cause a subsequent drop in ACSI.

Performance Goal 6: Improve the U.S. Competitive Advantage through Global E-Commerce

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

ITA continues its focus on e-commerce, a major channel to further U.S. exports. ITA's e-commerce export promotion program has four main goals: (1) helping small businesses use the Internet to find markets overseas, (2) helping established U.S. IT companies to expand overseas, (3) helping emerging economies make the transition to the digital age, and (4) through negotiations ensuring that both the Internet and foreign markets are open and accessible.

ITA provides exporters that have Internet access with information on the international marketplace through the use of electronic products and services such as Export.gov and BuyUSA.gov. These two major Web sites provide basic information on navigating through the steps in the export process, in addition to international market research and online matchmaking services with foreign buyers. Through Export.gov, the U.S. Government's export portal, is a key component to the International Trade Process Streamlining e-gov initiative. Through Export.gov, users obtain information on regulatory matters and policies, and access a broader array of U.S. Government trade-related information from the Department. BuyUSA.com and Export.gov work in partnership to help SMEs complete export transactions. Using a wide variety of e-commerce tools and service from both public and private sector sources, ITA employees help U.S. business evaluate new overseas markets and take advantage of foreign sales opportunities.

Most companies prefer to use the Internet as a source of information. Exporters find the Internet the ideal mechanism for obtaining current information on changing economic conditions, regulations, and other crucial information. Many small companies want a single Web site that is easy to navigate and includes links to other U.S. Government sites where appropriate. ITA has developed two performance measures to capture users input. The ease of use of critical export-related information on Export.gov, "Customers' perceptions of portal ease of use," provides insight into how well the efforts to improve access meet the needs of the actual users. One of the most valuable services that ITA provides to U.S. exporters is information on foreign markets and trade opportunities. To measure its success in this endeavor, ITA tracks the percentage of ITA's significant products and services provided electronically to external customers since companies of all sizes view U.S. Government research as reliable and unbiased, and they generally expect the information to be current and readily available in an easy-to-use format.

On the policy side of e-commerce, ITA is working in a range of international forums, such as the FTAA and other Department of Commerce bureaus and government agencies, to develop and advocate U.S. policy positions on a range of e-commerce issues. They include privacy, consumer protection, infrastructure access, telecommunications liberalization, diffusion of IT to SMEs, standards, IT tariff elimination, and expanded IT market access.

FY 2003 Performance

The ITA's program trade specialists use a wide variety of e-commerce tools and services from both public and private sector sources to help U.S. business evaluate new overseas markets and take advantage of foreign sales opportunities. ITA has developed tools to increase the accessibility of exporting information to potential exporters. Major Web sites, such as BuyUSA.com, provide basic information on navigating through the steps in the export process, in addition to international market research and online matchmaking services with foreign buyers.

Secretary Evans, in his testimony before the Senate Committee on Banking, Housing and Urban Affairs, May 21, 2003, announced the enhancement of Export.gov that makes it easier to use and adds new features to help guide new exporters through the export process. Through Export.gov, the U.S. Government's export portal, users obtain information on regulatory matters and policies, and access a broader array of U.S. Government trade-related information from the Department. Even though the average ease of use rate of 69 percent fell below the target, the ratings have been increasing since the Web site was redesigned in April 2003, averaging 82 percent.

BuyUSA.com and Export.gov work in partnership to help SMEs complete export transactions. Providing information and services electronically and utilizing video conferencing also frees trade specialists to focus more on working in-depth with clients. Presently, about 60 percent of SME exporters use these sites as a primary source of Web-based information.⁶ In addition, an international electronic data network, e-menu, and a series of Lotus Notes databases allow the overseas posts to deliver specific information requests almost instantly to meet the needs of U.S. companies and support the export counseling programs of the domestic network. Overall, 82 percent of ITA's products and services are provided electronically to external customers.

Measure 6a: Number of New Subscribers Using BuyUSA.com E-Services

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	5,000	1,500	650
Actual		339	564	2,078
Met/Not Met		Not Met	No Met	Met

Explanation of Measure

BuyUSA.com offers U.S. exporters the unique ability to promote their products and services, create an online catalog, and respond to trade lead inquiries from a pool of foreign buyers. The site also provides the U.S. firms with information on a host of export assistance and counseling services offered in domestic offices and countries worldwide. The performance measure tracks the number of U.S. and international subscribers using BuyUSA.com e-services.

FY 2003 Performance

Target met. The original targets counted only U.S. paid subscribers to the Web site. However, there are many foreign companies seeking to buy U.S. products and services that also subscribe and use BuyUSA.com e-services. The FY 2003 actual number of subscribers reflects both paying and non-paying international and U.S. subscribers utilizing the Web site to conduct business.

⁶ *The 2002 National Export Strategy (NES)*

Measure 6b: Customer Perception of Portal Ease of Use

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	>50% Satisfaction Rate	Greater than 70%
Actual			84.4%	69%
Met/Not Met			Met	Not Met

Explanation of Measure

Customers' perceptions of the portal ease of use ties directly to the ITA performance goal that seeks to improve U.S. competitive advantage through global e-commerce. Export.gov is a first step toward consolidating export information into a single, customer-focused site where anyone can find every online federal resource related to exporting. ITA will survey online customers visiting Export.gov on an ongoing basis. The customers' responses will be optional. This performance measure will allow ITA to gauge customers' perception of portal ease of use and to increase the quality and navigability of the ITA portal based on customer feedback.

FY 2003 Performance

Target not met. However, Export.gov is meeting its target for customer usability and its numbers have steadily improved since the site's redesign in April of 2003. While Export.gov staff views this as positive, survey results reveal consistent trends in the types of export information in which visitors are interested. While many visitors indicated that Export.gov's usability was good or very good, many also indicated that they could not find, or only partially find, the types of information desired. Nearly one-third of all visitors to Export.gov come from overseas companies seeking to export to the United States and are looking for various domestic distribution and/or marketing channels. Since Export.gov's target audience is U.S. companies seeking to export to other countries, would-be importers would likely not find U.S. import information on the site. These findings portend a need to better segment Export.gov's visitors into areas of content that are increasing customized to match each visitor demographic and to create new channels to relevant information.

Measure 6c: Percentage of ITA's Significant Products and Services Provided Electronically to External Customers

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	50%	75% to 80%
Actual			Not Implemented	82%
Met/Not Met			Not Met	Met

Explanation of Measure

Based on government Paperwork Elimination Act requirements, ITA is required to offer business processes electronically by October 2003, where practicable. U.S. exporters expressed a need for fast access to ITA products and services. This performance measure will track ITA's progress in taking advantage of IT opportunities to deliver products electronically to external customers and, in doing so, to create process efficiencies and improved services to customers.

FY 2003 Performance

This is the first year of full implementation for this measure, and ITA is pleased to report that the FY 2003 target has been met. Of the 49 significant products and services ITA delivers to its external customers, 40 (82 percent) are now provided with either maximum practicable or significant electronic capability. Two examples of those 40 products and services are Export.gov, which supplies basic information on navigating through the steps in the export process, international market research, and online matchmaking services with foreign buyers; and trade statistics and analysis offered through tse.export.gov (www.tse.export.gov) which features interactive data retrieval, user customization, data visualization on map-base interfaces, and flexible downloading and printing. Some additional examples of ITA's significant products and services designed to support U.S. commercial interests at home and abroad now being provided electronically are Electronic Subsidies Enforcement Library, market research, international travel and tourism statistics, and advocacy.

Program Evaluation

Using the *Report Card on Trade II: Assessing the Effectiveness of U.S. Government Support to Small and Mid-Sized Exporters*, published in June 12, 2002, ITA implemented a number of changes to improve coordination of services and sharing of client information both domestically and overseas. One of the major accomplishments was the enhancement of the Export.gov Web site as a key component of the International Trade Process Streamlining e-gov initiative. The site consolidates export information, including e-commerce information, from the 19 federal agencies of the TPCC into one user-friendly Web site. Secretary Evans announced the new enhanced Web site during his testimony before the Senate Committee on Banking, Housing and Urban Affairs, May 21, 2003.

ITA Data Validation and Verification

ITA is using “Panorama Business Views” (PBViews), a network-based performance management data reporting system utilizing software to fully integrate the performance management approach into ITA’s day-to-day operations and annual planning cycle. Every performance measure has a designated measure owner who gathers data and validates collected information; maintains individual measure documentation; leads cross-organizational coordination of data collection; performs quality control, including error checking and elimination of duplicates; and acts as program unit point of contact. Individual program unit managers are held accountable for the quality of the data that their staff collects and the timeliness with which the data is input into the performance management system, PBViews. Every quarter, the ITA Strategic Planning Leadership Team composed of senior career ITA line managers reviews the reports published on PBViews for data integrity and accomplishments, and recommends corrective actions as necessary. This peer review approach also serves as a validation process of whether data are appropriate for the performance measures.

The ITA Data Validation and Verification table can be found starting on the following page.

ITA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Number of new or enhanced ITA partnerships with public and private sector entities to promote U.S. exports	Database of domestic or foreign for-profit or not-for-profit private sector firm or industry organization partners; federal, state, or local government agency.	Annually	ITA-wide source data to be input into Panorama Business Views (PBViews).	ITA will perform client verification survey based on the information stored in PBViews.	Global trends, political developments, and ITA resources could affect the actual numbers.	ITA is currently establishing a baseline of existing partnerships and will use this baseline to measure changes to assess progress and set meaningful targets. Targets established for FY 2003 were based on best available data at the time of this publication.
Measure 2a: Percentage of undertaken advocacy actions completed successfully	U.S. companies that benefit from U.S. Government advocacy.	Annually	Data collected from the Advocacy Center database, client management system, and stored in the PBViews database.	The Advocacy Center conducts annual verifications with follow-up calls to a significant sample of customers to verify the dollar value of exports generated through the support of U.S. Government effort.	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.	Advocacy actions reported are those recorded by the Advocacy Center, thus eliminating any possible duplications in the data reported by various ITA entities. The Advocacy Center has revised the advocacy projects database to more accurately trace the number, and status, of new advocacy requests received and processed by the Advocacy Center.
Measure 2b: Dollar value of completed advocacies (U.S. export content)	U.S. companies that benefit from U.S. Government advocacy.	Annually	Data collected from the Advocacy database, advocacy success database, and the client management system is stored in the PBViews database.	The Advocacy Center conducts annual verifications with follow-up calls to a significant sample of customers to verify the dollar value of exports generated through the support of U.S. Government effort.	Quality of data is dependent on client's willingness to provide the data. U.S. companies provide dollar estimates regarding export content. The Advocacy Center has found that after these estimates were reviewed in random audits conducted in the past three years, the individual project export content values did vary. Additionally, some clients elect not to provide information to ITA due to business proprietary concerns.	ITA has taken steps to ensure that all completed advocacies are reported and verified in the Advocacy Center database. The Advocacy Center has revised the advocacy projects database to more accurately track the number and status of new advocacy requests received and processed by the Advocacy Center.
Measure 2c: Number of U.S. exporters entering new market	U.S. exporters	Annually	Data from the client management system is stored in the PBViews database.	ITA data on client contact activities, including U.S. exporters entering new market, are collected quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates, and verifies results through peer review of verifiable documentation.	ITA's collection of data to measure a number of clients that successfully export for the first time to a new market as a result of ITA assistance is wholly dependent on a client's willingness to provide such information.	ITA reports data recorded in the Client Management System. ITA has taken steps to improve data reporting procedures.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2d: Number of U.S. firms exporting for the first time	U.S. exporters	Annually	Data from the client management system is stored in the PBViews database.	ITA data on client contacts and activities, including U.S. firms exporting for the first time, are collected quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates and through peer review, verifies documentation.	ITA's collection of data to measure the numbers of clients that successfully export for the first time as a result of ITA assistance is wholly dependent on a client's willingness to provide such information.	ITA reports data recorded in the Client Management System. ITA has taken steps to improve data reporting procedures.
Measure 2e: Number of export transactions made as a result of ITA involvement	U.S. exporters	Annually	Data from the client management system is stored in the PBViews database.	ITA will perform client survey verification and periodic auditing of survey data and results.	Responses to the survey depend on U.S. business cooperation and willingness to provide data and on sample size and response rate of periodic surveys of product users.	ITA is considering the findings of the recently completed Customer Satisfaction Survey and will develop an action plan to address the findings and recommendations presented in the report.
Measure 3a: Percentage of antidumping (AD)/countervailing duty (CVD) cases completed on time	Import Administration (IA) cases completed in accordance with the statutory deadline.	Timeliness is measured as a percentage of all completed cases and will be reported annually. Computation is total number of cases completed by statutory deadline/total number of cases.	Data from the case management system is stored in the PBViews database.	Each case is supported by final determinations, including Federal Register notices. Lotus Notes software is employed to operate the IA-wide AD/CVD case tracking and management system. ITA's case management system is updated daily and duration statistics are available at a moment's notice. Performance data are monitored and certified internally.	Depends on the number of injurious trade actions taken by foreign governments and/or foreign companies. Workload is totally controlled by U.S. firms petitioning for AD/CVD investigations and foreign companies who are respondents in the AD/CVD cases.	ITA reports data recorded in the AD/CVD case management system.
Measure 3b: Number of market access and compliance cases initiated	Petitions from U.S. firms encountering trade barriers and compliance by foreign governments with U.S. negotiated international trade agreements.	Annually	Data from the ITA compliance activity database maintained by the Trade Compliance Center (TCC) is stored in the PBViews database.	ITA data on market access and compliance cases are reported in the case database. ITA ensures system integrity (data are entered where they should be) and performs quality control, including error checking, elimination of duplicate cases reported, and through peer review, verification of documentation.	Caseload is largely driven by outreach efforts seeking private sector complaints and through U.S. Government monitoring efforts. 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.	ITA reports data recorded in the Market Access and Compliance Database Management System.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 3c: Number of market access and compliance cases concluded	ITA Compliance and Market Access Management System database, which contains data on U.S. firms encountering foreign trade barriers.	Annually	Data from the ITA Compliance and Market Access case management system is stored in the PBViews database.	Records support each case and many of the cases have been highlighted in the Commerce Secretary's Monthly Compliance Case Report. Lotus Notes software is employed to operate the ITA-wide Compliance and Market Access case management system. The Compliance and Market Access case management system is updated daily and statistics are available at a moment's notice. Performance data is monitored and certified internally.	Number of cases concluded depends on the accurate tracking of case assignment and case disposal.	ITA reports data recorded in the Compliance and Market Access case management system database.
Measure 3d: Dollar value of trade barriers addressed	Market Access and Compliance database	Annually	ITA compliance activity database, maintained by the ICC.	ITA data on market access and compliance cases are collected as cases arise. ITA ensures system integrity (data are entered where they should be), performs quality control, including error checking and elimination of duplicate cases reported, and verifies documentation through peer review.	Because data in these cases are usually estimates and often dependent on industry self-reporting, an accurate valuation may not be achievable.	Measure discontinued in FY 2004 since the data presented is based on a projection of potential growth in the U.S. share of the foreign market for both the company involved and for U.S. industry as a whole, or it is based on firm or industry-provided estimates. Dollar value of trade barriers addressed may not constitute dollar value to U.S. firms, because opportunities are available for all firms to complete.
Measure 4a: Dollar exports in targeted products and markets	Census Bureau and Bureau of Economic Analysis (BEA) trade data and U.S. export promotion participants.	Annually	Electronic retrieval of detailed Census Bureau and BEA trade data.	ITA collects data on dollar exports in targeted markets quarterly using internal procedures. ITA performs quality control, including error checking and elimination of duplicates, and through peer review, verifies collected data.	Data present estimates of resultant exports, but global economic variables and political or administrative developments may affect the future growth in U.S. exports to targeted markets. Data for the service sector are limited in the detail available and frequency of publication, and there is a substantial lag (three to four months) in its publication.	Data are compiled from several sources, which include lagging indicators. ITA is working to resolve or redress this situation.
Measure 5a: Customer satisfaction with ITA's products and services	ITA customers (U.S. exporters)	Broad survey conducted every two years.	Client management system and PBViews database.	ITA analyzes and certifies data internally through periodic audits of reported data in the system.	The level of response to ITA's survey limits the data.	ITA is considering the findings of the recently completed Customer Satisfaction Survey and will develop an action plan to address the findings and recommendations presented in the report.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 5b: Customer perception of ease of access to export and trade information and data	ITA customers (U.S. exporters)	Broad survey conducted every two years.	PBViews database	ITA analyzes and certifies data internally through periodic audits of reported data in the system.	Level of response to survey.	ITA is considering the findings of the recently completed Customer Satisfaction Survey and will develop an action plan to address the findings and recommendations presented in the report.
Measure 5c: Level of awareness of ITA products and services	ITA Customers (U.S. exporters and potential exporters)	Broad survey conducted every two years.	PBViews database	ITA staff will perform analysis to verify statistical results of survey data.	Level of response to survey.	ITA is considering the findings of the recently completed Customer Satisfaction Survey and will develop an action plan to address the findings and recommendations presented in the report.
Measure 5d: Employee job satisfaction	Employee perception survey; human resources (HR) reports on recruitment, attrition, exit interviews, awards and recognition, and training and development; and the Office of Personnel Management's government-wide survey.	Annually	Office of HR Management database; hard copies.	Results of annual employee perception survey will be determined and validated by an outside contractor. HR reports are generated from data stored in HR systems, which are updated biweekly; errors are identified and corrected through quality audits.	Response rate to surveys; quality of survey questions; willingness of employees to articulate concerns; accuracy of data entered into HR system.	Assessment is underway to determine if action is needed to develop an employee satisfaction score as well as proxy measures (for example, retention rates and number of complaints).
Measure 5e: Number of customers acquired through proactive ITA efforts	Customer survey	Biannually	Client management system and PBViews database.	ITA will perform client survey verification and periodic auditing of survey data and results.	Responses to the survey depend on U.S. business cooperation and willingness to provide data and on sample size and response rate of periodic surveys of product users.	The actual FY 2003 data could not be derived from the ITA-wide Customer Satisfaction Survey. ITA plans to develop an agency-wide client management system in FYs 2004 and 2005. The proposed client management system will enable ITA to track the number of customers acquired through proactive ITA efforts.
Measure 5f: Number of U.S. exporter activities undertaken per customer surveyed	Customer survey	Biannually	Client management system	ITA will perform client verification survey.	Responses to the survey depend on U.S. business cooperation and willingness to provide data and on sample size. Once initial data are collected, targets can be refined.	ITA is considering the findings of the recently completed Customer Satisfaction Survey and will develop an action plan to address the findings and recommendations presented in the report.

ITA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 6a: Number of new subscribers using BuyUSA.com e-services</p>	<p>U.S. subscribers using the BuyUSA.com Web site.</p>	<p>Annually</p>	<p>Data from the Web trends (Internet-based software tracking system) is stored in the PBViews database.</p>	<p>Clients visiting the Web site or domain during a specific period of time. The US&FCS collects, reviews, verifies, and signs the reports.</p>	<p>None. A subscriber is identified by a registered user name.</p>	<p>Technical difficulties prevented accurate reporting of the number of new subscribers using the Web site. A team has been created to correct this problem. Targets were set at unrealistic levels and better targets and subscriber measurement will be developed before ITA considers this data as reliable.</p>
<p>Measure 6b: Customer perception of portal ease of use</p>	<p>ITA customer portal survey</p>	<p>Annually</p>	<p>Data to be logged and stored on a database such as Microsoft Access and/or Excel spreadsheet for input into the PBViews database.</p>	<p>ITA employees will harvest the data from Export.gov.</p>	<p>Level of response to the survey, sample size, and customer misinterpretation of survey questions.</p>	<p>Export.gov has been enhanced. The new design makes the Web site easier to use and adds new features to help guide new exporters through the export process. ITA has revised the survey that is posted online to reflect the enhanced Web site.</p>
<p>Measure 6c: Percentage of ITA's significant products and services provided electronically to external customers</p>	<p>ITA internal survey</p>	<p>Annually</p>	<p>Data compiled in Microsoft Excel or Microsoft Access database will be stored in the PBViews database.</p>	<p>ITA's program staff will verify the survey data through periodic assessments of representativeness of respondents.</p>	<p>Level of response to the survey, sample size, and customer misinterpretation of survey questions.</p>	<p>ITA finalized the type of business process, the accuracy of current targets and definition of the measure. Data collected is adjusted to reflect changing status of products and services provided electronically.</p>



Bureau of Industry and Security

Mission Statement

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic interests. BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with international arms control agreements; and monitoring the viability of the U.S. defense industrial base and seeking to ensure that it is capable of satisfying U.S. national and homeland security needs.

BIS's primary activities include:

- **Administering U.S. dual-use export controls**—BIS imposes controls on exports of dual-use goods and technology to counter proliferation of weapons of mass destruction (WMD) and to pursue other national security and foreign policy goals (such as combating terrorism). BIS administers this export control system through the promulgation and implementation of a regulatory, licensing, and reporting regime. An Administration goal is to secure passage of legislation that will streamline and strengthen export controls, reducing the burden on U.S. industry while protecting our national security more effectively.
- **Enforcing U.S. export control, antiboycott laws, and public safety laws**—BIS enforcement agents investigate and help prosecute potential violations of U.S. export control, antiboycott, and public safety laws, which can result in the imposition of civil and criminal sanctions. BIS also engages in preventive enforcement to deter potential violations.
- **Assisting key countries that export or serve as transit points for sensitive commodities and technologies to develop effective export control systems**—The effectiveness of U.S. export controls can be severely undercut if other nations export sensitive goods and technologies or permit re-export or transshipment of such items to countries or end-users of concern. A number of such countries require assistance to establish effective export control programs of their own. BIS directly provides technical assistance to this end in cooperation with other U.S. Government agencies.
- **Assisting U.S. industry to comply with arms control treaties imposing requirements on U.S. industry**—BIS serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention Implementation Act (CWCIA), and managing inspections by the Organization for the Prohibition of Chemical Weapons at U.S. industrial sites. BIS also works with U.S. industry in the context of the Biological and Toxin Weapons Convention. In the event that the U.S. Senate ratifies the Protocol Additional to the U.S.—International Atomic Energy Agency (IAEA) Safeguards Agreement (Additional Protocol), BIS will serve as lead U.S. Government agency for U.S. industries' compliance with the Additional Protocol, and will be required to oversee declaration and inspection responsibilities similar to those imposed under the Chemical Weapons Convention (CWC).

- **Monitoring the viability of the defense industrial and technology base, and seeking to ensure that it is capable of satisfying U.S. national security and homeland security needs**—As the Defense Department increases its reliance on dual-use goods, BIS seeks to ensure that the United States remains competitive in those industry sectors and sub-sectors critical to the national security. BIS discharges responsibilities under the Defense Production Act (DPA) and other laws, including administration of the Federal Government’s Defense Priorities and Allocations System, assessing threats to U.S. national security deriving from imports, and promoting U.S. defense companies competing for international sales opportunities.

Priorities/Management Challenges

BIS faces the following priorities and management challenges:

- **Obtaining Passage of a new Export Administration Act (EAA)**—There has not been a comprehensive revision of the EAA since 1979. An EAA that provides a balanced framework for administering and enforcing export controls in the twenty-first century would enhance both U.S. national security and U.S. economic interests. The need for the passage of a new EAA increased after the terrorist attacks of September 11, 2001. Such legislation would help BIS more effectively combat the proliferation of WMD by controlling the export of dual-use items that could contribute to the development of such programs by terrorist-supporting states and terrorist organizations.
- **Establishment of an Office of Technology Evaluation (OTE)**—The establishment of this office will aid BIS in advancing its mission of U.S. national security, foreign policy, and economic interests by having the resources, and therefore the ability and knowledge, to conduct thorough, systematic analysis of export control policies and their impact on businesses. The OTE would enable the U.S. Government to replace its existing cold war era regime of blanket dual-use controls with targeted “smart export controls,” which would serve their intended purposes more effectively and with less burden on industry.
- **Enhancing Multilateral Cooperation with Regard to Export Controls**—BIS believes it is worthwhile to explore with key allies and partners whether it can reach agreement on uniform restrictions of certain critical technologies. U.S. companies would benefit by no longer being “undercut” by foreign competitors competing for the same export sales. Such agreement would, moreover, strengthen overall national security. BIS also seeks to improve the effectiveness of the multilateral export control regimes by pursuing other initiatives within the regimes.
- **Enhancing the Interagency Licensing Process**—BIS wants to strengthen its working relationships with the Departments of Energy, State, and Defense, and the intelligence community to improve the licensing process while ensuring that national security concerns are fully considered. BIS aims to shorten the time period for licensing decisions and to increase the level of exporter understanding of BIS export control requirements.
- **Transshipment Country Export Control Initiative**—BIS seeks to strengthen the effectiveness of U.S. and foreign country export control systems by preventing diversion of controlled items through key global transshipment hubs. This multi-pronged initiative seeks to counter diversion through transshipment hubs by working with (1) foreign governments to strengthen indigenous control systems and capabilities, and cooperatively with U.S. agencies to enhance export control enforcement; and (2) those private sector institutions with significant presences in transshipment hubs to promote greater awareness of and compliance with U.S. export and re-export controls. Specific components of the initiative may include technical assistance programs, private sector outreach, the adoption of best practices adapted to transshipment business environments, and, as needed, revised regulations.

- **Defense Production Reauthorization Act of 2003**—The DPA expired on September 30, 2003. The DPA provides BIS authority to administer the Defense Priorities and Allocations System (DPAS), to conduct industrial capability assessments, to participate in the Committee on Foreign Investments in the United States process, and to serve as the President's Executive Agent for preparing the annual Report to Congress on Offsets. BIS worked to secure passage of a DPA reauthorization bill. A bill to reauthorize the DPA for five years passed on December 8, 2003.
- **Develop New Export Enforcement Priorities and Procedures Strategy**—BIS seeks to strengthen its enforcement of export controls by developing and implementing a new comprehensive enforcement strategy, including procedures and priorities for criminal and administrative cases. Development and implementation of this strategy will facilitate speedier, more effective processing of cases. The strategy will require close cooperation with the Commerce Department's Office of General Counsel and with U.S. Attorneys' offices around the United States.
- **Establishment and Implementation of a Comprehensive License Condition Enforcement Program**—Ensuring and verifying adherence to license conditions is critical to the Bureau's mission. While BIS has to date sought to monitor these conditions to the extent possible, it has lacked a comprehensive system for reviewing, ensuring compliance with, and prosecuting violations of license conditions. Audits of the Bureau recently conducted by both the General Accounting Office (GAO) and the Office of the Inspector General (OIG) have noted the absence, and recommended adoption of such a system. BIS proposes to create such a program.

FY 2003 Performance

In FY 2003, BIS had four performance goals, eight performance measures, and nine targets. BIS met eight of those nine targets. BIS cannot directly compare FY 2003 and FY 2002 performance goals and measures because in FY 2003 BIS had fewer goals and measures as a result of the transfer of the Critical Infrastructure Assurance Office (CIAO) to the Department of Homeland Security on March 1, 2003. In addition, three new performance measures were introduced and tracked in FY 2003. These new measures better indicate the efficiency of BIS's administration of export controls. BIS's performance measures, which are linked to the competitiveness, economic growth, and security of the nation, focused on the following areas:

- Decreasing processing times on license applications and issuance of regulations and revising evaluation procedures to more closely monitor the effectiveness of its seminar outreach programs.
- Conducting industry site assistance visits (SAV) to help prepare covered facilities for international inspections.
- Conducting enforcement prevention activities, investigating cases that lead to prosecutions, verifying that exported items are used in accordance with the terms of the export license, and making prompt recommendations on license applications.
- Working with key countries to develop or strengthen their export control systems.

BIS was successful in meeting most of the measures associated with its performance goals. Also in FY 2003, BIS took additional steps to improve organizational performance as indicated below:

- BIS improved its performance measurement system by using outcome instead of output measures, and by measuring performance that is under BIS control. In fact, in FY 2003 the GAO found that BIS had refined its performance goals and measures by focusing on quality and exporter satisfaction, developing measures using plain language, and developing new measures that accurately monitor BIS's program performance. GAO added that BIS goals and

measures directly support its major management challenge—the control of exports of dual-use commodities and chemical weapons for national security and foreign policy (including nonproliferation) purposes. See GAO’s Report: “Performance and Accountability: Reported Agency Actions and Plans to Address 2001 Management Challenges and Program Risks,” dated October 2002 (GAO-03-225).

- BIS implemented a monthly performance measurement reporting system. This report provides the Bureau’s leadership with: (1) up-to-date information on the Bureau’s progress in meeting its performance targets; and (2) useful information to gauge the performance of its senior executives.
- Through its data validation program, BIS’s Office of Planning, Evaluation and Management (OPEM) also reviewed the performance data, and discussed significant deviations from projected targets, if any, with the appropriate office so that program changes could be made to help meet BIS’s performance goals. Regarding data accuracy, OPEM validated BIS’s performance data to ensure that it was accurate, complete, reliable, and timely. The actual validating process was conducted following similar audit principles, including sampling and verification of data.
- OPEM also conducted management studies of several BIS offices and programs. Several recommendations were made, such as changing work processes or making organizational changes, to improve the efficiency and effectiveness of the Bureau programs.

BIS had many significant accomplishments in FY 2003. For example, BIS:

- Published a rule that removed licensing requirements for general purpose microprocessors to most destinations, while retaining a license requirement for military end-uses or end-users, or terrorist-supporting countries.
- Published a rule to implement changes agreed to in the Australia Group 2002 plenary and intercessional agreements.
- Published a rule to clarify controls over encryption items.
- Published rules expanding foreign policy controls on explosives detection equipment and specially designated global terrorists.
- Furthered a primary goal of rationalizing export controls and enhancing U.S. competitiveness in high-technology sectors such as products and services requiring encryption and microprocessors.
- Made progress in the enforcement arena by investigating cases that resulted in significant fines and penalties, conducting significant high-profile cases, and posting a new attaché in the United Arab Emirates (UAE).
- Published notices to update the Unverified List, a list of companies for which U.S. exporters should exercise heightened due diligence.
- Reviewed cases before the Administrative Case Review Board, an internal BIS Committee that advises the Assistant Secretary for Export Enforcement at important stages of administrative enforcement cases, to ensure that all positions taken by Export Enforcement are consistent, fair, and in line with the overall BIS program and enforcement goals.
- Updated the Special Agent Manual (SAM). SAM covers policies and procedures for the Office of Export Enforcement special agents.
- Issued administrative case penalty guidelines to detail the factors considered in setting penalties for administrative cases.
- Implemented a new case management system to track the status of enforcement cases.
- Increased outreach activities on intangible technology transfers including "Deemed Export" requirements and proposed new license conditions to the interagency community.

Targets and Performance Summary

See individual Performance Goal sections for further description of each measure.

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Median processing time for referrals of export licenses to other agencies (days)	New	New	New	9	4	X	
Median processing time for export licenses not referred to other agencies (days)	New	New	New	15	9	X	
Median processing time for issuing draft regulations (months)	New	New	New	3	7		X
Level of exporter understanding of BIS export control requirements	Value of information (average score on scale of 1-5)	New	New	New	Baseline established (4.2)	4.2	X
	Knowledge gained indicator (scale of 0-4)	New	New	New	Baseline established (1.0)	1.0	X

Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention (CWC) and, when Approved, Additional Protocol to the International Atomic Energy Agency (IAEA) Safeguards Agreement

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of site assistance visits (SAV) conducted to assist companies to prepare for Chemical Weapons Convention (CWC) international inspections	New	New	16	12	12	X	

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of cases opened that result in the prevention of a criminal violation or the prosecution of a criminal or administrative case	93	81	82	85	250	X	
Number of post-shipment verifications (PSV) completed	New	New	415	375	397	X	

Performance Goal 4: Assist Key Nations To Establish Effective Export Control Programs

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of targeted deficiencies remedied in the export control systems of program nations	New	New	25	25	39	X	

Performance Goal 5: Coordinate Activities for Homeland Security, the Protection of Critical Infrastructures, and To Assure that the Federal Government Continues To Be Able To Deliver Services Essential to the Nation’s Security, Economy, and the Health and Safety of its Citizens —DISCONTINUED

The following performance measures were discontinued as a result of the CIAO transfer to the Department of Homeland Security on March 1, 2003.

- Number of outreach conferences or seminars.
- Progress toward completion of the three-step project matrix process.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Management and Policy Coordination	1.1	1.1	2.2	2.2
Export Administration	19.9	22.8	24.7	22.4
Reimbursable ¹	0.7	0.1	0.7	1.5
Total Funding	21.7	24.0	27.6	26.1
IT Funding ²	0.9	1.0	1.8	1.6
FTE	169	164	156	190

Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention, (CWC) and, when Approved, Additional Protocol to the International Atomic Energy Agency (IAEA) Safeguards Agreement

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Management and Policy Coordination	0.0	0.0	0.0	0.0
Export Administration	4.2	6.5	4.5	10.8
Reimbursable ¹	0.0	0.0	0.0	0.0
Total Funding	4.2	6.5	4.5	10.8
IT Funding ²	0.0	0.0	0.0	0.0
FTE	30	22	22	29

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Management and Policy Coordination	1.3	1.1	2.4	2.9
Export Enforcement	24.6	25.9	27.3	31.4
Reimbursable ¹	0.1	0.1	0.3	0.3
Total Funding	26.0	27.1	30.0	34.6
IT Funding ²	1.0	1.0	2.0	2.1
FTE	175	178	171	226

Performance Goal 4: Assist Key Nations To Establish Effective Export Control Programs

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Management and Policy Coordination	1.4	1.5	1.4	1.8
Reimbursable ¹	2.9	3.8	4.1	7.0
Total Funding	4.3	5.3	5.5	8.7
IT Funding ²	0.4	0.4	0.3	0.5
FTE	9	9	9	9

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Management and Policy Coordination	3.8	3.7	6.0	6.9
Export Administration	24.1	29.3	29.2	33.2
Export Enforcement	24.6	25.9	27.3	31.4
Critical Infrastructure	4.4	4.8	0.0	Transferred
Homeland Security and Information Intelligence	0.0	0.0	0.0	Transferred
Total Funding	56.4	63.1	67.6	80.2
Direct	52.5	59.1	62.5	71.5
Reimbursable ¹	3.9	4.0	5.1	8.8
IT Funding ²	2.6	2.6	4.2	4.2
FTE	383	373	358	454

¹ Reimbursable funding included in total funding.

² IT funding included in total funding.

Note: Totals may differ slightly due to rounding.

Skills Summary:

- Extensive working knowledge of the EAA, Export Administration Regulations, and related Executive Orders pertaining to the control of dual-use commodities.
- Knowledge of world political/economic systems and current trends in U.S. trade and national security and foreign policy issues.
- Superior analytic abilities for complex licensing/policy decisions and regulatory interpretations.

IT Requirements:

- Computer programmers, system analysts, database managers, and network engineers.

FY 2003 Performance Goals

Performance Goal 1: Enhance the Efficiency of the Export Control System While Protecting U.S. National Security Interests

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

BIS serves U.S. companies engaged in international trade by analyzing export license applications for controlled commodities in accordance with Export Administration Regulations (EAR). BIS also serves U.S. companies in conjunction with the Departments of Defense, Energy, and State, by making prompt decisions on license and related applications and by providing guidance to exporters on how to conform to applicable laws and regulations. BIS is particularly vigilant in evaluating transactions involving advanced technologies and dual-use products that potentially can be diverted to use in missile programs or in chemical, biological, nuclear, or conventional weapons programs. BIS also implements the DPA by analyzing the defense industrial and technology base to ensure that the United States remains competitive in sectors that are critical to the national security.

Responding to increased concern about the proliferation of WMD, BIS continues to refine U.S. export controls in light of geopolitical and business realities. BIS also seeks to enhance the effectiveness of EAR by educating exporters and other stakeholders in the export licensing process, thereby improving industry compliance with export control regulations. This 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. national security interests.

FY 2003 Performance

In FY 2003, BIS made significant achievements toward this goal by processing license applications in a timely manner and by conducting valuable outreach programs to increase the level of understanding of BIS export control requirements.

Measure 1a: Median Processing Time for Referrals of Export Licenses to Other Agencies (Days)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	9
Actual				4
Met/Not Met				Met

Explanation of Measure

The FY 2002 performance measure, Average Processing Time for Export Licenses, sought to measure the average processing time of an export license application from its receipt to a final license decision. This earlier measure is a vestige of an era when BIS had complete control over the licensing process. Today, however, approximately 85 percent of all export licenses must be referred to other agencies (as dictated by Executive Order 12981). This new measure monitors the time it takes to process a license application from receipt to its referral. Measures 1a and 1b more accurately reflect BIS-specific performance as they focus on the time period when BIS has sole control of the licensing process.

FY 2003 Performance

The median processing time in FY 2003 for referrals of export licenses to other agencies was four days. This reflects the Bureau's efforts to reduce its review time in order to expedite the export license application process.

Measure 1b: Median Processing Time for Export Licenses Not Referred to Other Agencies (Days)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	15
Actual				9
Met/Not Met				Met

Explanation of Measure

This new measure monitors the time it takes to process a license application (that is not referred) from its receipt to a final decision by BIS.

FY 2003 Performance

The median processing time in FY 2003 for export licenses not referred to other agencies was nine days. This reflects the Bureau's committed efforts to expedite the export license application process.

Measure 1c: Median Processing Time for Issuing Draft Regulations (Months)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	3
Actual				7
Met/Not Met				Not Met

Explanation of Measure

BIS routinely issues new and amended regulations to effectuate its responsibilities under the 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, 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 U.S. 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 implementing a regime resolution.

FY 2003 Performance

A staffing shortage in the Regulatory Policy Division hampered progress on drafting, revising, and coordinating the promulgation of regulations. Though BIS was allocated funding in FY 2003 to hire additional staff, this funding did not become available until February, severely delaying the hiring process.

To measure its timeliness in publishing changes to regulations, BIS intended to use, as a start date, the date the multilateral control Regimes publish changes agreed to during their Plenary sessions on their Web sites. However, the Regime Web sites do not contain all the information necessary to draft a regulation. For example, the Web sites do not provide any guidance on items that have been decontrolled by the Regimes, an action which prompts changes to the BIS regulations. Instead BIS must determine the appropriate level of unilateral controls for items decontrolled by the Regimes before it can change its regulations. Therefore, the start date for measurement of performance will be the date when BIS has documentation sufficient to draft the regulation, evidenced by an official notification to the Regulatory Policy Division from one of two BIS offices that handle these changes. This is the way BIS actually measured performance in FY 2003, and will in FY 2004.

Measure 1d: Level of Exporter Understanding of BIS Export Control Requirements

		FY 2000	FY 2001	FY 2002	FY 2003
Target	Value of information (average score on scale of 1-5)	New	New	Establish baseline	4.2
	Knowledge gained indicator (scale of 0-4)	New	New	Establish baseline	1.0
Actual	Value of information (average score on scale of 1-5)			Baseline established (4.2)	4.2
	Knowledge gained indicator (scale of 0-4)			Baseline established (1.0)	1.0
Met/Not Met					Met

Explanation of Measure

This measure indicates the effectiveness of the BIS export control outreach program. The BIS export control outreach program is a means for transferring knowledge from the government to the private sector regarding export control requirements. The BIS outreach program to the domestic and international business communities is a form of preventive enforcement that encourages compliance with EAR. Seminars also help to heighten business awareness of the Administration's export control policy objectives and enhance government-industry interaction on export control policies and procedures.

FY 2003 Performance

BIS has always believed that its export control seminars convey information necessary for exporters to understand and comply with U.S. export controls; however, BIS had no data to validate this assumption. A seminar evaluation was developed and implemented to determine if the seminars enhanced an exporter's level of understanding of export controls. The results of the FY 2002 seminar evaluations provided BIS with a baseline measurement of the effectiveness of its seminar program. In FY 2002, BIS evaluated the results of seminars conducted during the year and created two metrics that measure the level of exporter understanding of BIS export control requirements. The first metric measures the overall value of information presented on a scale of 1 to 5 by calculating an average of all scores given to a set of questions. The FY 2003 average score was 4.2, the same as in FY 2002.

The second metric is an index that reflects the knowledge gained by exporters who attend BIS seminars. This is done by looking at the scores of respondents' answers to knowledge they had on export control requirements before the seminar and the knowledge gained after the seminar. Questions are ranked on a scale of 1-5 (1 for "not at all" comfortable with the subject matter and 5 for "completely" comfortable with the subject matter). The before and after scores are compared to measure the knowledge gained. The resulting index is on a scale of 0-4. For example, an exporter could rate himself a 5 before the seminar and a 5 after the seminar, meaning that he was completely comfortable with the information before and after the program, so that the knowledge gained index is zero. This result distorts the data in that no matter how valuable the program is, no knowledge could be gained according to the exporter's self evaluation. Furthermore, the measure, in this case, is completely out of the control of the BIS presenters, a circumstance BIS wants to avoid in developing performance measures. Therefore, BIS plans to change this measure in FY 2004 to develop a new baseline for "Percent Knowledge Gained" that will be calculated by comparing the actual improvement in knowledge to the maximum improvement possible for each event attendee. For example, one exporter might report her "before" knowledge at a level of 2 and her "after" knowledge at a level of 4. So, BIS helped her increase her knowledge by 2 points, when the best they could have done would have been to increase her knowledge by 3 points to 5. The percent knowledge gained would be two-thirds, or 67percent. The exporter who reported his knowledge at a level of 5 before and 5 after would not be included in the calculation because his actual increase and the best increase that could have been achieved are both zero.

Program Evaluation

In FY 2003, the GAO and the OIG recommended that BIS increase its monitoring of export license conditions. BIS has taken several steps to address this recommendation. BIS has (1) issued step-by-step procedures to effectively monitor and follow up on conditions placed on licenses, (2) modified the Export Control Automated Support System (ECASS) to generate reminders for exporters at various times during the life of a license of the need to submit required documentation of any shipment that was or will be made during the license period, and (3) completed a pilot program consisting of enforcement agents and analysts to assess compliance with license conditions and refer potential leads for enforcement.

Performance Goal 2: Ensure U.S. Industry Compliance with the Chemical Weapons Convention (CWC) and, when Approved, Additional Protocol to the International Atomic Energy Agency (IAEA) Safeguards Agreement

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

BIS is responsible for ensuring U.S. industry's compliance with the declaration, inspection, and export and import requirements of the CWC regulations as authorized by the CWCIA. BIS collects, validates, and aggregates data from those U.S. companies that manufacture, use, or trade in, above the thresholds, chemicals covered by the Convention; educates those companies on their rights and obligations under regulations implementing the treaty; and serves as the lead U.S. Government agency for hosting international inspectors who are inspecting U.S. business facilities subject to CWC requirements. BIS's primary host team role is to ensure compliance with the CWC regulations while protecting confidential business information during inspections. BIS also works with U.S. industry in the context of the Biological and Toxin Weapons Convention. In addition, in the event that the U.S. Senate ratifies the Additional Protocol to the U.S. IAEA Safeguards Agreement (Additional Protocol), BIS will serve as lead U.S. Government agency for U.S. industry's compliance with the Additional Protocol, and will be required to oversee declaration and inspection responsibilities similar to those imposed under the CWC.

The performance measure associated with this goal tracks BIS's ability to oversee industry compliance with the CWC regulations and to help facilities subject to inspection better prepare to receive international inspectors.

FY 2003 Performance

In FY 2003, BIS made significant achievements toward this goal by assisting U.S. businesses to comply with the CWC requirements. BIS continued to implement a program of outreach and contact with the U.S. chemical industry. In addition to 12 SAVs, BIS also conducted a CWC Round Table Seminar and a Sampling and Analysis Seminar Exercise. Over 35 U.S. industry representatives attended the Round Table Seminar, held at the Treaty Compliance Division. BIS maintained an on-call capability throughout the fiscal year to respond to inspection notifications and acted as host and escort to ensure satisfactory completion of all U.S. chemical industry inspections conducted under the CWC during the year. The total number of inspections conducted during the fiscal year is at the discretion of the Organization for the Prohibition of Chemical Weapons. The nine inspections that BIS hosted involved a broad range of plant sites and types, including Schedule 2 sites (those producing chemical precursors for industrial use), Schedule 3 sites (those producing chemicals that are mainly industrial but may be used as precursors or agents) and unscheduled discrete organic chemical facilities reflecting an overall ability by BIS to respond to inspections that cover all facets of the industry. Also, during FY 2003, BIS completed over 700 chemical industry declarations and requests for Chemical Determinations.

During FY 2003, BIS also was also successful in launching a complete upgrade of its CWC Web site. The Web site, www.cwc.gov, was revised to include more user-friendly options, folders, processes and new system features to increase Internet security. Interactive outreach publications, such as a Pre-inspection Briefing and numerous other pamphlets, were completed and made available to the public. New inspection and declaration publications were posted to the Web site, greatly enhancing the BIS CWC outreach capability.

Measure 2a: Number of Site Assistance Visits (SAV) Conducted to Assist Companies To Prepare for Chemical Weapons Convention (CWC) International Inspections

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	12	12
Actual			16	12
Met/Not Met			Met	Met

Explanation of Measure

BIS is responsible for overseeing industry compliance with the CWC regulations and will have similar responsibility under the Additional Protocol (if ratified). This responsibility includes facilitating domestic visits of international inspection teams to determine compliance with multilateral treaty obligations by covered U.S. facilities, and informing industry of its obligations under regulations implementing the treaty. Industry SAVs prepare covered facilities to receive a team of international inspectors. These visits are to ensure that the inspection aims are verified while maximizing the protection of confidential business information and minimizing burdens on facilities.

FY 2003 Performance

BIS met its target by conducting 12 SAVs at CWC-declared facilities during FY 2003. The number of SAVs was agreed upon to set an achievable objective utilizing available Division personnel strength in relation to other ongoing office activities. The SAVs are routinely conducted on a monthly basis at private industry sites and can only be scheduled in accordance with the availability of the given facility. The number of visits was also accepted to be a realistic goal to ensure maintaining a BIS presence in the field at U.S. chemical industry facilities. The outreach and education that are provided during SAVs serve to inform companies and demonstrate a measure of the BIS support that is available to them upon receipt of an inspection notification.

Program Evaluation

In FY 2003, BIS conducted one mock inspection exercise at a Schedule 2 facility in which industry representatives participated in preparation for sampling and analysis activities anticipated during upcoming CWC inspections. The exercise served to provide an interim evaluation of BIS and its goal of ensuring compliance and providing outreach to industry.

Performance Goal 3: Detect Illegal Export Transactions and Penalize Violators

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

To be effective, export controls must be enforced and violators punished. BIS enforces dual-use export controls for reasons of national security, foreign policy, nonproliferation, anti-terrorism, and short supply. The Bureau also enforces the antiboycott provisions of EAR, CWCIA, and the Fastener Quality Act. BIS special agents investigate potential violations of these laws, and build and present cases for criminal or administrative prosecution.

BIS enforcement personnel also conduct outreach and education programs to train U.S. exporters to identify and avoid illegal transactions. A key element of BIS's preventive enforcement program is the onsite visits made to both current and potential foreign end-users of sensitive technology. In addition, BIS works with its foreign counterpart agencies to encourage other governments to implement enforcement measures to complement the Bureau's export enforcement efforts.

The performance measures associated with this goal track BIS's ability to enforce export controls, prevent export violations, ensure that controlled items are used in accordance with the terms of the export license, and train U.S. exporters to identify and avoid illegal transactions.

FY 2003 Performance

In FY 2003, BIS made significant achievements toward this goal by increasing (1) the number of violations prevented or prosecuted, and (2) the number of post-shipment verifications (PSV) conducted to ensure that exported items are used in accordance with the terms of the export license.

Measure 3a: Number of Cases Opened that Result in the Prevention of a Criminal Violation or the Prosecution of a Criminal or Administrative Case

	FY 2000	FY 2001	FY 2002	FY 2003
Target	80	70	75	85
Actual	93	81	82	250
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

This performance measure is designed to emphasize a results-oriented approach to export enforcement—focusing on violations prevented or prosecuted, rather than simply investigations accepted. It enables BIS to recapture such preventive enforcement information as the interdiction of suspicious shipments, warning letters, recommending denials on license applications, placing parties on the Unverified List, denials on visa requests, detecting violations of license conditions and other measures to prevent exposure to sensitive technology by foreign nationals. The implementation of this measure allows BIS to gauge its overall effectiveness in terms of prosecutions and preventive enforcement.

FY 2003 Performance

BIS exceeded its FY 2003 target of 85 cases by processing 250 cases. This new measure, for which we had established a conservative benchmark, is now higher because it captures the preventive enforcement activity which is an additional 143 cases as well as cases accepted for administrative and criminal prosecution. BIS will update this target in the future to reflect this change.

Measure 3b: Number of Post-Shipment Verifications (PSV) Completed				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	300	375
Actual			415	397
Met/Not Met			Met	Met

Explanation of Measure

BIS enforcement agents and U.S. & Foreign Commercial Service officers conduct PSVs to ensure that exported items are used in accordance with the terms of the export license. PSVs are conducted to ensure that the products are being used by the authorized end-users as approved.

FY 2003 Performance

The FY 2003 target of 375 PSVs was met by completing 397 PSVs. BIS made progress in the enforcement arena by posting a new attaché in the UAE. Attachés, who are special agents, are assigned to posts overseas to (1) conduct end-use checks to uncover illegal export transactions, (2) work with host governments to develop effective enforcement systems, and (3) educate the local business community about U.S. export control laws and regulations.

Program Evaluation

In FY 2003, GAO and OIG recommended that BIS increase its monitoring of export license conditions. BIS has taken several steps to address this recommendation. BIS has (1) issued step-by-step procedures to effectively monitor and follow up on conditions placed on licenses, (2) modified the Export Control Automated Support System (ECASS) to generate reminders for exporters at various times during the life of a license of the need to submit required documentation of any shipment that was or will be made during the license period, and (3) completed a pilot program consisting of enforcement agents and analysts to assess compliance with license conditions and refer potential leads for enforcement.

Performance Goal 4: Assist Key Nations To Establish Effective Export Control Programs

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

Strong enforcement of U.S. export regulations is critical to protect U.S. security interests. However, U.S. national interests can also be jeopardized if sensitive materials and technologies from other nations reach countries of concern or terrorists. For this reason, BIS's strategy includes promoting the establishment of effective export control systems by other nations. BIS has been assisting the countries of the former Soviet Union and the former Warsaw Pact nations of Central Europe to strengthen their export control and enforcement regimes. BIS is also now extending technical assistance to other countries considered export or transit proliferation risks.

Through a series of bilateral and regional cooperative activities co-sponsored with the Department of State, BIS helps the nations with which it works to (1) develop the procedures and requirements necessary to regulate the transfer of sensitive goods and technologies, (2) enforce compliance with these procedures and requirements, and (3) promote the industry-government partnerships necessary for an effective export control system to meet international standards.

The performance measure associated with this goal tracks the effectiveness of BIS's international cooperation program.

FY 2003 Performance

In FY 2003, BIS made significant strides toward this goal by working with key countries of the world to develop or strengthen their national export control systems. BIS's Nonproliferation and Export Control (NEC) Cooperation Team plays a key role in the Bureau's bilateral and multilateral initiatives. NEC, with the assistance of other offices of BIS and other U.S. Government agencies, organized and coordinated several technical exchange workshops and multilateral conferences. This enabled BIS to exceed the FY 2003 performance measure target for this goal.

Measure 4a: Number of Targeted Deficiencies Remedied in the Export Control Systems of Program Nations

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	20	25
Actual			25	39
Met/Not Met			Met	Met

Explanation of Measure

This performance measure is intended to gauge the achievement of BIS's international cooperation program in remedying deficiencies in the export control systems of key nations. The BIS program aims to enhance the export and transit control systems of nations that lack effective control arrangements. Each targeted deficiency represents a specific facet of an export or transit control system that BIS seeks to strengthen through its cooperative activities in participating countries. BIS's Model Country Program has identified 59 possible targeted deficiencies and matching remedial activities that are used to assess each country's export control program. Each targeted deficiency remedied shows how BIS can document the influence of its extensive bilateral and regional cooperative activities.

BIS bases and establishes future targets on the pace and timing of activities and the availability of resources to conduct the exchanges that produce outcomes. Because they require action on the part of sovereign governments, outcomes from BIS activities are often not immediately achieved. As a result, for many outcomes, there is an inherent time delay of as much as six months to two years between the performance of an export control technical exchange that addresses a specific desired outcome and BIS's ability to obtain confirming evidence that the outcome has been achieved.

FY 2003 Performance

This outcome measure was met as a result of actions taken by program countries to remedy 39 deficiencies in their national export control system capabilities. BIS staff attribute the increase in performance to the introduction of more efficient and effective management tools and better partnerships with the private sector. These changes allowed BIS to increase the number of its technical exchanges, the primary method for achieving its objectives, by more than 30 percent over the previous year.

Program Evaluation

In FY 2003, BIS entered into a contract with the University of Georgia to conduct evaluations of the effectiveness of this program. In the first quarter of FY 2004, the first deliverables will be a methodology and report format for subsequent studies to be done on each country in which BIS operates a technical exchange program. In FY 2003, BIS conducted a review of its organizational structure by which the technical exchange program is managed and developed a strategic plan for overall international cooperative programs. The results of these two activities were decisions to reorganize the BIS management structure for the technical exchange program and to develop a performance based approach for a new five-year operations contract.

BIS Data Validation and Verification

OPEM conducts an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate office so that program changes can be made to help meet BIS performance goals.

The actual validation process is conducted following procedures similar to audit principles including sampling and verification of data. Case information is regularly downloaded from the management information systems and imported into databases and spreadsheets for analysis. In some cases, information is manually checked against actual paper files (when available) to ensure the accuracy of information in the management information systems. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved.

The BIS Data Validation and Verification table can be found on the following page.

BIS Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Median processing time for referrals of export licenses to other agencies (days)	Export Control Automated Support System (ECASS)	Monthly	ECASS	BIS's Office of Planning, Evaluation and Management (OPEM) will 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.	None	None
Measure 1b: Median processing time for export licenses not referred to other agencies (days)						
Measure 1c: Median processing time for issuing draft regulations (months)	Paper records such as official publications and draft regulations.	Semi-Annual	Office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 1d: Level of exporter understanding of BIS export control requirements	Evaluation	Semi-Annual	Evaluation results database.	BIS's OPEM will validate the performance measure against supporting documentation.	Data is dependent on the voluntary responses of seminar participants and is based on respondent opinion. Opinion may, or may not be a factual indicator of performance.	None
Measure 2a: Number of site assistance visits (SAV) conducted to assist companies to prepare for Chemical Weapons Convention (CWC) international inspections	Paper records such as trip reports.	Semi-Annual	Office files	BIS's OPEM will validate the performance measure against supporting documentation.	None	None
Measure 3a: Number of cases opened that result in the prevention of a criminal violation or the prosecution of a criminal or administrative case	ECASS, investigative management system, and paper records.	Monthly	ECASS, Access database, and paper records.	BIS's OPEM will 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.	None	None
Measure 3b: Number of post-shipment verifications (PSV) completed	ECASS and Access database.	Monthly	ECASS and Access database.	BIS's OPEM will 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.	None	None
Measure 4a: Number of targeted deficiencies remedied in the export control systems of program nations	Paper records such as official publications and academic/intelligence community analyses.	Semi-Annual	Electronic or office files.	BIS's OPEM will validate the performance measure against supporting documentation.	None	None



Minority Business Development Agency

Mission Statement

The Minority Business Development Agency (MBDA) is an entrepreneurially-focused and innovative organization, committed to minority business enterprise and wealth creation.

The MBDA is the only federal agency created specifically to foster the establishment and growth of minority-owned businesses in the United States. The Department of Commerce's "Economic Information and Framework" theme is supported by the policies and programs that MBDA designs to increase minority business participation in the national and global economy. To accomplish this, MBDA's policy initiatives have been driven by economic growth strategies. MBDA developed the themes for its Regional and National Minority Enterprise Development (MED) Week Conferences to be consistent with the strategies. During the years 2001 to 2003, MBDA's MED Week themes were "Strategies for Growth in the American Economy, Parts I, II, and III: Rebuilding America's Infrastructure, Pursuing the Entrepreneurial Economy, and Pursuing the Global Economy," respectively.

MBDA is an entrepreneurially-focused and innovative organization, committed to empowering minority business enterprises (MBE) to create an environment where wealth can be achieved. The U.S. Census Bureau is projecting that 90 percent of the net U.S. population growth over the next 50 years will be in minority groups. Minority-owned businesses experienced substantial growth between 1992 and 1997, but there remain significant disparities between minority and non-minority firms. In order to address the disparities, MBDA has instituted a long-term strategy and policy initiative of "entrepreneurial parity." Entrepreneurial parity is defined as reaching proportionality between total minority population as a percentage and the percentage share of business growth measures such as the number of minority firms, gross receipts, and employment. The state of minority business in 1997 would look radically different if entrepreneurial parity had been achieved. In this scenario, the number of minority-owned businesses would have been almost twice the actual number, or 5.7 million firms, rather than three million firms. Also, entrepreneurial parity in minority-owned business receipts would have resulted in more than eight times the actual number—from \$0.6 trillion to \$5.1 trillion. Finally, employment in minority-owned firms would have gone from 4.5 million to 28.2 million in the parity scenario.

This long term goal of "achieving entrepreneurial parity for minority business enterprises" is the benchmark by which MBDA's critical Federal Government role will be measured. Although businesses with revenues of \$1 million or more constitute just three percent of the overall minority business community, these businesses are responsible for 66 percent of the total revenues of minority-owned enterprises and 54.4 percent of employment. In order to promote overall U.S. economic growth, it is now critical to promote medium to large business enterprises that can have a significant impact on employment and the tax base within their local communities. Increasing the number of medium and large minority businesses is in the short and long-term strategic interest of achieving MBDA's vision of wealth creation in the minority community. In pursuit of entrepreneurial

parity, MBDA has introduced a Strategic Growth Initiative. The Strategic Growth Initiative is designed to address the issue of sustainable business value for firms of size operating in growth industries. MBDA has collaborated with the work of Patricia Buckley, Ph.D., Economics and Statistics Administration, Department of Commerce entitled, "Keys to Entrepreneurial Success: Access to Education, Technology, and Capital." MBDA promotes the business case for MBE to pursue the global economy, with support from various MBDA policy initiatives, including but not limited to the Minority Equity Capital Access (MECA) program.

In FY 2003, MBDA completed its transformation and reorganization. The reorganization resulted in changing the names of its regional and district offices to National and Regional Enterprise Centers, respectively. This change was made to strengthen the centers within the minority business community and to support the President's Agenda for the management of human capital by promoting day-to-day contact and interactions with local resources, public and private sector representatives, and government officials.

These national enterprise centers monitor the business development services provided to MBEs. Services are provided through MBDA's funded network of providers; strategic alliances, the Internet Portal, including electronic matchmaking of contract opportunities; the Geographic Business Information Systems; Resource Locator; Business Locator; Business Needs Analyzer; and the Interactive Business Planner. MBDA also provides specialized access to markets and financial capital for firms seeking substantial growth opportunities.

The results of the services provided are captured electronically in the MBDA Web-enabled Performance Reporting System and confirmed using an intensive source verification process. In FY 2003, MBDA partnered with the Federal Consulting Group, a team of federal leaders who have managed major agency programs and are experienced in government operations, as well as improving customer service and creating fresh approaches to organizational challenges. The Federal Consulting Group is assisting MBDA in strategic planning, developing customer service standards, and developing new efficiency measures.

Dartmouth College's Tuck School of Business, one of the top-ranked business schools in the world, is assisting MBDA in the standardization of high quality and responsive business development services. One of the outcomes of this strategic partnership will be the development of an entrepreneurial curriculum and training course for MBDA's staff and network of funded projects. This Continuous Improvement Process will be the first of several strategies used to imprint an effective entrepreneurial culture on MBDA staff and its funded projects.

Priorities/Management Challenges

The U.S. economy faces many challenges domestically and abroad. The nation may not sustain ongoing economic growth unless it utilizes all of its internal talents. Minority businesses are a key component of United States prosperity and could hold the promise of global expansion through their cultural, racial, and ethnic diversity. This diversity puts the United States in a competitive advantage, enabling MBEs to work strategically to effectively pursue the opportunities in the global economy. Essentially, it can be argued that the face of America, which is the face of the world, makes this country, more than any other, one that can connect with every country on earth.

Similar to the U.S. demographics, minority-owned businesses have growth rates in both numbers of firms and gross receipts that substantially exceeded those of non-minority firms between 1992 and 1997. However, minority firms continue to be under-represented in the overall U.S. business community when the number of firms, employees, and gross receipts are compared with minority population percentages. MBDA recognizes “regional clusters of innovation” throughout the country, which provides a framework to understand what necessary tools and services are needed to assist MBEs to pursue the opportunities that drive regional innovation, according to Michael Porter.

In addition, there are environmental factors that create challenges and opportunities for MBEs to compete in the entrepreneurial and global economy. These include the following:

- The increasing globalization of the marketplace.
- The move towards off shore production of products to minimize costs.
- The downsizing of the corporate supply chain and the bundling of government contracts requiring that businesses be larger to compete.

Entrepreneurs develop and commercialize innovative products and services; generate new industries and firms to replace those that have run their course; and, most importantly, create employment opportunities and wealth that is reinvested in new economic enterprises and the communities. Critical to entrepreneurial success is access to the capital and financing necessary to grow and expand these businesses.

A new paradigm for minority business development requires that the public and private sectors expand their present focus from outreach, certification, and dollars spent to support MBEs to achieve gross revenue, capacity, and industry diversification. In short, minority business development services must be designed to create sustainable business values.

In order to implement this new paradigm, MBDA will develop a more industry-focused, data-driven technical assistance approach to educate minority business owners about the tools essential for becoming first or second tier suppliers to corporate America and the Federal Government in the new procurement environment. Sustainable value will translate into entrepreneurial parity and strategic growth through increased gross receipts, number of employees, size (gross receipts) and scale (capacity) of firms, and industry diversification associated with MBE, consistent with the survey of minority-owned business enterprises data.

FY 2003 Performance

In FY 2003, the President’s Management Agenda remains the doctrine for MBDA’s reengineered performance goals and measurements. MBDA channeled its activities to be reflected under three goals and 11 measures and has established a performance verification process to ensure the integrity of its data and reporting system. MBDA’s recent reorganization introduced the Office of Performance and Program Evaluation. This office is responsible for managing the agency strategic planning process to include the review and evaluation of agency programs, verify agency performance measures, and perform customer relations to improve organizational efficiency. Other activities include tracking accomplishments from annual performance measures and verifying documentation to substantiate reported claims.

MBDA participated in the OMB Program Assessment Rating Tool process in FY 2002 and provided updated information in FY 2003. The Agency’s implementation of its mission through its performance goals were reviewed. Based on the evaluation, MBDA is addressing concerns on program performance. One outcome was, MBDA’s revised Minority Business Opportunity Committee (MBOC) program in FY 2003. For FY 2003, the MBOC program has clear guidelines for achieving specific performance indicators. Additionally, MBDA is testing their performance measures to better illustrate how services benefit its clients. These performance indicators include contract awards and financial transactions for MBEs.

In FY 2002, the Office of Inspector General (OIG) identified weaknesses in MBDA's performance reporting for the measure "dollar value of contracts awarded to assisted minority businesses." Specifically, OIG indicated that it appeared that MBDA had overstated its performance because \$905 million of the \$1.3 billion reported under that measure represented procurement opportunities generated or disseminated by MBOC operators, not actual contracts awarded to minority-owned enterprises. OIG also noted that MBDA did not seek to verify the \$905 million until after the 2002 PAR was issued. Finally, OIG noted that program operators, managers, and evaluators would benefit from updated, written guidance as to what constitutes performance accomplishments and how those accomplishments should be documented and reported.

MBDA has revised its MBOC program in FY 2003 to address these concerns. Specifically, the MBOC program now has clear guidelines for achieving performance indicators and the verification of these measures. In addition, the explanation of the measure now clearly states the complete composition of the dollar value of reported contracts to assisted minority-owned businesses. Also in FY 2003, MBDA verified the program results reported in the 2002 PAR.

MBDA has undergone a major reorganization and transformation through the development of new program and policy initiatives. During FY 2003, MBDA funded a revised MBOC program with nine organizations, with a special focus on a strategy for growth. These programs, when fully implemented, will deliver procurements and financial awards to minority clientele. MBDA staff and its strategic partners have worked diligently to identify opportunities and markets that would result in contract and financial awards to MBDA clients and beneficiaries. MBDA will ensure that regional and national performance outcomes are verified by its newly formed Office of Performance and Program Evaluation. It is expected that the Minority Business Development Center (MBDC) program will meet its program metrics this year.

MBDA is maximizing its efforts to reach a larger percentage of the minority business community by using technology, education, and new initiatives to access capital. An example of its outreach effort this year is the attendance at MBDA's National MED Week Conference. The attendance was the highest of any previous year and included the Vice President, several key White House representatives, Cabinet-level officials, congressional representatives, state officials and many industry executives joining hundreds of MBEs to reinforce the impact of successful minority business enterprise on the nation's economy.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Improve the Opportunities for Minority-owned Businesses to Have Access to the Marketplace

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Dollar value of contracts awarded to assisted minority-owned businesses	\$1.2B	\$1.6B	\$1.3B	\$1.0B	\$0.7B		X
Number of contracts received by minority-owned businesses	New	New	New	620	3,125	X	

Performance Goal 2: Improve the Opportunities for Minority-owned Businesses to Pursue Financing

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of financial packages received by assisted minority-owned businesses	556	1,155	1,512	380	533	X	
Dollar value of financial packages to assisted minority-owned businesses	\$0.2B	\$0.6B	\$0.4B	\$0.4B	\$0.4B	X	

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness and Efficiencies

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of Business Development Center (BDC) clients	New	New	New	5,600	7,228	X	
Number of national strategic partnerships (non-governmental)	New	New	6	6	8	X	
Number of interagency and inter-departmental initiatives and agreements (federal, state, and local government)	New	New	6	6	12	X	
Average annual Minority Business Internet Portal (MBIP) hits	New	New	585,755	500,000	560,000	X	
Average user time for Minority Business Internet Portal (MBIP)	New	New	14 1/2 minutes	15 minutes	15 minutes	X	
Number of contract opportunity matches	New	New	343,826	325,000	473,741	X	
Number of employees training hours	New	New	9,817	5,000	9,874	X	

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Improve the Opportunities for Minority-owned Businesses to have Access to the Marketplace

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Business Development	9.5	8.5	4.6	5.6
Advocacy, Research, and Information	6.6	5.9	3.6	3.7
Total Funding	16.1	14.4	8.2	9.3
IT Funding ¹	0.9	0.9	0.6	0.6
FTE	61	54	31	31

Performance Goal 2: Improve the Opportunities for Minority-owned Businesses to Pursue Financing

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Business Development	8.3	8.0	6.7	6.2
Advocacy, Research, and Information	5.5	5.5	3.5	4.1
Total Funding	13.8	13.5	10.2	10.3
IT Funding ¹	0.6	0.8	0.7	0.8
FTE	40	36	40	40

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness and Efficiencies

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Business Development	New	New	5.5	5.5
Advocacy, Research, and Information	New	New	4.4	3.6
Total Funding	New	New	9.9	9.1
IT Funding ¹	New	New	0.9	0.9
FTE	New	New	21	21

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Total Funding	29.8	27.9	28.3	28.7
Direct	29.5	27.6	28.2	28.6
Reimbursable ²	0.3	0.3	0.1	0.1
IT Funding ¹	1.5	1.7	2.2	2.3
FTE	101	90	92	92

¹ IT requirements: Operations, maintenance, and reengineering; IT funding included in total funding.

² Reimbursable funding included in total funding.

Skill Summary:

Research, Marketing, Brokering-matchmaking, Financial Management, Information Technology and the Internet Portal.

FY 2003 Performance Goals

Performance Goal 1: Improve the Opportunities for Minority-owned Businesses to have Access to the Marketplace

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

MBDA has fully embraced the President's and Secretary's Management Agenda to meet this goal and the new performance measures proposed for the Agency. In 2003, MBDA implemented its strategic plan to develop a system that focuses human and staff resources on meeting performance outcomes for its clients and customers. This strategic planning process is designed to organize services and the budget to maximize performance results.

MBDA's recent reorganization created four new enterprise units:

- Office of the Associate Director for Management
- Office of Business Development
- Office of Legislative, Education, and Intergovernmental Affairs
- Office of Information Technology, Research and Innovation

MBDA has created measures for specific programs and new performance plan activities for staff. MBDA will remain entrepreneurially-focused and provide business development services to the minority business community through its Internet portal, e-commerce, and a combination of different funded projects. These services include obtaining procurement contracts that are identified, tracked, and verified by staff. This is a major component of MBDA's economic development program that is captured in its performance reporting systems.

FY 2003 Performance

MBDA operates the Phoenix–Opportunity electronic bid-matching system that has matched many minority businesses with contract opportunities entered by our partners. However, MBDA's funded programs (MBDCs, Native American Business Development Centers [NABDC] and MBOCs) report quarterly on a calendar year basis. In order to capture outcome measures on a fiscal year basis, MBDA must use the fourth quarter of project reports for the last calendar year, and the first three quarters of reports for this year. In most cases, most prime and subcontract awards are not finalized until the fourth calendar quarter due to contract bundling delays in making awards. Also, MBDA staff makes a strong effort to verify all reported performance. As a result, the final dollar value of contract awards for FY 2003 has not been met but should be obtained by the end of the calendar year and reflected by increased accomplishments in FY 2004 reports.

The implementation of customer-focused performance standards, advocacy, and outreach efforts by MBDA staff and its strategic partners has significantly increased the number of contract awards obtained. However, due to economic conditions and other challenges, the size of most awards to minority firms has decreased. Management intends to focus on identifying new domestic and global markets for increased access by larger minority businesses that can compete for bigger prime contracts, create greater wealth, and support the minority community.

Measure 1a: Dollar Value of Contracts Awarded to Assisted Minority-owned Businesses				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$0.6B	\$0.7B	\$1.0B	\$1.0B
Actual	\$1.2B	\$1.6B	\$1.3B	\$0.7B
Met/Not Met	Met	Met	Met	Not Met

Explanation of Measure

The dollar value of contracts awarded represents approved and verified contract awards obtained for minority business clients serviced by MBDA funded projects and agency staff that were awarded during the fiscal year. This is a primary factor in measuring the impact of MBDA’s program services on the growth and development of MBEs. New contract dollars will create job opportunities within the minority business community and stimulate wealth creation. These contracts come from several sources:

- MBDA uses its electronic Phoenix-Opportunity Online Bid Matching system to enter procurement opportunities that are matched with minority vendor firms. The results of the matching are normally awarded contracts.
- MBDCs and NABDCs provide direct management and technical (M&TA) services as well as leverage local resources through outreach, conferences, and strategic partners to identify and obtain contract awards.
- MBOCs engage in facilitation and brokering activities through a network of high-level executive committee members from both the public and private sectors. These activities result in awarded contracts.
- The MBDA National and Regional Enterprise Centers work with federal, state, and local government organizations and private corporations to promote contract opportunities for MBEs nationwide. Only actual awarded contracts are reported.
- The annual national, regional, and local MED Week celebrations bring together the minority business community to network with private and government entities to promote minority business participation in the entrepreneurial economy.

Consistent with the Strategic Growth Initiative, larger minority firms can compete for larger prime contract awards. MBDA’s focus remains to increase the number of firms, gross receipts, and employment to achieve entrepreneurial parity and increase the minority business participation rate in the nation’s economy.

FY 2003 Performance

MBDA did not meet this target because the newly defined MBOC program started February 2003, which reduced the period of service delivery from 12 to eight months. In addition, the Los Angeles MBOC, the Agency’s highest-performing project, was not awarded operating funds until June due to internal financial reviews, allowing only one quarter to be reported for the fiscal year. However, MBDA still projects that all its targets could be met in a 12 month service delivery period and is confident that after verifying results from these organizations its clients will have benefited.

MBDA has established a new Office of Performance and Program Evaluation and continues to develop new electronic reporting systems that will provide more timely information and facilitate accountability. Staff will ensure on-going verification. Most of the performance measures for contracts and financial awards will not be reported until the last quarter of this calendar year, which is the first quarter of FY 2004.

Measure 1b: Number of Contracts Received by Assisted Minority-owned Businesses

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	620
Actual				3,125
Met/Not Met				Met

Explanation of Measure

This measure represents the cumulative number of approved and verified contract awards obtained for clients served by MBDA funded projects and Agency staff during the fiscal year. This is a good measure to identify the average size of awards for clients receiving procurements, the source of contracts and related attributes as to service industry and the impact on employment.

FY 2003 Performance

MBDA has seen a significant increase in the number of contract awards obtained for minority vendors. This is due to the increased brokering, advocacy, and the Phoenix Bid-Matching system. Regional Enterprise Centers sponsored procurement conferences and trade fairs that supported this measure. Although the number of awards has increased, the dollar value has been reduced.

Two factors contributed to the significant differences between the target and the actual figures. One factor relates to fact that contract amounts were smaller; consequently, the number of contracts required to meet the goals increased. Equally important is the fact that contracts awarded under the MBOC program were individually verified and report for the first time.

Program Evaluation

MBDA has provided training for staff and funded projects on the critical importance of meeting performance outcomes. The funded projects are making best efforts to service clients and accomplish objectives. Agency staff performance plans for FY 2004 will include new activities that will directly support MBDA’s goal and measures. The development of new electronic reporting has assisted tracking and verification.

MBDA will continue to review the number of awards and the size to make recommendations to public officials and executive management to recognize the impact that contract bundling has on small and minority firms. MBDA will be taking new initiatives to identify opportunities and follow-up on matches that result in awards.

Performance Goal 2: Improve Opportunities for Minority-owned Businesses to Pursue Financing

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

Historically, access to capital programs for minority business has focused on debt capital. Based on a study commissioned by the Milken Institute for MBDA in 2000, “Democratizing Capital for Emerging Domestic Markets,” it is estimated that MBE demand for equity capital exceeds \$144 billion per year. MBE demand for debt financing is approximately \$1 billion. As the minority business community continues to grow, the demand for capital will increase over the next 20 years. MBDA is working to address these challenges by collecting and assessing information about the financing needs of the minority business community. The results will be disseminated to financial institutions, policymakers, and the minority business community. Additionally, MBDA is exploring innovative strategies and instruments to increase capital flow to minority communities along with working in public and private partnerships. Obtaining financing represents actual assistance by MBDA’s funded network contributing to the development of minority businesses. The results are monitored, verified, and captured in MBDA’s performance database.

FY 2003 Performance

MBDA pursued new avenues in obtaining venture capital by creating the MBDA MECA program, which links MBEs with start-up and growth capital. This program, along with other activities conducted by MBDA, helped shape the focus of the Agency in addressing the lack of capital in the minority business community. MBDA was successful in meeting both performance measures for this goal.

The MBDA MECA program continues to close the “equity gap.” The ideology of the MECA program was incorporated into the National MED Week Conference. The MECA included:

- A nationwide business plan search for high-growth minority entrepreneurs
- A second “boot camp” training program in 2003
- Staff presentations for all participants

MBDA will continue work to obtain venture capital by identifying and assisting mergers and acquisitions to create larger minority firms.

Measure 2a: Number of Financial Packages Received by Assisted Minority-owned Businesses

	FY 2000	FY 2001	FY 2002	FY 2003
Target	858	925	1,000	380
Actual	556	1,155	1,512	533
Met/Not Met	Not Met	Met	Met	Met

Explanation of Measure

Prior to FY 2003, the target for this measure included the number of contracts as well as the number of financial packages. However, in FY 2003 the target only includes the number of financial packages. MBDA measures the number of financial packages that are awarded to MBEs as a result of services provided by the MBDCs, NABDCs, and MBOCs. All awards are verified by agency staff before reporting.

FY 2003 Performance

In FY 2003, MBDA continued implementation of research reflecting minority entrepreneurs’ limited access to equity capital entitled “Minority Business Challenge.” This effort represented an enhancement of MBDA’s current capabilities in successfully linking minority entrepreneurs with start-up and growth capital. MBDA retained the Emerging Venture Network to conduct the program.

In FY 2003, MBDA verified 533 financing transactions obtained for minority firms. This exceeded MBDA’s goal by 133 percent.

Access to capital programs was designed to highlight, educate, stimulate, and motivate the national community to focus on the lack of access to capital for MBEs.

Measure 2b: Dollar Value of Financial Packages to Assisted Minority-owned Businesses

	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$0.9B	\$1.0B	\$0.4B	\$0.4B
Actual	\$0.2B	\$0.6B	\$0.4B	\$0.4B
Met/Not Met	Not Met	Not Met	Met	Met

Explanation of Measure

MBEs must have access to capital in order to grow and create U.S. jobs. The dollar value of financial transactions that is a result of services provided by MBOCs and Business Development Centers (BDC) is a clear barometer of MBDA’s program success.

MBDA’s performance reporting system captures verifiable information concerning the dollar value of loans and bond packages delivered by MBDA’s funded organizations to MBEs. The Minority Business Internet Portal (MBIP) continues to increase the number of clients seeking and acquiring business development services through MBDA’s funded organizations.

FY 2003 Performance

The dollar value of financial packages reflects the extent to which MBDA has impacted the ability of MBEs to gain access to financing. In FY 2003, the dollar value of financing was positively impacted by M&TA assistance provided by the MBDCs and the MBIP. MBDA successfully met this performance measure.

MBDA and its funded projects open doors to new areas of capital. MBDA continued its efforts to provide research and policy that will have long-term impacts on the overall financial environment for MBEs. An Internet-based Loan Analyzer will be introduced in 2004 to address the need for fast, reliable analysis of the credit-worthiness of minority-owned businesses.

Program Evaluation

MBDA's service providers sign three-year cooperative agreements that are renewed annually. The three-year agreements outline the number of contracts, the dollar value of contracts, the number of financial transactions, and the dollar value of financial transactions required on a quarterly basis during the contract period. These centers are funded on a calendar year basis.

Agency staff continues to monitor and support these grantees to meet all measures. A comprehensive evaluation of the results of the performance of service providers is conducted semi-annually. The Agency has found these semi-annual reviews to be effective in verifying performance data; through this process MBDA consistently applies quality control measures in its programs and operations.

Performance Goal 3: Improve Organizational Effectiveness, Responsiveness, and Efficiencies

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

MBDA is committed to promoting the President’s Management Agenda. MBDA has instituted the concept of teams, reduced supervisory levels within the organization, created the Budget and Accounting Reporting System, increased its outreach activities to establish strategic partnership, and redefined regional and district offices into National and Regional Enterprise Centers respectively.

In FY 2003, MBDA upgraded MBIP. This electronic system extended MBDA’s ability to collect data to be used for Government Performance and Results Act reporting. This system also facilitates user access while maintaining increased security measures. MBDA integrated its Intranet, Extranet, and Internet into one easily-accessible, user-friendly Internet portal.

FY 2003 Performance

The goal focuses on the operations and management initiatives that will improve services to MBDA’s clients, better train employees and funded projects personnel, upgrade electronic tools, and establish lasting public and private partnerships to leveraging internal and external assets. During the fiscal year, MBDA also used the President’s Management Agenda as the benchmark for MBDA’s re-engineered performance goals and measurements. MBDA’s management approach utilizes continuous improvement techniques and strategies to foster a team-oriented workplace culture. Through increased communications and customer relations management, MBDA has successfully implemented its entrepreneurial transformation.

Measure 3a: Number of Business Development Center (BDC) Clients				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	5,600
Actual				7,228
Met/Not Met				Met

Explanation of Measure

This is a new measure that will establish critical information as to the attributes of the clients MBDA assists and the number of clients it reaches with its funded network. MBDA has used information on gross receipts, industry, and ethnic group serviced to better focus the standards of its programs.

FY 2003 Performance

MBDA was able to attract many new clients needing assistance to obtain opportunities. The activity by agency staff in promotion and referral is recognized in this measure. An example is clients entering new growth industries such as aquaculture. Staff has participated to find funding to maintain or implement aquaculture programs at several colleges, including the University of Pennsylvania, in efforts to create jobs. MBDA expects many new clients entering business as the minority population increases.

Measure 3b: Number of National Strategic Partnerships				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	6	6
Actual			6	8
Met/Not Met			Met	Met

Explanation of Measure

MBDA's success will be based in part on leveraging value-added resources through strategic alliances that enhance minority business development. The number of effective partnerships that are secured will maximize and broaden outreach efforts and provide added services for minority business.

FY 2003 Performance

The following are two examples of MBDA's national strategic partnerships:

- The National Director established an African Initiative to better prepare African American firms for trade opportunities in several African countries.
- MBDA also established an initiative with the Puerto Rican Department of Commerce and other private sector organizations, and held the first federal national procurement conference.

Awards continue to be made as a result of this event.

Measure 3c: Number of Interagency and Interdepartmental Initiatives and Agreements (Federal, State, and Local Government)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	6	6
Actual			6	12
Met/Not Met			Met	Met

Explanation of Measure

MBDA is mandated to coordinate Federal Government programs that strengthen minority business efforts. By establishing interagency and interdepartmental initiatives and agreements, MBDA will strive to ensure the maximum impact of all federal expenditures to increase minority business development.

FY 2003 Performance

MBDA has used its internal assets with the Department of Commerce to strengthen its outreach to include International Trade Administration, National Institute of Standards and Technology, and National Oceanic and Atmospheric Administration to leverage value-added resources on behalf of MBEs. In addition to these agencies, MBDA has partnered through its Economic Development Division with the Tennessee Valley Authority (TVA) across seven Southeastern states to form a partnership to ensure that minority-owned businesses are afforded full opportunity and access to TVA’s tailored packages of technical, capital, and managerial assistance. TVA has also established a link from its Web site to MBDA’s portal.

Measure 3d: Average Annual Minority Business Internet Portal (MBIP) Hits				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	50,000	500,000
Actual			585,755	560,000
Met/Not Met			Met	Met

Explanation of Measure

It is critical that MBDA measure the utilization of MBIP because it is intended to deliver high-quality tools and services to the minority business community. MBDA, with other public and private entities, is attempting to measure the effectiveness of its Web site. For MBDA, one of the measurements used will be the number of hits received on the Web site. Although hits provide a quick reference for benchmarks, MBDA is currently investigating new processes to measure success and benchmark for empirical data.

FY 2003 Performance

The number of hits represents “meaningful” visits to MBDA’s portal; meaning users actually went beyond the homepage and accessed various tools and services. All users are required to register on the portal system in order to access the electronic business tools available, such as Resource Locator, Business Locator, Congressional Information System, NAICS Code Finder, and Phoenix Opportunity Systems. The large number of users signifies that the minority business community is increasing its utilization of e-commerce.

Measure 3e: Average User Time for Minority Business Internet Portal (MBIP)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	13 minutes	15 minutes
Actual			14 1/2 minutes	15 minutes
Met/Not Met			Met	Met

Explanation of Measure

MBIP is designed to provide a measure of minority business usage of computer resources and the successful impact that MBDA’s portal has made. The number of minutes that each user spends on MBIP indicates the value of the information to the minority business community.

FY 2003 Performance

The average user time on MBIP has shown that for each visit, users spend on average of 15 minutes per session. This duration of time demonstrates that MBEs are not only accessing MBIP, but are staying on the portal and using the electronic business tools and services provided.

Measure 3f: Number of Contract Opportunity Matches

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	40,000	325,000
Actual			343,826	473,741
Met/Not Met			Met	Met

Explanation of Measure

The Phoenix Opportunity Database system electronically matches minority businesses with contract opportunities. This system consists of two databases that allow minority businesses to register their capabilities online, and public and private contracting agencies to post business opportunities online. The database electronically matches the opportunity with a capable firm in that service. Notification is electronically performed by e-mail or generated faxes to the business with the particular capability. The number of matches correlates with how successful MBDA has been in providing information concerning contracts to the appropriate MBE.

FY 2003 Performance

The Phoenix Opportunity Database Bid-Matching system is available on the portal to benefit those minority businesses that may or may not be assisted through MBDA’s funded network or regional staff. The number of matches identified through this system provides contract opportunities posted by private and public sector organizations entering opportunities seeking partnerships with minority businesses. MBDA serves as a clearinghouse or broker for critical activities and business services that will result in successful minority business expansion and wealth creation in minority communities.

Measure 3g: Number of Employees Training Hours

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	3,384	5,000
Actual			9,817	9,874
Met/Not Met			Met	Met

Explanation of Measure

The National Director has set forth a new organizational structure designed to obtain the goals, objectives, and strategies outlined in the Agency’s mission statement and business plan. To effectively implement the Agency’s mission, MBDA has initiated a “continuous improvement strategy” that will also require on-going education and training of its employees.

FY 2003 Performance

In accordance with the President’s Management Agenda, MBDA has made strong investments in human capital. These investments include such things as training opportunities, which strengthened the Agency while enhancing overall service to the minority business community. MBDA held several training opportunities where training covered topics such as agency systems, performance measurements, team building, and electronic tools. As a result of these opportunities, MBDA has upgraded current skills, identified specialized skills, and implemented an approach that shares best practices while respecting other team member differences and diversity issues.

Program Evaluation

MBDA will continue to monitor the number of clients and review attribute information as to changes in client characteristics being served. MBDA has contracted with the Federal Consulting group to survey clients and develop a Customer Satisfaction Index. MBDA will look to increase its satisfaction number and improve its index each year.

MBDA completed written assessments of the training activities and reviewed recommendations accordingly. MBDA now has an Office of Performance and Program Evaluation that will continue to review each performance measure reflected under Goal Three. These evaluations will enhance the success of all program initiatives and internal operations and encourage staff efforts.

MBDA Data Validation and Verification

MBDA reviews all performance data from funded projects on a quarterly basis to ensure that all data collected and reported are accurate and complete. The data are validated and compiled for the Agency use in electronic format. The Regional Enterprise Centers verify data submitted in the Performance Reporting system. MBDA also reviews source documentation not reported through an automated system that is used for performance. The initial reports are then analyzed for variances and trends. These data are evaluated and used as benchmarks in determining future target adjustments. All findings and performance data are prepared for presentation for senior management.

The MBDA Data Validation and Verification table can be found starting on the following page.

MBDA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Dollar value of contracts awarded to assisted minority-owned businesses	Internet link from MBDA head quarters to client delivery sites.	Collect real-time and report quarterly.	The performance database management system running on an Oracle platform.	A 100% client verification survey.	Responsiveness to client verification survey.	Follow up notices to non-responsive clients.
Measure 1b: Number of contracts received by minority-owned businesses	Internet link to performance report system.	Collect and report real-time measure quarterly.	Performance database system on Oracle platform.	A 100% client verification survey.	Responsiveness to client verification survey.	Telephonic calls to any non-responsive client.
Measure 2a: Number of financial packages received by assisted minority-owned businesses	Internet link from MBDA head quarters to client delivery sites.	Collect real-time and report quarterly.	The performance database management system running on an Oracle platform.	A 100% client verification survey.	Responsiveness to client verification survey.	Follow up notices to non-responsive clients.
Measure 2b: Dollar value of financial packages to assisted minority-owned businesses						
Measure 3a: Number of Business Development Center (BDC) clients	Internet link to performance report system.	Collect and report real-time measure quarterly.	Performance database system on Oracle platform.	A 100% client verification survey.	Responsiveness to client verification survey.	Follow-up calls and notices to reach clients.
Measure 3b: Number of national strategic partnerships	Memorandum of Understanding (MOU) and agreements.	Collect real-time and report quarterly through Chief Counsel.	Manual and automated spreadsheet and database running on an Oracle platform.	A 100% verification survey.	Responsiveness to verification survey.	Follow up notices to non-responsive clients.
Measure 3c: Number of interagency and interdepartmental initiatives and agreements (federal, state and local government)	MOU and agreements.	Collect real-time and report quarterly through Chief Counsel.	Automated spreadsheet and database running on an Oracle platform.	A 100% verification survey.	Responsiveness to verification survey.	Follow up notices to non-responsive clients.

MBDA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 3d: Average annual Minority Business Internet Portal (MBIP) hits	Web trends reporting.	Collect real-time and report quarterly.	The MBIP running on an Oracle platform.	A database sampling.	Responsiveness of database verification.	Follow up database inquiries.
Measure 3e: Average user time for Minority Business Internet Portal (MBIP)						
Measure 3f: Number of contract opportunity matches						
Measure 3g: Number of employees training hours	Training requests submitted for approval by financial management.	Collect real-time and report quarterly.	Automated spreadsheet and database running on an Oracle platform.	A 100% verification survey.	Responsiveness to personnel to verification survey.	Follow up notices to non-responsive personnel.

STRATEGIC GOAL 2

*Provide infrastructure for innovation to
enhance American competitiveness*





United States Patent and Trademark Office

Mission Statement

The United States Patent and Trademark Office (USPTO) mission is to ensure that the intellectual property system contributes to a strong global economy, encourages investment in innovation, and fosters entrepreneurial spirit.

Priorities

For over 200 years, the basic role of USPTO has remained the same—to promote the progress of science and the useful arts by securing, for limited times to inventors, the exclusive rights to their respective discoveries (Article 1, Section 8 of the United States Constitution). U.S. industry has flourished under this system of protection as new products have been invented; new uses for inventions have been discovered, and employment opportunities have been created for millions of Americans.

Patents and trademarks have long protected American creativity and ingenuity. The first patent was issued in 1790 for a method of making potash fertilizer and the oldest active trademark was originally registered in 1884 for SAMSON, a design for “cords, lines, and ropes.” The strength and vitality of the economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. The continued demand for patents and trademarks underscores the ingenuity of U.S. inventors and entrepreneurs. USPTO is at the cutting edge of the nation’s technological progress and achievement.

The primary services provided by USPTO are processing patent and trademark applications and disseminating patent and trademark information. Through issuing patents, USPTO encourages technological advancement by providing incentives to invent, invest in, and disclose new technology. Through registering trademarks, USPTO assists businesses in protecting their investments, promotes quality goods and services, and safeguards consumers against confusion and deception in the marketplace. By disseminating both patent and trademark information, USPTO promotes a global understanding of intellectual property (IP) protection and facilitate developing and sharing new technologies worldwide.

USPTO also supports the Department of Commerce goal to “Provide infrastructure for innovation to enhance American competitiveness” through its objective to “Protect intellectual property.” All forms of IP protection—patents, trademarks, and copyrights—uphold the philosophy of rewarding individual effort as the best way of utilizing the talents of creators to advance public welfare. IP is a potent force in the competitive free enterprise system. By continuing to protect intellectual endeavors and encourage technological progress, USPTO seeks to preserve the U.S. technological edge, which is a key to current and future competitiveness.

FY 2003 Performance

In FY 2003, USPTO had three goals and 10 measures which focused on (1) enhancing the quality of its products and services, (2) e-government initiatives, and (3) minimizing application processing time for patents and trademarks. Of those 10 measures, USPTO met five of them.

USPTO received 333,452 Utility, Plant, and Reissue patent applications for fiscal year 2003. Additionally, USPTO published 243,007 pending applications and issued 173,072 patent grants. A record number of trademark applications were registered and disposed, and pending inventories were substantially reduced. The number of trademarks registered increased by more than 7 percent to 143,424, including 185,182 classes, which increased by more than 12 percent. Total Trademark Office disposals were 238,759 including 305,040 classes. The Trademark Office's inventory of total applications under examination was reduced by 10 percent from 479,628 files with more than 654,533 classes at the start of the year, to 431,805 files including 575,901 classes at year-end.

Technology has become increasingly complex, and demands from customers for higher quality products and services have escalated. USPTO's applicants are concerned that the USPTO does not have full access to the fees applicants pay in the year they are collected. In the U.S., customer demands have created substantial challenges in the processing of patents.

Becoming more productive while maintaining high levels of quality is the main challenge facing USPTO in the future. With this in mind, in FY 2003, the USPTO continued to move forward with the *21st Century Strategic Plan* that was initially introduced in June of 2002 with revisions made in February 2003. The strategic plan is an aggressive five-year plan that addresses the most significant issues facing USPTO as it moves into the new century.

To better manage fluctuations in workload, USPTO must focus on increasing the acceptance and use of its electronic systems, move toward full electronic processing, complete a radical design of the entire patent search and examination system, and restructure the agency's fee schedule to provide options for filing and financial incentives for its customers to further encourage and promote the use of electronic filing and communications.

The Congress, the owners of IP, the patent bar, and the public-at-large have all told USPTO that it must address these challenges aggressively and promptly. The USPTO's *21st Century Strategic Plan* will continue to assist in addressing these challenges and ultimately transform USPTO into a quality-driven, highly-productive, and cost-effective organization that will promote expansion of business opportunities, stimulate research and development, and expand U.S. commerce globally.

Quality

Major steps were taken to bolster confidence in the quality and reliability of patents and trademarks through the initiation of a multi-faceted, comprehensive and rigorous quality assurance program. A new program of comprehensive quality assurance techniques was implemented at every stage of the examination pipeline, from formalities check to search and preliminary assessment, to the final decision on patentability or registration of the trademark. In addition, USPTO made significant strides to enhance the expertise of examination staff, including testing and evaluating the oral and verbal communication skills, as well as understanding of the relevant technology, of applicants for patent examiner positions; to periodically certify the knowledge, skills, and abilities (KSA) of all employees; and to establish new selection techniques for supervisory patent examiners.

E-Government

Patents made significant progress in the creation of an Image File Wrapper (IFW) system in cooperation with the European Patent Office (EPO). The deployment of IFW has moved from prototype to production mode with close to 950 examiners and 2,000 users trained and using IFW. Additionally there are currently 200,000 applications in the IFW system that comprise approximately 30 percent of active applications. The outcome of this accelerated rollout schedule will be the virtual elimination of paper application files for the Technology Centers that move to the Alexandria headquarters starting in December 2003. This also has enabled the creation of an official electronic file for all patent applications filed after June 30, 2003 and the availability of public access to the IFW.

Trademarks relies on electronic communications to improve the availability of trademark information to more effectively serve an increasingly larger, global clientbase. Internet access has provided advantages that were not possible in a paper environment; customers may conduct an electronic search to determine the status of pending and registered trademarks; conduct a preliminary search prior to filing an application; access general information, examination manuals, treaties, laws, and regulations; obtain weekly information on marks published, registered, and renewed; and file applications. Electronic filing and access increase the opportunity for filing for federal registration, which provides protection to business owners and consumers by providing notice of marks in use. For example, 57.5 percent of the initial applications for trademark registration were filed electronically. Trademark examiners have been performing the initial examination and communicating the results of their initial decision in an electronic environment since July 2003. Trademark applications are processed electronically from receipt through the first office action. This change in process is the precursor to a fully electronic workflow that will eliminate the need for paper files and processing paper correspondence altogether in 2004.

Priorities/Management Challenges

Today, patent application filings have increased dramatically throughout the world. There are an estimated 11 million pending applications in the world's examination pipeline. At USPTO, the number of patent and trademark applications has doubled since the early 1990's. Technology has become increasingly complex, and demands from customers for higher quality products and services have escalated.

In response to these global phenomena, USPTO issued the *21st Century Strategic Plan* to transform itself into a quality-focused, highly productive, responsive organization supporting a market-driven IP system. The plan is aggressive and far-reaching, and takes a global perspective by envisioning the patent and trademark systems of the future that U.S. innovators would need to remain competitive around the world. It is built on the premise that U.S. innovators want to obtain enforceable IP rights here and abroad as seamlessly and cost-effectively as possible. It emphasizes the opportunity for USPTO to collaborate with IP organizations in automation, global patent classification, and exploitation of search results. Finally, the plan is predicated on changes to the way all players in the IP system do business with USPTO and the way USPTO employees respond.

The *21st Century Strategic Plan* is predicated on three strategic themes:

Agility: Address the twenty-first century economy by becoming a more agile organization – create a flexible organization and work processes, work both bilaterally and multilaterally with partners around the world, and transform the workplace by radically reducing labor-intensive paper processing.

Capability: Enhance quality through workforce and process improvements – make patent and trademark quality the highest priority.

Productivity: Accelerate processing times through focused examination – control patent and trademark pendency times and recover investments in people, processes, and technology.

The *21st Century Strategic Plan* is aggressive and far-reaching. Anything less would fall short of the expectations of the U.S. Congress, the applicants for and owners of patents and trademarks, the patent and trademark bar, and the public at-large. Without it, the USPTO is less able to enhance quality, implement e-government initiatives, reduce pendency (in fact pendency would rise to uncontrollable levels), and reduce paper handling and operating costs. Following is a discussion of the management challenges that USPTO is facing in implementing the plan:

- *Multilateral and Bilateral Agreements* — To streamline the IP system and protections, USPTO must consult with and receive the support of other IP offices in structuring new bilateral and multilateral initiatives and agreements. This includes accelerating Patent Cooperation Treaty reform efforts, focusing on USPTO's proposal for simplified processing; developing a universal electronic application by leveraging USPTO's experience with trademark applications and EPO's experience with patent filings; and promoting harmonization to strengthen the rights of U.S. IP holders making it easier to obtain international protection for their inventions and creations. Reaching agreements on these aspects will require all sides to openly communicate and compromise toward a more global convergence of patent and trademark standards.
- *Legislation/Rules* — USPTO will propose legislative and regulatory changes to current patent and trademark laws. The fee restructuring aspects will generate additional fee collections to be used to fund the critical investments in resources and technology in support of strategic plan goals. Additional changes, including the establishment of corresponding fees, are also being proposed to provide customer choice and streamline the patent and trademark examination processes. The passage of these changes, including new fees and fee restructuring, is essential and critical to accomplishing the strategic plan.
- *Labor Relations* — The strategic plan introduces a large number of changes to current work processes and procedures. USPTO is notifying the three bargaining units representing USPTO employees of the proposed changes and negotiating, where necessary, on any changes in working conditions. USPTO must be able to implement these changes in work processes in a timely manner in order to meet strategic plan goals and objectives. This must be done in light of labor requirements for coordination, communication, and negotiation.

Targets and Performance Summary

See individual Performance Goal sections for further description of each measure.

Performance Goal 1: Agility — Address the Twenty-First Century Economy by Becoming a More Agile Organization

Measure		FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Applications filed electronically	Patents	New	New	New	2%	1.3%		X
	Trademarks	New	24%	38%	80%	57.5%		X
Applications managed electronically	Patents	New	New	New	New	New		
	Trademarks	New	New	New	New	New		

Performance Goal 2: Capability — Enhance the Quality through Workforce and Process Improvements

Measure		FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Improve quality by reducing the error rate	Patents	6.6%	5.4%	4.2%	4.0%	4.4%		X
	Trademarks	3.4%	3.1%	4.3%	4.0%	2.3%	X	
In-process reviews	Patents	New	New	New	New	New		
	Trademarks	New	New	New	New	New		
Patent examiner certification	New	New	New	New	New	New		
Patent examiner re-certification	New	New	New	New	New	New		

Performance Goal 3: Productivity — Accelerate Processing Times Through Focused Examination

Measure		FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Reduce average first action pendency (months)	Patents	13.6	14.4	16.7	18.4	18.3	X	
	Trademarks	5.7	2.7	4.3	3.0	5.4		X
Reduced average total pendency (months)	Patents	25.0	24.7	24.0	27.7	26.7	X	
	Trademarks	17.3	17.8	19.9	15.5	19.8		X
Efficiency	Patents	\$2,911	\$3,194	\$3,457	\$3,970	\$3,329	X	
	Trademarks	\$568	\$501	\$487	\$683	\$433	X	
Productivity	Patents	New	New	New	New	New		
	Trademarks	New	New	New	New	New		

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Note: As a result of the recent undertaking to update the *21st Century Strategic Plan*, USPTO is not able at this time to provide an accurate breakdown showing its new goals and measures as they relate to the FY 2003 budget. USPTO is in the process of modifying its Activity Based Cost (ABC) system to provide this information.

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Total Funding	895.3	1,040.6	1,144.0	1,190.9
Direct	894.7	1,040.5	1,143.3	1,189.7
Reimbursable ²	0.6	0.1	0.7	1.2
IT Funding ¹	166.1	219.8	196.1	224.9
FTE	6,128	6,278	6,593	6581

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Skills Summary:

Knowledge of global IP rights systems and policies, expertise in IP law, and appropriate scientific and technical expertise.

FY 2003 Performance Goals

Performance Goal 1: Agility — Address the Twenty-First Century Economy by Becoming a More Agile Organization

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

Under the *21st Century Strategic Plan*, USPTO will work with its IP partners to improve the efficiency of its processing systems by increasing the number of applications and communications received and processed electronically, create more coordinated and streamlined work processes, and best position USPTO for the globalization that characterizes the twenty-first century economy. The following performance measures have been established to measure USPTO’s success and progress in meeting the strategic plan goals for agility.

FY 2003 Performance

USPTO has established two performance measures to monitor its progress toward becoming a more agile organization in the twenty-first century through the use of an e-government environment.

Measure 1a: Applications Filed Electronically					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	New	New	New	2%
	Trademarks				80%
Actual	Patents				1.3%
	Trademarks				57.5%
Met/Not Met	Patents				Not Met
	Trademarks				Not Met

Explanation of Measure

This measure indicates USPTO’s support of, and applicants’ willingness for, operating in an e-government environment, and identifies the percent of basic applications filed electronically.

FY 2003 Performance

This measure was not met due to reluctance of patent applicants to file electronically because (1) customers are more familiar with the paper-based systems they already have in place, (2) they may have not invested the time and resources necessary to upgrade their internal processes to enable them to file electronically, and (3) they would like to receive some incentive (in the form of a fee reduction) for filing electronically.

In Trademarks, the e-government goal to receive 80 percent of applications and conduct communications electronically was set to support the objective for creating an electronic trademark operation that would expand the level of services and maximize the Office's information technology investment. The goal is intentionally ambitious. The rate of filing trademark applications has progressed steadily over the past five years to more than 62 percent of filings in September 2003. Promotional events and improved functionality, and enhancements to meet more customers needs contributed to this increase. The Office has proposed legislation to achieve its goal that would provide additional incentives to influence a greater number of customers to adopt electronic filing as their preferred method of doing business with USPTO.

Measure 1b: Applications Managed Electronically

		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	New	New	New	New
	Trademarks	New	New	New	New
Actual	Patents				
	Trademarks				
Met/Not Met	Patents				
	Trademarks				

Explanation of Measure

This measure will indicate USPTO's progress towards a fully electronic operating environment.

Trademarks will complete its transition from a paper-based operation to a fully electronic processing operation with the implementation of an electronic file management system, Trademark Information System (TIS). With the exception of TIS, the underlying systems necessary to support this move from paper-based processing to electronic processing are either in place or nearing completion.

Patents completed its prototyping plan and began implementing an IFW system based on EPO's ePHOENIX system in June 2003. Patents will deliver an operational end-to-end electronic processing pipeline for all applications in image format by the beginning of FY 2005, including electronic capture of all incoming and outgoing paper documents. The electronic pipeline capability will be delivered in phases with the goal of total integration with legacy systems and full text-based processing of all patent applications by the end of FY 2006.

FY 2003 Performance

This is a new performance measure that will not have performance data reported until FY 2004.

Program Evaluations

USPTO has completed the initial Program Assessment Rating Tool (PART) assessments on the patent and trademark programs. Formal recommendations resulting from the PART process will be reflected in the USPTO's APP.

Performance Goal 2: Capability — Enhance the Quality Through Workforce and Process Improvements

(This goal has been reworded since the publication of the FY 2001 Annual Program Performance Report (APPR) and FY 2003 Annual Performance Plan (APP). This goal was previously worded as: Enhance the quality of our patent and trademark products and services.)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

Under the *21st Century Strategic Plan*, both Patents and Trademarks will enhance current quality assurance programs to include greater review of work in progress. This will include the implementation of in-process reviews, “second pair of eyes” reviews, and end-process reviews. In addition, both organizations are creating new programs for certifying the KSAs of their employees.

With the *21st Century Strategic Plan*, USPTO has developed a number of new measures to assess its achievement toward the capability goals. For those new measures, USPTO will need to establish its baseline performance during FY 2004 before establishing its outyear targets and annual goals.

FY 2003 Performance

USPTO has established four performance measures to monitor its progress toward becoming a more capable organization through workforce and process improvements, thereby enhancing the quality of the output.

Measure 2a: Improve Quality by Reducing the Error Rate					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	4.0%	5.5%	5.0%	4.0%
	Trademarks	3.6%	6.0%	5.0%	4.0%
Actual	Patents	6.6%	5.4%	4.2%	4.4%
	Trademarks	3.4%	3.1%	4.3%	2.3%
Met/Not Met	Patents	Not Met	Met	Met	Not Met
	Trademarks	Met	Met	Met	Met

(This measure has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This measure was previously worded as: “Improve the Quality of Patents by 55 percent by Reducing the Error Rate from 6.6 percent to 3 percent by FY 2006.”)

Explanation of Measure

This measure assesses product quality measured by internal quality review processes. Quality of patent and trademark examination decisions are measured by the reopening rate (Patents), deficient substantive issue rate (Trademarks first and final actions), or similar internal quality measures.

FY 2003 Performance

For Patents, USPTO fell short of its 2003 target, however under the *21st Century Strategic Plan*, the Patents Organization is enhancing current quality assurance programs to include greater review of work in progress which USPTO anticipates will help achieve the projected 2006 goal. This includes the implementation of in-process reviews, “second pair of eyes” reviews, transactional surveys in the Patents Organization, and end-process reviews. In addition, the Patents Organization is creating new programs for certifying the KSAs of its employees.

For Trademarks, USPTO met its target. Examination quality was 97.7 percent based on standards for assessing the clear error rate for determining the type of errors that could affect the registrability of a mark. The review of pending, registered, and abandoned files by the Office of Trademark Quality Review determined the clear error rate to be 2.26 percent for the year. Errors related to marks that would be considered “confusingly similar” under section 2(d) of the statute were determined in 3.63 percent of applications for a quality rating of 96.4 percent. The quality rate was 98.4 percent for findings on procedural errors.

During the past year, the Trademark Organization worked in cooperation with the Office of Quality Management and Training and the Office of Trademark Quality Review to benchmark a more consistent set of quality measures that would better reflect the current quality of examination. The proposal includes expanding on the issues that will be considered and setting tougher standards for determining the quality of in-process office actions as excellent and deficient to better reflect more meaningful and rigorous standards of quality.

Measure 2b: In-process Reviews					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	New	New	New	New
	Trademarks	New	New	New	New
Actual	Patents				
	Trademarks				
Met/Not Met	Patents				
	Trademarks				

Explanation of Measure

This measure will assess product quality measured by internal quality review processes.

Patents and Trademarks will continue to expand the current in-process review program to check the quality of the work product during all stages of examination, from first action to issue, abandonment, or registration. 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 or other corrective actions. This is a new measure supporting the strategic plan. As a result, the first year will be used to determine the baseline for establishing the long-term target and annual goals.

FY 2003 Performance

Performance targets are currently in the process of being developed for this measure.

Measure 2c: Patent Examiner Certification				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New
Actual				
Met/Not Met				

Explanation of Measure

Currently, patent examiners, when promoted to the GS-13 level, are not required to complete a formal program for certification of their legal competency. USPTO will implement a specific program to ensure that GS-12 examiners have acquired the requisite legal and negotiation skills prior to promotion to the GS-13 level. This measure reflects the percentage of examiners promoted to the GS-13 level who have completed the certification process. This is a new measure supporting the strategic plan. As a result, the first year (FY 2004) will be used to begin the process of administration of the certification with full performance expected in the out years.

FY 2003 Performance

Performance targets are currently in the process of being developed for this measure.

Measure 2d: Patent Examiner Re-certification				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	New
Actual				
Met/Not Met				

Explanation of Measure

Primary patent examiners should maintain the necessary KSAs in current patent law, practice, and procedure. Regular training, similar to continued legal education requirements, will be provided to maintain KSAs of primary examiners. Further, they should successfully pass a number of tests to prove that they understand the content of the training. This is a new measure supporting the strategic plan. As a result, the first year (FY 2004) will be used to determine the baseline for establishing the long-term target and annual goals.

FY 2003 Performance

Performance targets are currently in the process of being developed for this measure.

Program Evaluation

USPTO conducted ongoing reviews on the quality of patent and trademark examinations. The purpose of the reviews in patents is threefold: to identify patentability errors, to assess the adequacy of the field of search and proper classification, and to assess proper examination practice and procedures. The review of trademark applications focused on four areas: substantive statutory criteria for registrability, search for confusingly similar marks, proper examination practice and procedure, and proper application of judicial precedents. The information from these reviews helps the business units identify the training that is necessary to enhance overall product quality and to improve the consistency of examination. The results of the reviews provide analysis in the form of reports to USPTO management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.

Performance Goal 3: Productivity — Accelerate Processing Times Through Focused Examination

(This goal has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This goal was previously worded as: “Minimize patent and trademark application processing time.”)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

In support of the *21st Century Strategic Plan*, USPTO will reduce patent and trademark pendency and substantially cut the size of the inventory. This will be accomplished through a radical redesign of the entire patent search and examination system based upon multi-examination tracks, greater reliance on commercial service providers, and variable, incentive-driven fees. The USPTO’s long-term patent pendency goal remains 18 months. USPTO plans to produce, on average, a first office action for first-filed U.S. non-provisional applications at the time of 18-month publication. In addition, a patent search report for other patent applications will be issued in the same time frame. Likewise, Trademarks will restructure the way it does business to be compatible with an e-government environment and offer options for filing that would result in faster examination and decisions regarding registrability for those who would seek it. The timely granting of patents and registering of trademarks supports innovation, technology, employment, business investment, and economic growth.

FY 2003 Performance

USPTO has established four performance measures to monitor its progress toward becoming a more productive organization by accelerating processing times through focused examination.

Measure 3a: Reduce Average First Action Pendency (Months)					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	14.2	13.9	16.4	18.4
	Trademarks	4.5	6.6	3.0	3.0
Actual	Patents	13.6	14.4	16.7	18.3
	Trademarks	5.7	2.7	4.3	5.4
Met/Not Met	Patents	Met	Not Met	Not Met	Met
	Trademarks	Not Met	Met	Not Met	Not Met

(This measure has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This measure was previously worded as: “Reduce Average First Action Pendency to 12 or 2 months by FY 2006.”)

Explanation of Measure

This measure will determine the timeliness related to first office actions. It will identify the average time from the filing date of the application to the mailing first office actions.

FY 2003 Performance

Patents met its target. The initiatives identified in the USPTO 21st Century Strategic Plan will continue to reduce patent pendency; substantially cut the size of the inventory; and recover USPTO’s investments in people, processes, and technology.

Trademarks did not meet its target. The time from filing to mailing an examiner’s first office action increased by the end of the fiscal year to 5.4 months from 4.3 months at the end of the prior fiscal year. The increase was due to a combination of slightly higher than planned filings and unexamined files at the beginning of the year, the reassignment of pending applications already under examination, and less production than expected. Trademarks has implemented an aggressive management plan to focus on pendency reduction. The initiatives identified in the USPTO 21st Century Strategic Plan will ultimately have a positive impact on reducing trademark pendency and substantially increase the tools available for the Office to better manage fluctuations in filings and control inventories in the future.

Measure 3b: Reduce Average Total Pendency (Months)					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	26.2	26.2	26.1	27.7
	Trademarks	18.0	18.0	16.0	15.5
Actual	Patents	25.0	24.7	24.0	26.7
	Trademarks	17.3	17.8	19.9	19.8
Met/Not Met	Patents	Met	Met	Met	Met
	Trademarks	Met	Met	Not Met	Not Met

(This measure has been reworded since the publication of the FY 2001 APPR and FY 2003 APP. This measure was previously worded as: "Reduce Average Total Action Pendency to 26 or 12 months by FY 2006.")

Explanation of Measure

This measure identifies the timeliness related to abandoned applications and issuance of the patent or registration of a trademark. The average time from the date of filing to the date of issue or abandonment (for patents) and registration or abandonment (for trademarks) will be measured.

FY 2003 Performance

Patents met its target. The initiatives identified in the USPTO 21st Century Strategic Plan will continue to reduce patent pendency, substantially cut the size of the work backlog, and recover its investments in people, processes and technology

Trademarks did not meet its target. The continued high levels of applications already under examination from prior years kept overall total pendency above the target of 15.5 months. As the total number of applications under examination is reduced and first action pendency time declines once again to the three-month goal, overall pendency to registration will decrease. The initiatives identified in the USPTO *21st Century Strategic Plan* will ultimately have a positive impact on reducing trademark pendency and substantially increase the tools available for the Office to better manage fluctuations in filings and control inventories in the future.

Measure 3c: Efficiency					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	New	New	New	\$3,970
	Trademarks	New	New	New	\$683
Actual	Patents				\$3,329
	Trademarks				\$433
Met/Not Met	Patents				Met
	Trademarks				Met

Explanation of Measure

These measures are a relative indicator of the efficiency of the patent and trademark processes. The measures are calculated by dividing total USPTO expenses associated with the examination and processing of patents and trademarks (including associated overhead and support expenses) by outputs. The patent output is represented by production units and the trademarks output is represented by disposals. It should be noted that in prior years, patent output was represented by disposals. That has been changed to production units and all patent measures, both actuals and targets have been recalculated using production units. The efficiency measures do not represent average life cycle costs since production units and disposals are only one measure of USPTO products and services.

FY 2003 Performance

Both Patents and Trademarks met its target. The initiatives identified in the USPTO *21st Century Strategic Plan* will continue to reduce patent pendency; substantially cut the size of the inventory; and recover its investments in people, processes, and technology.

Measure 3d: Productivity					
		FY 2000	FY 2001	FY 2002	FY 2003
Target	Patents	New	New	New	New
	Trademarks	New	New	New	New
Actual	Patents				
	Trademarks				
Met/Not Met	Patents				
	Trademarks				

Explanation of Measure

This measure will focus on the ratio of outputs to labor inputs. The total number of patent production units and trademark disposals will be divided by the applicable allocated USPTO labor hours, including contractors for patents or trademarks.

FY 2003 Performance

USPTO is currently in the process of gathering data to be used in the development of the FY 2004 target.

Program Evaluation

Timeliness is measured in Patents by the Patent Application Location and Monitoring (PALM) system, and in Trademarks by the Trademark Reporting and Monitoring (TRAM) system that lists the status and content of each patent and trademark application respectively. The annual customer satisfaction survey yields additional information on timeliness from USPTO's customers. A section of the survey is devoted to customers' perceptions of how well USPTO is meeting the timeliness standards it has established. The annual customer survey has proven to be a reliable method for gathering information on timeliness since it is administered to a wide variety of USPTO customers. The survey allows USPTO to isolate particular areas within the organization where timeliness issues are problematic or successful. Furthermore, it allows USPTO to evaluate the impact of timeliness on overall customer satisfaction levels.

USPTO Data Validation and Verification

In accordance with Government Performance and Results Act of 1993 requirements, USPTO is committed to making certain that performance information reported is reliable, accurate, and consistent. To ensure the highest quality data, USPTO has developed a strategy to validate and verify the quality of USPTO's performance information. In this regard, USPTO has undertaken the following:

- **Quality Reviews** – USPTO conducts ongoing reviews on the quality of patent and trademark examination. The focus of the review for patent applications is threefold: (1) identify patentability errors, (2) assess adequacy of the field of search and proper classification; and (3) assess proper examination practice and procedures. For trademark applications, the review includes four areas: (1) substantive statutory criteria for registrability, (2) search for confusingly similar marks, (3) proper examination practice and procedure, and (4) proper application of judicial precedents. The information from these reviews helps business units identify necessary training with the goal of enhancing overall product quality and improving the consistency of examination. The results of the reviews provide analysis in the form of reports to Patent and Trademark management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.
- **Accountability** – Responsibility for providing performance data lies in the Patent and Trademark organizations. USPTO holds program managers accountable for ensuring procedures are in place regarding the accuracy of their data and that the performance measurement source is complete and reliable.

The Office of Inspector General (OIG) also contributes to USPTO's efforts to assure audit and evaluation coordination and coverage of USPTO goals. OIG conducted the following types of audits and evaluations:

- **Program Evaluations** – The OIG reviewed USPTO's performance measures included in the Department of Commerce's APP (*Minor Improvements Needed in Reporting Performance Results, FSD-14429/March 2002*). The purpose of the review was to validate the measures and the data collection tools and methods. The results of the audit showed that management controls were in place and operating effectively regarding the collection, validation, and reporting of performance measures. In addition, the report stated that USPTO was committed to developing and producing quality performance measures. Several minor recommendations were reported and have subsequently been implemented by USPTO.

Financial Statement Audit – During the FY 2002 financial statement audit, various tests and reviews of the primary accounting system and internal controls were conducted as required by the Chief Financial Officers' Act. In their FY 2002 internal control report, the auditors reported no internal control deficiencies or material deficiencies. The auditors issued an unqualified opinion on USPTO's fiscal year 2002 financial statements.

The USPTO Data Validation and Verification table can be found starting on the following page.

USPTO Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Applications filed electronically	Patent Application Location and Monitoring (PALM) (for Patents) and Trademark Reporting and Monitoring (TRAM) (for Trademarks).	Daily input; weekly reporting.	PALM and TRAM automated systems.	Accuracy of supporting data is controlled through internal program edits in the PALM and TRAM systems, and cross checks against other automated systems.	None	None
Measure 1b: Applications managed electronically	Patent and Trademark Quality Review reports.	Daily input; monthly reporting.	Automated systems; reports.	Manual reports and analysis.	None	None
Measure 2b: In-process reviews	Quality assurance specialist reviewers in Patents and trademark quality reviewers in Trademarks.	Quarterly	Automated systems; reports.	Accuracy of supporting data is controlled through internal program edits in the automated database. Final test for reasonableness is performed by supervisors and program management.	None	None
Measure 2c: Patent examiner certification	Certification report	Quarterly	Certification database	Accuracy of supporting data is controlled through internal program edits in the automated database. Final test for reasonableness is performed by supervisors and program management.	None	None
Measure 2d: Patent examiner re-certification	Patent examiner re-certification	Quarterly	Certification database	Accuracy of supporting data is controlled through internal program edits in the automated database. Final test for reasonableness is performed by supervisors and program management.	None	None
Measure 3a: Reduce average first action pendency (months)	PALM (for Patents) and TRAM (for Trademarks).	Daily input; weekly reporting.	PALM and TRAM automated systems.	Accuracy of supporting data is controlled through internal program edits in the PALM and TRAM systems, and cross checks against other automated systems.	None	None

USPTO Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 3b: Reduce average total pendency (months)	PALM and TRAM system.	Daily input, monthly reporting.	PALM and TRAM, automated systems, reports.	Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners and patent supervisory and program management and examining trademark attorneys and trademark supervisory and program management.	None	None
Measure 3c: Efficiency	PALM, TRAM, Momentum, Metify Activity Based Management (ABM).	Daily input, quarterly reporting.	PALM and TRAM, Data Warehouse, Metify ABM.	Internal program edits in PALM, TRAM, Momentum, Metify ABM. Quality control review of data by Activity Based Cost (ABC) team and Program Business teams.	None	None
Measure 3d: Productivity	NFC for payroll, periodic contractor reports, PALM and TRAM for disposals.	Payroll—biweekly, contractor reports—monthly, PALM and TRAM—weekly.	Automated systems	Accuracy of supporting data is controlled through internal program edits in the PALM system and management reports. Final test for reasonableness is performed internally by patent examiners and patent supervisory and program management and examining trademark attorneys and trademark supervisory and program management.	None	None



Technology Administration

Mission Statement

The Technology Administration's (TA) mission is to work with American industry to maximize technology's contribution to U.S. economic growth by maintaining and improving key components of the nation's technological infrastructure; fostering the development, diffusion, and adoption of new technologies and leading business practices; creating a business and policy environment conducive to innovation; and disseminating technical information.

TA works with U.S. industry to maximize technology's contribution to American economic growth, job creation, innovative capacity and global competitiveness. TA serves as a policy portal for the technology community to the executive branch. Led by the Under Secretary for Technology, TA fulfills its broad responsibilities through its component organizations: the Office of Technology Policy (OTP), the National Institute of Standards and Technology (NIST), and the National Technical Information Service (NTIS).

Overview of Component Bureaus

Office of Technology Policy (OTP)

Through analytical reports and memoranda, briefings and congressional testimony, OTP provides national, state, and local policymakers with information and deeper understanding of trends and policy implications of new technologies, business models and practices, and the implications for U.S. competitiveness of technology policy issues. OTP serves as the U.S. Government's technology ambassador, serving as industry's portal to the Federal Government, frequently meeting with innovation leaders and entrepreneurs to better understand their needs and concerns and to represent Administration technology policies and agenda. OTP also assists others across America – from managers of traditional industries to regional economic development leaders to middle school students – to better understand and appreciate the importance of technology and innovation to America's future. In its advocacy role, OTP helps shape policies that support a vibrant national innovation infrastructure and the interests of entrepreneurs and technologists in federal policy-making circles. OTP advocates United States technology policy and its implementation at bilateral meetings and in agreements between the U.S. and numerous foreign governments and international entities. OTP also advocates the importance of innovation and rapid technology adoption among private sector leaders (such as manufacturers, researchers, and executives).

National Institute of Standards and Technology (NIST)

NIST operates under the authority of the National Institute of Standards and Technology Act (15 U.S.C. 271), which modifies The Organic Act that created the National Bureau of Standards (NBS) in 1901. In 1988, Congress renamed NBS as NIST, and also established the Regional Centers for the Transfer of Manufacturing Technology (15 U.S.C. 278k) and the Advanced Technology Program (ATP) (15 U.S.C. 278n). The National Quality Program was established and its functions were assigned to NIST by the Malcolm Baldrige National Quality Improvement Act of 1987 (15 U.S.C. 3711a).

NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to innovate and compete in global markets. In addition to its core measurement, testing, and standards functions, NIST also conducts several extramural programs, including the ATP, to stimulate the development of high-risk, broad-impact technologies by U.S. firms; the Manufacturing Extension Partnership, to help smaller firms adopt new manufacturing and management technologies; and the Baldrige National Quality Program (BNQP), to help U.S. businesses and other organizations improve the performance and quality of their operations by providing clear standards and benchmarks of quality. For each NIST program, a performance logic model describing the chain of value-creation from inputs to end-outcomes, and the linkages to performance evaluation methods between each stage of the impact path are presented below with respect to each program's performance information for FY 2003.

National Technical Information Service (NTIS)

NTIS operates a central clearinghouse of scientific and technical information that is useful to U.S. business and industry. NTIS collects scientific and technical information; catalogs, abstracts, indexes, and permanently archives the information; disseminates products in the forms and formats most useful to its customers; develops electronic and other new media to disseminate information; and provides information processing services to other federal agencies, without appropriated funds. NTIS's revenue comes from (1) the sale of technical reports to business and industry, schools and universities, state and local government offices, and the public at large; and (2) from services to federal agencies that help them communicate more effectively with their employees and constituents.

Priorities/Management Challenges

OTP

OTP's overarching goal is to provide leadership in promoting national technology policies that facilitate U.S. pre-eminence in key areas of science and technology (S&T) and to leverage technological innovation to strengthen U.S. global competitiveness. Underpinning this goal are three key action areas: outreach, analysis/education, and advocacy. Throughout FY 2003, OTP adopted a strategic issue framework around three core objectives that encompass the three action areas. The framework and relationship to the three key action areas are outlined below:

Promoting Innovation – To achieve this goal, OTP, in its analysis role, conducted Federal Government-wide assessments of technology transfer activity and led interagency working groups. OTP offered guidance on national technology transfer policies that were adopted by PCAST in its 2003 reports to the President, and by the Office of Management and Budget (OMB) in its A-11 guidance to federal agencies on reporting technology transfer metrics as part of their 2005 budget submissions. During 2003, OTP developed the first comprehensive federal survey of the use of biotechnology in U.S. industry and will present an analysis of data from over 1,030 companies in the fall 2003 report. This report provides new information about biotechnology's contributions to the U.S. economy, firms' financial health and workforce structure, sources of biotechnology research and development (R&D) financing, and perceived barriers to growth. OTP works closely with U.S. biotech firms, other federal and state policymakers, leaders of biotechnology associations, state economic development agencies, and academia on this and other efforts. In furthering its innovation outreach, OTP brought together more than 80 leaders in American technology and research from industry, academia, and government to discuss U.S. innovative capacity, our strengths and weaknesses, future global challenges, and steps that the Agency might take to increase U.S. competitiveness in innovation. These roundtables helped define TA's agenda for 2003. (*This strategic issue was reworded from the FY 2002 PAR. Prior wording was "Support and improve the innovation system of the United States."*)

Advance the role technology plays in U.S. economic growth and homeland security – OTP facilitated dialogue and interaction between policymakers, developers, and users of emerging and productivity-enhancing technologies (outreach and advocacy) with the goal of promoting adoption by business, education, medicine, and research groups (education and advocacy).

Encouraging Entrepreneurship and Technology-Led Economic Development – During FY 2003, the Office of the Under Secretary (US)/OTP led the creation of the Digital Freedom Initiative (DFI), a White House initiative. TA brought together federal agencies, over 40 companies, and other groups to promote business partnerships and entrepreneurship as catalysts for economic growth. In addition, OTP teamed with the Appalachian Regional Commission to conduct workshops in a number of states to focus on the positive economic impact of broadband deployment and to assist in the development of strategies to promote broader access to and usage of broadband. OTP also conducted several seminars throughout the country through its partnership with the National Association of Seed and Venture Funds. The seminars focused on promoting technology-led economic development strategies and improving entrepreneurial networks. These seminars have reached several hundred entrepreneurs, investors, business leaders, and local policymakers from New Mexico to New Hampshire. OTP is also leading an initiative built upon collaboration between the United States and Jordanian governments and business authorities to create a privately funded, commercial S&T incubator in Aqaba, Jordan. TA also organized events in Washington and Silicon Valley to help the technology industry understand the federal procurement process and to expose federal officials to the range of security technologies being developed by U.S. companies. OTP conceived and developed a plan to create incubator/innovation hubs in developing countries that will promote R&D partnerships between U.S. and local companies and stimulate creation of policies that enable U.S. technology business initiatives. OTP finalized an agreement to cooperate with the Department of State and Sandia National Laboratories/Advanced Concept Group to initiate the program in Brazil. (This strategic issue was reworded from the FY 2002 Performance and Accountability Report (PAR). Prior wording was “*Strengthen the competitive position of U.S. technology industries.*”)

In its outreach capacity, OTP outlined an approach for U.S. industry and the S&T community to structure its workforce to embrace important policy issues such as globalization and technology-led economic development. In addition to press briefings, workshops, and roundtable discussions, OTP used electronic means to inform Congress, U.S. Government agencies, and the public about OTP analytical findings (outreach and advocacy/education).

NIST

Four of NIST’s priorities for FY 2003 are reflected in the program performance information provided below: NIST’s focus on technical infrastructure for twenty-first century innovation is reflected in Performance Goal 2; NIST’s focus on facilitating a business environment that encourages technological innovation is reflected in Performance Goal 3; NIST’s focus on opportunities for small manufacturers is reflected in Performance Goal 4; and NIST’s focus on quality and accountability in business, health care, and educational organizations is reflected in Performance Goal 5. Construction and facilities remain an independent and urgent priority for NIST, and its ability to respond to these challenges derives directly from the level of resources provided.

NTIS

NTIS’ priority is to make prudent use of its joint-venture authority to reduce costs and leverage resources in efforts to enhance its acquisition and dissemination activities. Agreements were concluded with joint venture partners to optimize dissemination of, and revenue from, its World News Connection service and to establish an e-learning platform for use by federal agencies requiring a high degree of security.

Management challenges include increasing overall sales volume by raising its profile to both buyers and suppliers, while continuing to develop new lines of high-margin business using its joint-venture capabilities. New lines of business to be explored will include data warehousing/disaster recover, Web-delivered course development, and a business-to-business Web site that could make it easier for NTIS to work with business partners to deliver products via the Web, including information in the NTIS collection and its database.

FY 2003 Performance

OTP

In FY 2003, OTP had one goal and four measures, and met its performance targets. In its quest for continual improvement, during FY 2003 OTP reviewed its metrics and outlined a new approach to better evaluate its performance, focusing on activities to be completed. OTP was successful in achieving these goals.

OTP continued its efforts to support and improve the American innovation system by accomplishing its goals with respect to technology transfer. In its leadership role, TA developed and published its legislatively mandated annual report to Congress and the President on U.S. Government technology transfer activities and trends. OTP convened numerous interagency meetings, the outcome of which supported its analysis and policy advocacy efforts that led to changes to specific policies and practices under the Bayh-Dole Act. PCAST adopted OTP's recommendations for new technology transfer policies and included them in its 2003 report to the President. OMB further supported OTP's recommendations when it issued its A-11 guidance to federal agencies, requiring the reporting of technology transfer metrics as a part of each agency FY 2005 budget submission.

During FY 2003, OTP's continuing dialogue with industry, academia, and other government agencies resulted in a better definition and understanding of the use of productivity-enhancing information technologies, such as broadband Internet, in business, education, medicine, and research. Its panel discussions on emerging technologies, including biotechnology, nanotechnology, telehealth hydrogen fuel cells, and advanced educational technologies set the stage for advancing the role of technology in U.S. economic growth and homeland security by bringing to the forefront the status, opportunities, and barriers to the development and adoption of promising technology areas. This provided the focus needed for OTP's policy development efforts and led to the first U.S. Government survey of national biotechnology industries, a report on the status of telemedicine technologies, reports on technology-led economic development and educational training modules focused on developing capital and technology infrastructures for technology-led economic growth at the state and local levels.

OTP achieved its goals to strengthen the competitive position of U.S. technology industries through several efforts in FY 2003. OTP led the creation of the DFI, which brings together federal agencies, over 40 companies, and other groups to promote business partnerships and entrepreneurship as catalysts for economic growth. In addition, OTP conceived and developed a plan to create incubator/innovation hubs in developing countries that will promote R&D partnerships between U.S. and local companies and stimulate creation of policies that enable U.S. technology business initiatives.

Throughout FY 2003, OTP continued to strengthen and refine its organization, capabilities, and resources to maximize the effectiveness of its activities and services in support of the President's Management Agenda (PMA). It streamlined middle management and empowered front-line policy staffers, increased the quantity of its policy analysis by over 300 percent (via report publishing) and improved the quality and impact of its analysis. OTP increased its value and volume of outreach to industry, through direct dialogue in hundreds of meetings, roundtables, conferences, speeches and listening sessions around the country. OTP's leadership of the National Medal of Technology improved its processes this year through an e-government initiative focused on electronic submission and evaluation of nomination packages.

In addition to achieving its specific goals, TA served in leadership roles that led to the: (1) Global Standards Initiative, which TA developed to unify work done at NIST, ITA, the U.S. Trade Representative, and the State Department to promote consensus-based, industry-led, voluntary standard setting work around the world, especially in light of European Union and Asian government challenges to this system; and (2) Establishment of the Assistive Technologies Initiative in support of the President's New Freedom Initiative. TA is leading the eight-point Department of Commerce initiative to support the development of assistive technologies and to promote the U.S. assistive technology industry.

NIST

In 2003, NIST had four goals and 16 measures. Of the measures, one is qualitative (external expert peer review of the NIST laboratories), and 15 quantitative. Of the 15 quantitative measures, two involve microeconomic impact studies for two different goals. Of the 15 quantitative metrics, nine do not have final data for FY 2003 (see text below for detailed descriptions of data collection systems). NIST met the FY 2003 targets set for three of the six quantitative metrics for which FY 2003 data were available.

NIST played a critical role in accelerating the development of four American National Standards Institute (ANSI) standards in radiation and nuclear detection equipment. There was a lack of standardization among radiation and nuclear detection equipment such as handheld dose rate instruments, isotope identifiers, and portal monitors, and a strong need for standards for performance verification. Historically, the users of these devices were health physicists, who had the expertise to verify the performance of the equipment themselves, but now early and first responders, border guards, and other security personnel that lack the expertise are buying this equipment and are unable to verify their accuracy. NIST's Ionizing Radiation Division was instrumental in expediting the introduction of critical ANSI standards that establish test conditions, mechanical requirements, and engineering specifications now needed for this equipment. NIST is now assisting in the development of test and evaluation protocols for the equipment covered by the ANSI standards.

A NIST-developed concept has led to a powerful new technique for analyzing damaged or degraded DNA, a capability that will be a boon to forensic analyses conducted by law enforcement agencies and the military. The technique reduces the size of DNA fragments needed for a positive identification. It has enabled the identification of victims of the World Trade Center attack who could not be identified with conventional procedures.

NIST's leadership and diligence are credited, in a large part, with the successful development of a new broadband wireless standard, which some in the wireless industry are describing as the "next big thing." Written by an Institute of Electrical and Electronics Engineers (IEEE) working group chaired by a NIST researcher, the new IEEE 802.16a specification for wireless metropolitan area networks is viewed as a leading contender for solving the so-called "last mile problem," the challenge of delivering affordable broadband access to homes and small businesses. Equipment based on the standard will allow operators of core networks (such as public telephone network and the Internet) to offer broadband multimedia services to users who do not have access to wired connections. The standard could enable developing countries to forgo building a wired infrastructure for delivering advanced communication and information services to their general populations. In July 2003, Intel, the California-based integrated-circuit manufacturer, announced that it will make chip sets that incorporate the new standard. Also in 2003, the NIST researcher who led the standard-development effort, was honored with the Individual Governmental Vision Award of the Wireless Communications Association.

NIST-developed test and measurement methods are the cornerstones of the first-ever industry standards published for micromachines and other so-called microelectromechanical systems (MEMS). The standards, published by ASTM International, are expected to facilitate global commerce in MEMS devices, a promising, but still-emerging technology area now confined mostly to niche markets. Industry experts say they are hopeful that the new standards for measuring the

dimensions and properties of thin films used to make the devices will lead to more efficient manufacturing, improved reliability, and cheaper products. Separately, and working on even smaller scales, NIST researchers and collaborators from Hewlett-Packard reported success in completing in what well may be the first capacitance-voltage measurements of a molecular-electronic device. The achievement is a key step toward developing reliable methods for measuring the electrical behavior of electronic devices crafted from single molecules, an infant nanotechnology eyed for future integrated circuits. Although several research groups have demonstrated single-molecule devices in the laboratory, a suite of reliable measurement methods are needed to move molecular-electronics technology beyond the proof-of-concept stage.

Deborah Jin, a physicist at the NIST in Boulder, Colorado, and adjunct assistant professor of physics at the University of Colorado at Boulder, has been named a 2003 winner of a \$500,000 MacArthur Fellowship, commonly known as the “genius grant.” The fellowship is awarded by the John D. and Catherine T. MacArthur Foundation of Chicago. Jin created a new quantum gas that was named one of the top 10 scientific advances of the year by the journal, *Science*. The result was a quantum state in which atoms behave like waves. This research is a step toward a better understanding of fermions—basic building blocks of matter—and may lead toward a new generation of atomic clocks and atom lasers.

NTIS

In FY 2003, NTIS had one goal and three measures. Of those three measures, NTIS met two. Implementation of NTIS’s new business model, which focuses on its mission of disseminating information and stimulating innovation and discovery, thus supporting economic growth and job creation, has been a major influence on the success of the performance measures. Despite the achievements in acquisition and dissemination activities customer satisfaction declined slightly. However, the performance measure was helpful in alerting management and as a result, the reason for the decline has been identified and corrected.

NTIS introduced a new look and feel to the home page of its very successful Web site, www.ntis.gov. The new, dynamic home page now features more product choices and increases NTIS’s visibility on the World Wide Web.

NTIS is working closely with OMB, the Department of Labor (DOL), the Department of Defense, the General Services Administration and others participating in an OMB-sponsored Inter-Agency Task Force to develop a single Web site for access to federal contract labor standards information and wage determinations. The new program located at www.wdol.gov provides the public and federal contracting community ready access to wage determinations required on most federally funded construction and/or service contracts. Wage Determinations On Line is part of the Integrated Acquisition Environment, one of the e-government initiatives that makes up the PMA.

Because of NTIS’s expertise and excellence in handing product distributions, the U.S. Department of Agriculture (USDA) is relying on NTIS resources more and more to manage their educational nutritional information distributions. Distribution increased by nearly five million units, from 14 million units in FY 2003 and USDA anticipates an additional increase of 25 percent in FY 2004.

During FY 2003, NTIS developed, hosted, and provided technical support to assist the U.S. Customs and Border Protection (CBP), a part of the Department of Homeland Security, in providing 24/7 support for its Web site. During the latter part of FY 2003, NTIS began work with CBP to include Oracle database applications to support current and evolving CBP Web-based database applications.

With the development of the DOL/OLMS Web site finalized in FY 2002, in FY 2003, NTIS provided full hosting, maintenance, information technology (IT) and help desk support for the DOL Online Labor Management System (DOL/OLMS) Web site for Labor Management Financial Disclosure Electronic Forms, allowing 33,000 labor unions to fill in, download and/or print, or electronically file their annual financial disclosures using ACES PKI digital signature technology to DOL/OLMS Union Reports Database via this dynamic Web site.

It is also noteworthy that NTIS was able to accomplish all of these new initiatives and continue providing all existing products and services with a declining workforce. In the past three years, NTIS has lost 47 employees while filling only 17 vacancies. The reorganization of NTIS was finalized in FY 2003 and aided in streamlining operations and eliminating the need to back-fill some of the vacancies. All of the hires have been in key positions, primarily in the chief information officer area to ensure the continuation of both internal operations and to fulfill service customer agreement terms. The staff remaining has rallied together to build on existing resources and to work smarter and harder to continue providing the excellent service that NTIS's customers and service clients have grown to expect and that NTIS strives to achieve.

Targets and Performance Summary

See individual Performance Goal sections for further description of each measure.

Performance Goal 1: Promote Technology-based Growth Through Partnerships with Industry (OTP)							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Support and improve the American innovation system	New	New	Activities Completed	Activities Complete	Activities Completed	X	
Advance the role technology plays in U.S. economic growth and homeland security	New	New	Activities Completed	Activities Complete	Activities Completed	X	
Strengthen the competitive position of U.S. technology industries	New	New	Activities Completed	Activities Complete	Activities Completed	X	
Strengthen the Office of the Under Secretary/ Office of Technology Policy's (US/OTP) organization, capabilities, and resources to maximize the effectiveness of its activities and services	New	New	Activities Completed	Activities Complete	Activities Completed	X	

Performance Goal 2: Provide Technical Leadership for the Nation's Measurement and Standards Infrastructure and Ensure the Availability of Essential Reference Data and Measurement Capabilities (NIST)							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Qualitative assessment and performance evaluation using peer review	Completed	Completed	Completed	Complete	Completed	X	
Economic impact studies	Completed	Completed	Completed	Complete	Not Completed		X
Standard Reference Materials (SRM) available	1,292	1,335	1,353	1,360	1,214		X
Standard Reference Data (SRD) titles available	63	65	90	70	106	X	
Number of items calibrated	2,969	3,192	2,924	2,900	3,194	X	
Technical publications produced ¹	2,250	2,207	2,236	2,100	1,918		X

Performance Goal 3: Accelerate Technological Innovation and Development of the New Technologies that will Underpin Future Economic Growth (NIST)²								
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Economic impact studies	Completed	Completed	Completed	Completed	Complete	Completed	X	
Cumulative number of technologies under commercialization ⁷	166	195	190	244	210	Available in the FY 2004 PAR		
Cumulative number of publications ⁷	565	747	770	969	860	Available in the FY 2004 PAR		
Cumulative number of patents filed ⁷	693	800	930	939	1,040	Available in the FY 2004 PAR		

Performance Goal 4: Improve the Technological Capability, Productivity and Competitiveness of Small Manufacturers (NIST)

Measure	FY 2000 Actual	FY 2001 Actual ³	FY 2002 Target	FY2002 Actual ^{3,4}	FY 2003 Target ⁵	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of clients served by Manufacturing Extension Partnership (MEP) centers receiving federal funding ⁷	20,903	21,420	21,543	16,902	16,684	Available December 2004		
Increased sales attributed to Manufacturing Extension Partnership (MEP) assistance ⁷	\$698M	\$636M	\$726M	\$891M	\$522M	Available December 2004		
Capital investment attributed to Manufacturing Extension Partnership (MEP) assistance ⁷	\$873M	\$680M	\$910M	\$876M	\$559M	Available December 2004		
Cost savings attributed to Manufacturing Extension Partnership (MEP) assistance ⁷	\$482M	\$442M	\$497M	\$645	\$363M	Available December 2004		

Performance Goal 5: Assist U.S. Businesses and Other Organizations in Continuously Improving their Productivity, Efficiency, and Customer Satisfaction by Adopting Quality and Performance Improvement Practices (NIST)

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Target	FY2002 Actual ⁶	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of applications to the Malcolm Baldrige National Quality Award (MBNQA) and Baldrige-based state and local quality awards ⁷	911	646	954	444	1,110	Available in the FY 2004 PAR		
Number of Baldrige Criteria for Performance Excellence mailed by Baldrige National Quality Program (BNQP) and by Baldrige-based state and local quality programs ⁷	176,248	164,949	191,700	124,757	177,870	Available in the FY 2004 PAR		

Performance Goal 6: Enhance Public Access to Worldwide Scientific and Technical Information through Improved Acquisition and Dissemination Activities (NTIS)

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of new items available (annual)	New	505,068	514,129	520,000	530,910	X	
Number of information products disseminated (annual)	New	14,524,307	16,074,862	17,000,000	29,134,050	X	
Customer satisfaction	New	97%	98%	98%	97%		X

- ¹ FY 2000 actuals have been adjusted slightly from the previously reported figures due to improved database systems and data verification procedures that have been implemented in recent months.
- ² All ATP measures have been updated to include FY 2002 actuals. Due to data collection requirements, FY 2003 actuals will not be available until May 2004.
- ³ FY 2001 and FY 2002 data for this measure have been adjusted from previously reported figures. Actual counts published in the FY 2004 Annual Performance Plan (APP) were the result of an error in reporting correct data provided by MEP. (Projected data were not replaced with actual data). The revised figures (shown above) accurately represent the number of clients served in FYs 2001 and 2002.
- ⁴ Due to data collection requirements (lag is one year), FY 2002 actuals presented here represent a combination of reported and estimated client impacts; final FY 2002 data will be available the end of December 2003. FY 2003 actuals will be available the end of December 2004.
- ⁵ The FY 2003 Presidential budget request called for funding only two MEP centers. Assuming enactment of the budget, MEP planned to discontinue these measures in FY 2003. The targets (shown here) for FY 2003 are based on the actual FY 2003 appropriation received.
- ⁶ FY 2002 data based on applications to and Criteria disseminated by BNQP and 33 out of 54 state and local programs. FY 2003 data is not yet available from state and local programs; data will be available in April 2004.
- ⁷ FY 2003 actual data for these measures was not available at the time of publication. When Commerce published the FY 2002 PAR, FY 2002 data were also not available. Therefore, FY 2002 actual data are included here for the first time.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Promote Technology-based Growth Through Partnerships with Industry (OTP)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Office of the Under Secretary/ Office of Technology Policy (US/OTP)	7.1	7.8	7.9	9.5
Reimbursable	0.1	0.4	0.2	0.3
Total Funding	7.2	8.2	8.1	9.8
IT Funding ¹	0.4	0.3	0.3	N/A
FTE	39	40	46	42

Performance Goal 2: Provide Technical Leadership for the Nation's Measurement and Standards

Infrastructure and Ensure the Availability of Essential Reference Data and Measurement Capabilities (NIST)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Scientific and Technical Research & Services				
Electronics and Electrical Engineering	38.6	40.6	41.5	44.4
Manufacturing Engineering	19.0	18.9	19.4	20.6
Chemical Science and Technology (S&T)	33.2	34.3	34.3	38.5
Physics	29.8	32.8	34.5	35.9
Material Sciences and Engineering	51.9	54.0	56.0	60.1
Building and Fire Research	15.2	17.6	20.2	22.4
Computer Science and Applied Math	46.5	55.6	56.4	52.9
Technology Assistance	17.8	17.8	18.1	18.6
Research Support Activities	26.2	29.0	44.5	59.7
Construction	200.5	37.7	70.6	77.1
Working Capital Fund				
Direct Investments	23.1	28.5	21.3	21.1
Reimbursable	110.7	115.5	150.6	144.8
Total Funding	612.5	482.3	567.4	596.1
IT Funding ¹	50.2	54.2	66.7	N/A
FTE	2,670	2,594	2,719	2,639

Performance Goal 3: Accelerate Technological Innovation and Development of the New Technologies that will Underpin Future Economic Growth (NIST)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Industrial Technology Services				
Advanced Technology Program (ATP)	198.3	175.4	197.8	199.4
Working Capital Fund	0.5	0.4	0.3	0.3
Total Funding	198.8	175.8	198.1	199.7
IT Funding ¹	5.8	4.0	4.0	N/A
FTE	270	239	254	247

Performance Goal 4: Improve the Technological Capability, Productivity, and Competitiveness of Small Manufacturers (NIST)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Industrial Technology Services				
Manufacturing Extension Partnership (MEP)	103.3	105.9	108.2	111.1
Working Capital Fund	1.1	0.5	0.3	0.2
Total Funding	104.4	106.4	108.5	111.3
IT Funding ¹	2.9	1.5	1.7	N/A
FTE	91	87	90	89

Performance Goal 5: Assist U.S. Businesses and Other Organizations in Continuously Improving their Productivity, Efficiency, and Customer Satisfaction by Adopting Quality and Performance Improvement Practices (NIST)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Scientific and Technical Research and Services				
National Quality Program	5.3	5.4	4.9	5.7
Working Capital Fund	3.5	1.1	0.1	2.5
Total Funding	8.8	6.5	5.0	8.2
IT Funding ¹	0.7	0.7	0.1	N/A
FTE	51	49	50	44

Performance Goal 6: Enhance Public Access to Worldwide Scientific and Technical Information through Improved Acquisition and Dissemination Activities (NTIS)

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Reimbursable	38.3	34.7	27.7	27.7
Direct	0.0	0.0	0.0	0.0
Total Funding	38.3	34.7	27.7	27.7
IT Funding ¹	9.9	9.8	10.7	5.7
FTE	230	196	186	181

Discontinued Performance Goal: Protect the National Information Infrastructure

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Scientific and Technical Research and Services				
Critical Infrastructure Protection Grant Program	N/A	5.0	0.0	0.0
Total Funding	N/A	5.0	0.0	0.0
IT Funding ¹	N/A	0.0	0.0	0.0
FTE	N/A	2	0	0

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Office of the Under Secretary/ Office of Technology Policy (US/OTP)	7.2	8.2	8.1	9.8
NIST				
Scientific and Technical Research and Services	283.5	311.0	329.8	358.8
Industrial Technology Services	301.6	281.3	306.0	310.5
Construction	200.5	37.7	70.6	77.1
Working Capital Fund	138.9	146.0	172.6	168.9
NTIS	38.3	34.7	27.7	27.7
Total Funding	970.0	818.9	914.8	952.8
Direct	792.7	637.8	736.3	755.9
Reimbursable ²	177.3	181.1	178.5	196.9
IT Funding ¹	69.9	70.5	83.5	5.7
FTE	3,351	3,207	3,345	3,238

¹ IT funding is included in total funding; total funding includes direct and reimbursable obligations.

² Reimbursable funding includes NIST working capital fund investments.

Skill Summary:

At the end of FY 2003, the staffs of the three component bureaus of TA reflected the following levels of educational attainment:

- Total OTP staff included 8% Ph.D., 18% M.A. or M.S., and 42% B.A. or B.S. holders.
- Total NIST staff included 29% Ph.D., 14% M.A. or M.S., and 19% B.A. or B.S. holders. The breakdown of professional staff by major NIST organization was:
 - NIST laboratories: 59% Ph.D., 18% M.A. or M.S., 16% B.A. or B.S. holders
 - ATP: 47% Ph.D., 33% M.A. or M.S., 17% B.A. or B.S. holders
 - Manufacturing Extension Partnership (MEP): 5% Ph.D., 60% M.A. or M.S., 30% B.A. or B.S. holders
 - BNQP: 25% Ph.D., 38% M.A. or M.S., 25% B.A. or B.S. holders
- Total NTIS staff included 7% M.A. or M.S. and 20% B.A. or B.S. holders.

IT Requirements:

The IT systems NIST operates will continue to shape the ability of its employees to effectively and efficiently accomplish their work and achieve NIST's mission. It is essential that NIST be able to provide an integrated, effective suite of IT resources and services that support current NIST personnel and organizational needs, anticipate the future needs of the organization, and enable NIST to appropriately disseminate information to the public. The efficiency and quality of NIST activities, including technology transfer services and many administrative functions, depend upon seamless, powerful, and highly accessible IT resources. Intramural research programs comprise the bulk of NIST's high-performance, laboratory computing needs and drive its IT strategies. To achieve its IT objectives, NIST must:

- Upgrade computing and communications systems on a regular basis, and focus on high-end computational resources, networking, and electronic information dissemination capabilities; data storage capacity; and security conditions;
- Promote interoperability within and across hardware and software platforms;
- Provide enhanced management information systems, particularly e-commerce applications for internal systems;
- Develop central support for local workstations, and improve user efficiency and system security;
- Develop more coordinated and integrated public information dissemination technologies, and keep in mind the Administration's commitment to making government information more easily accessible and useful to the public; and
- Deploy computer systems security to protect business and scientific information.

FY 2003 Performance Goals

Performance Goal 1: Promote Technology-based Growth Through Partnerships with Industry (OTP)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

OTP serves as a key focal point within the Federal Government for leadership on civilian technology policy. It supports technology-based growth through a range of programs and policy development activities, addressing both domestic and international matters, that work as a whole to identify key policy needs and options, strengthen the capacities for technological innovation by the nation's industry and S&T community, and hasten the transfer of new scientific and technological advances to the private sector for commercial development. Through its analytical reports and memoranda, briefings and congressional testimony, OTP provides national, state and local policymakers with information and deeper understanding of trends and policy implications of new technologies, business models and practices, and the implications for U.S. competitiveness of technology policy issues. In addition, OTP analyses are widely used by the private sector and the general public.

OTP plays an important role in developing and coordinating national technology policy, working in partnership with industry and the S&T community and serving as an advocate for policies that leverage the benefits of new technology and enhance the strength of the nation's economy.

In working to achieve the performance goal, OTP's efforts are focused on general goals (measures) and objectives that will support and improve the U.S. innovation system; advance the role technology plays in U.S. economic growth and homeland security; strengthen the competitive position of U.S. technology industries; and strengthen the organization, capabilities, and resources of OTP to maximize the effectiveness of its activities and services.

FY 2003 Performance

OTP achieved its goal, activities, and performance targets for FY 2003. OTP significantly improved its focus, management, and performance. Specifically:

Measure 1a: Support and Improve the American Innovation System

Strategies	FY 2003 Activities and Performance Targets	Completed
Facilitate inter-agency coordination of regulatory and legislative policy initiatives.	<ul style="list-style-type: none"> • Develop and publish legislatively mandated annual report to Congress and the President on U.S. Government technology transfer activities and trends. 	Yes
Prepare and deliver reports on technology transfer practices and issues in response to Administration requests, congressional mandates, and emerging policy issues.	<ul style="list-style-type: none"> • Convene interagency and stakeholder groups to develop recommendations for clarification or change to specific policies and practices under the Bayh-Dole Act. • Assist with development of Web-based tools to facilitate consideration of national security factors in technology transfer at national laboratories. 	Yes
Prepare and deliver reports on innovation and technology issues in response to Administration requests, Congressional mandates, and policy issues.	<ul style="list-style-type: none"> • Develop and promote science and technology (S&T) career-related Web content for GetTech Web site. • Convene roundtable to identify likely impacts of the next-generation of educational and training technologies, and barriers to their development and adoption. 	Yes
Regularly meet with industry leaders to identify excellence and best practices. Develop, publish, and disseminate the results as educational resources for policymakers and stakeholders.	<ul style="list-style-type: none"> • Manage the President's National Medal of Technology program to promote the value of technology innovation by providing public recognition to successful inventors. 	Yes

Measure 1b: Advance the Role Technology Plays in U.S. Economic Growth and Homeland Security

Strategies	FY 2003 Activities and Performance Targets	Completed
Prepare and deliver reports on emerging and advanced technology policy (ATP) issues in response to Administration requests, congressional mandates, and policy issues.	<ul style="list-style-type: none"> • Organize series of panel discussions to identify status, opportunities, and barriers to development and adoption of emerging technologies. 	Yes
Provide Administration and congressional policymakers with policy options concerning emerging and advanced technologies.	<ul style="list-style-type: none"> • Prepare and disseminate summaries/analyses of quarterly panel discussions on emerging technologies, including recommendations for policymakers actions. • In roundtables, conferences, and other public fora, promote understanding and use of productivity-enhancing information technologies (such as broadband Internet) in business, education, medicine, and research. 	Yes
Serve as industry advocate within the White House, U.S. Government, and international policy for a to work for adoption of policies to strengthen U.S. innovation in emerging and advanced technologies.	<ul style="list-style-type: none"> • Participate in Office of Homeland Security initiatives (such as cyber security) as liaison to information communication technologies industries. • Develop and publish report on status of telemedicine technologies. • Develop and publish first U.S. Government survey of national biotechnology industries. 	Yes Yes ¹ Yes ¹
Organize press briefings and roundtable discussions to inform Congress, U.S. Government agencies, industries, science and technology (S&T) community, and public about Office of Technology Policy (OTP) analytical findings. Disseminate information on the Web.	<ul style="list-style-type: none"> • Develop, publish, and disseminate reports for use by state and local policymakers and the public, such as the 4th State S&T Indicators report. • Work with local communities, national experts, and other U.S. Government agencies to develop and deliver educational and training modules focused on developing capital and technology infrastructures for technology-led economic growth at the state and local levels. 	Yes Yes
Prepare and deliver reports on strategies that facilitate technology-led economic growth.		
Develop outreach events to provide information and promote infrastructure contributing to technology-led economic growth.		

¹ Both reports were developed and drafted – awaiting interagency final approval – publication slated for Fall 2003.

Measure 1c: Strengthen the Competitive Position of U.S. Technology Industries

Strategies	FY 2003 Activities and Performance Targets	Completed
Prepare and deliver reports on innovation and technology issues in response to	<ul style="list-style-type: none"> Interact with industry to identify views and priorities on domestic and international policies and priority recommendations. 	Yes
Administration requests, congressional mandates, and emerging needs.	<ul style="list-style-type: none"> Attend industry meetings and organize outreach events to learn views on policies including tax, regulatory, litigation, e-commerce, standards, and others. 	Yes
Provide Administration and congressional policymakers with policy options concerning U.S. innovation issues.	<ul style="list-style-type: none"> Use TA's position as APEC's Industrial S&T Working Group Webmaster to improve utilization of information technology for information dissemination and activities related to international policy and project management. 	Yes
Liaison with technology industries to learn views on policy priorities.	<ul style="list-style-type: none"> Advise the Secretary of Commerce on technology issues based on ongoing analysis and consultations with industry and the science and technology (S&T) community. 	Yes
Serve as industry advocate within White House, U.S. Government, and international policy for a to work for adoption of policies to strengthen U.S. innovation.	<ul style="list-style-type: none"> As lead of the U.S. delegation to the semi-annual meetings of the APEC Industrial S&T Working Group, work with other federal agencies to encourage APEC collaboration on critical technology issues. 	Yes
Represent the U.S. Government in bilateral and multilateral meetings.	<ul style="list-style-type: none"> As U.S. Government representative to the semi-annual meetings of the Organization for Economic Cooperation and Development (OECD) Technology and Innovation Policy Working Group, incorporate U.S. interests into OECD approaches to intellectual property rights protection, business investments in research and development (R&D), technology transfer, and workforce mobility. As lead of the U.S.-Israel Science and Technology Commission, develop and implement bilateral projects (for example, workshops and training) that advanced U.S. technology and commercial interests through cooperation with Israel in biotechnology and information technology. 	Yes

Measure 1d: Strengthen the Office of the Under Secretary/Office of Technology Policy's (US/OTP) Organization, Capabilities, and Resources to Maximize the Effectiveness of its Activities and Services

Strategies	FY 2003 Activities and Performance Targets	Completed
Transform Office of the Under Secretary/Office of Technology Policy's (US/OTP) international organization and procedures to align with President's Management Agenda (PMA) objectives.	<ul style="list-style-type: none"> Implement workforce restructuring plan to streamline middle management. 	Yes

Program Evaluation

During FY 2003, OTP held regular quarterly reviews of its policy efforts.

Performance Goal 2: Provide Technical Leadership for the Nation's Measurement and Standards Infrastructure and Ensure the Availability of Essential Reference Data and Measurement Capabilities (NIST)

Corresponding Strategic Goal

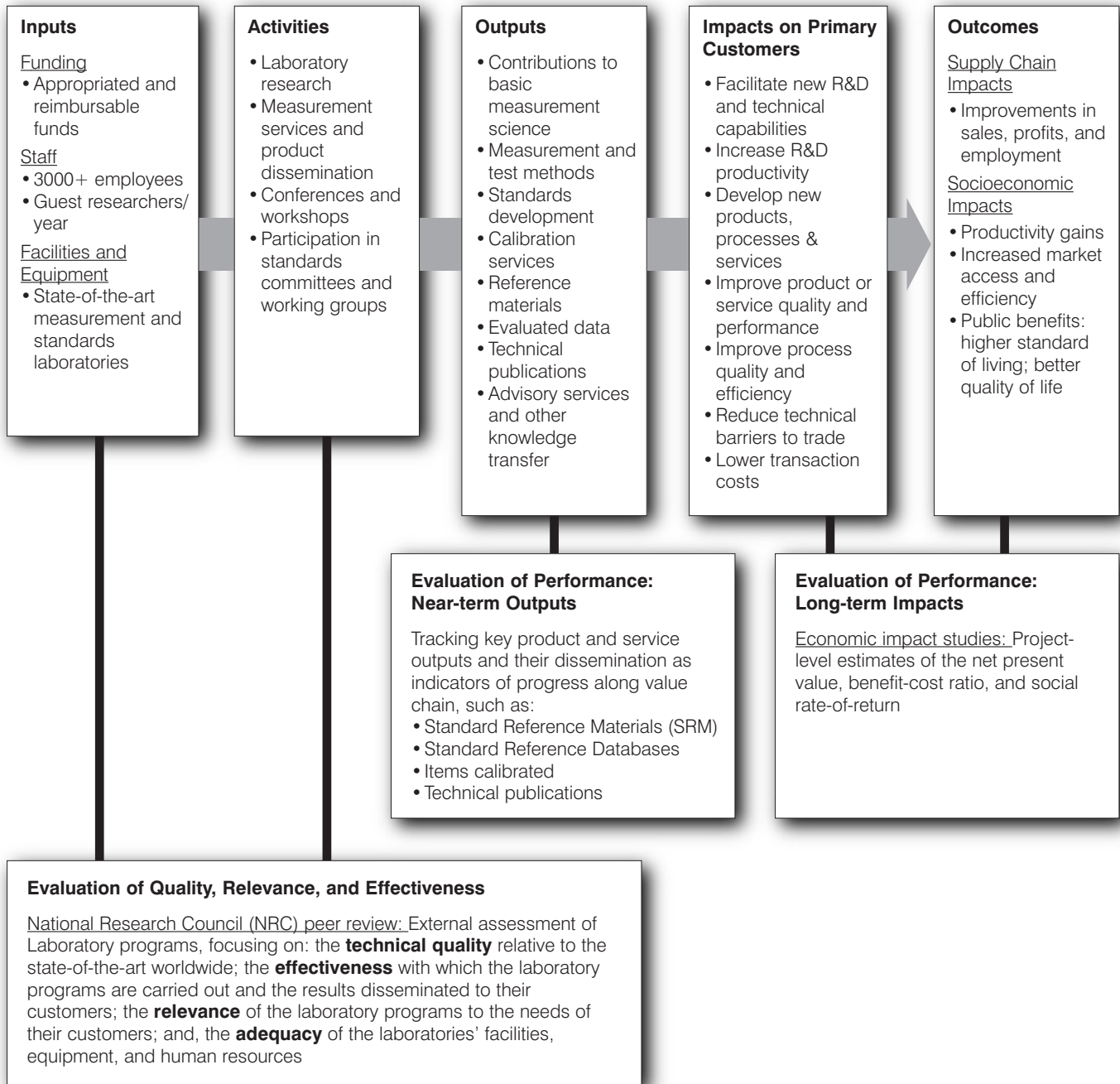
Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The NIST Laboratory Programs develop and deliver measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services that provide a foundation for industry in all stages of commerce: research, development, testing, production, and marketing. The NIST Laboratory Programs also support U.S. firms in the global marketplace by working to eliminate trade barriers associated with different national standards, testing, and certification requirements. Since its establishment in 1901 as the NBS, NIST has collaborated closely with industry to anticipate and address the nation's measurement, standards, and technology needs.

The NIST Laboratory Programs perform research to develop the measurement tools, data, and models for advanced S&T. The model below depicts the NIST Laboratory Program's value-creation chain—from inputs like funding and staff to outcomes like productivity gains and improved quality of life. The model also includes the evaluation methods and measures used to track progress along the impact path, each of which is described in more detail in the sections that follow.

NIST Laboratory Program: Impact and Evaluation Logic Model



NIST has designed its performance evaluation system to accommodate the organization's specific mission and impact path as well as to respond to the intrinsic difficulty of measuring the results of investments in S&T. Like other federal science organizations, the primary output of the NIST Laboratory Programs is scientific and technical knowledge, which is inherently difficult to measure directly and comprehensively. In addition, the outcomes from research often do not begin to accrue until several years after the research program has been completed, and the diffusion of benefits often affects broad segments of industry and society over long time periods. Given these challenges, NIST evaluates its performance against each laboratory strategic goal using a mix, appropriate to each goal, of specific output tracking plus crosscutting peer review and economic impact analyses. Taken together, these evaluation tools, combined with continual feedback from customers, provide NIST management and external stakeholders with a detailed and broad view of NIST's performance toward its long-term goals.

Alignment with the PMA R&D Investment Criteria

A key component of the PMA involves the development of criteria for evaluating investments in federal R&D programs. As developed to date, the R&D investment criteria center on the evaluation of quality, relevance, and performance. As depicted in the impact and evaluation graphic above, NIST uses a combination of external peer review, output tracking, and retrospective economic impact studies to evaluate quality, relevance, and performance over time. NIST's peer review process is particularly productive, as it is comprehensive and ultimately focused on evaluating the quality, relevance, and effectiveness of NIST's efforts to serve its customers' current and prospective measurement and standards needs.

To evaluate prospective investment choices, NIST completed a long-term strategic plan (NIST 2010) that used a combination of external trend analysis and specific opportunity assessments to identify areas where NIST's measurement, standards, and advisory services are critical to technological advancements that have enormous potential impact on the nation's productivity, trade, and quality of life. Where feasible, NIST also contracts for focused prospective economic analyses that estimate the costs associated with inadequate technical infrastructure in specific markets. One recent study evaluated the current and future impact of the International Standard for the Exchange of Product Model Data (STEP). The study estimates that STEP, an international standard designed to address interoperability problems encountered in the exchange of digital information, has the potential to save \$928 million per year in the automotive, aerospace, and shipbuilding industries. Prospective studies of this nature are used to help NIST refine its investment choices within specific arenas of potential work.

NIST augments these evaluation methods with continual feedback from customers as well as broad policy and management oversight by the Visiting Committee on Advanced Technology (VCAT). These mechanisms provide additional means for aligning NIST's work with customer needs and managing its programs in the most effective manner possible.

FY 2003 Performance

In 2003 the NIST Laboratory Programs continued a tradition of high quality and strong performance. The laboratories received a thorough external and independent evaluation by the National Research Council (NRC) Board on Assessment of NIST Programs, which has evaluated NIST on an annual basis since 1959. In 2003, the Board on Assessment report pointed to the consistently high technical quality of the laboratories, the relevance of the laboratories' work to current customer needs, and the strong performance of the laboratories overall. The NRC review, which is summarized below and available online at <http://books.nap.edu/catalog/10820.html>, also highlighted the need for continued improvements in NIST facilities and equipment, balancing human resource needs, and systematic planning and priority setting in light of flat budgets.

In any given year, the transfer of NIST's laboratory research capability and measurement knowledge is indicated generally by its suite of output metrics: Standard Reference Materials (SRM), data, calibration services, and technical publications.

Measure 2a: Qualitative Assessment and Performance Evaluation Using Peer Review

Since 1959, the NRC has reviewed the NIST Laboratory Programs annually. The annual NRC Board on Assessment of NIST Programs review is independent, technically sophisticated, and extensive. The 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. Panel reviews are reported at the division level (the major organizational unit for the laboratories) and build upon assessments of research processes at the project and program levels.

Each year, the lab-specific panels conduct a two- to three-day on-site review of each laboratory's technical quality, paying particular attention to the following factors, as charged by the NIST Director:

- The technical merit / quality of the laboratory programs relative to the state-of-the-art worldwide;
- The effectiveness with which the laboratory programs are carried out and the results disseminated to their customers;
- The relevance of the laboratory programs to the needs of their customers; and
- The ability of its facilities, equipment, and human resources to enable the laboratories to fulfill their mission and meet their customers' needs.

The NRC panel reports for each laboratory provide the basis for a comprehensive annual peer review report on the NIST Laboratory Programs. As in prior years, the NRC report for FY 2003 provides each laboratory, and NIST as a whole, not only with an external quality assessment, but also with valuable information that it can use for its own performance assessment, planning, and management functions. The table below provides summary statements for the laboratories, excerpted from NRC's 2003 report. All NRC reports are posted online at: <http://books.nap.edu>; the FY 2003 report is available at: <http://books.nap.edu/catalog/10820.html>.

Sample Statements from NRC Peer Review, FY 2003

Laboratory

Electronics and Electrical Engineering (EEEL)

"The work in EEEL continues to be of very high technical merit and quality. Many staff members are recognized as world leaders in their fields. In general, there is significant linkage between EEEL projects and the goals of the laboratory supporting NIST's mission... EEEL divisions are doing an excellent job of providing services, interacting with their customers, performing scientific research, and circulating the results of their investigations...The extended period of excessively lean budgets for the support of current laboratory activities now clearly has an influence on its present and future capabilities and effectiveness... Succession planning factored with strategic planning is critical to the future health and survivability of the [EEEL] divisions." (pp. 17, 20, 22).

Manufacturing Engineering (MEL)

"The [MEL] has a unique role to play in U.S. manufacturing through its expertise in measurements and standards... The quality of research in the [MEL] is high overall... In some areas, MEL work is state of the art relative to work being performed worldwide... MEL is working effectively to broaden its customer base and is establishing processes to identify best initiatives to help customers... A formal process and format should be established for planning and reporting project time lines and displaying a clear roadmap of current and planned activities, with a focus on continual process improvement." (pp. 28, 30).

Chemical Science and Technology (CSTL)

"CSTL's research and standards programs are technically excellent overall... CSTL has clearly demonstrated both the relevance and effectiveness of its programs to its customers, primarily U.S. industry, government, and academia, but also to international science, technology, and commerce... [CSTL's] innovative practices and successful partnering have sustained exceptional productivity and the continuation of its high visibility, recognition, and world leadership in the development of measurement standards... CSTL has implemented an excellent strategic planning process that is closely aligned with the goals and objectives of the overall NIST strategic plan..." (pp. 37-38).

Physics (PL)

"The NIST Physics Laboratory has long been known among its technical peers for the outstanding level of its scientific research. The laboratory has a tradition of world leadership in many of its areas of activity... continues to serve as a central, impartial presence in metrology and calibrations for commercial and scientific development... The Physics Laboratory continues to reach out through a variety of efforts to ensure that its programs are responsive to customer and national needs and that reliable experimental and theoretical information is maintained to support emerging technological and scientific directions...The Physics Laboratory must continue to develop a strategic plan and prioritization process that results in clear laboratory goals..." (pp. 45-46, 48).

Materials Science and Engineering (MSEL)

"The technical quality of MSEL continues at a very high level, as evidence by its quality contributions and impact on emerging science and technologies... The panel determined that [MSEL] is enhancing its relevance and effectiveness through reliance on its strategic plan for the allocation of limited resources to a growing set of national needs...The panel commends the laboratory for maintaining a balance between these new focus areas and continued service to its historical constituency groups... The panel noted in particular that the laboratory is making better use of collaborations both within and outside of NIST... Continued attention is needed... [on] the potential for subcritical staffing of important programs and the maintenance of key areas of investigation to secure the laboratory's role in the strategic mission of NIST." (pp. 56-57, 60).

Building and Fire Research (BFRL)

"The panel continues to be impressed by the high quality of scientific and technical work produced in the [BFRL]... BFRL staff takes advantage of the special tools and expertise that exist in the laboratory to provide their customers with unbiased, technically excellent work focused on the measurement and testing needed to improve the quality of materials and technologies... The National Construction Safety Team Act presents a tremendous opportunity for BFRL. The laboratory still has to define a strategy for deploying resources to an investigation and, once completed, for disseminating the results... The laboratory has taken early steps toward the development of a strategic plan and of performance metrics. Next steps should include the specification of time lines, milestones, and interdependencies." (p. 64)

Information Technology (ITL)

"The overall technical quality and the merit, relevance, and effectiveness of the Information Technology Laboratory's programs and staff remain strong... There is ample evidence of outstanding work in leveraging technology ideas across customer areas for industry, academia, government, and within NIST... ITL has worked hard and effectively to develop metrics for its performance. ITL should work with customers... to further develop means of assessing the effectiveness of ITL projects and products. ITL's interactions with and impact on industrial customers continue to be strong, and the panel applauds the laboratory's ability to produce and disseminate results of value to a broad audience." (pp. 74, 77)

Measure 2b: Economic Impact Studies

NIST uses retrospective microeconomic studies to assess the long-term impacts that derive from specific NIST Laboratories' programs or projects. NIST has been conducting economic impact studies on a regular basis since 1992, and initiates two to four new impact studies annually. External economic and technical experts contracted by NIST conduct impact assessments of NIST's R&D in specific technical areas. These studies provide both quantitative estimates and qualitative assessments of the economic impacts resulting from the different types of technology infrastructure that NIST provides to U.S. industry. Quantitative estimates compare project costs with quantitative impact evidence in such areas as productivity, quality, time-to-market, transaction costs, sales, market share, and profits.

NIST impact studies use the same quantitative metrics as industry, typically providing one or more of three metrics: (1) net present value and two efficiency measures; (2) a benefit-cost ratio, which compares the net present value of benefits and costs over the time period being analyzed; and (3) a social (internal) rate of return, which represents the annual percentage rate that would be required to reduce the net present value of the benefit time series to zero (i.e., to yield a benefit-cost ratio of one—the break-even point for a project). Recent impact studies also provide qualitative descriptions of impacts that are significant but difficult to quantify, such as the impact of NIST infratechnologies on R&D strategies and capabilities, organizational efficiency, market access, and effectiveness in working with external actors such as suppliers and standards organizations. Studies conducted over the last five years indicate that NIST outputs generate rates of return on R&D that consistently exceed the estimated average returns on R&D conducted by private industry (see table below).¹

Collectively, these studies validate NIST's fundamental impact logic model: they prove, in other words, that the measurement and standards infrastructure provided by NIST generate impacts on R&D productivity, market efficiency, product quality, and other factors—typically at a level that far exceeds the input costs.

Individually, these studies also provide management with a broader range of useful qualitative information on such important factors as the nature of the R&D life cycle in individual industries; the points at which measurement technologies affect R&D, production, and market transactions at different levels of the supply chain; and the modes of potential impact associated with different types of NIST infratechnologies.

During the reporting year, NIST focused its limited economic reporting resources on prospective studies to compliment NIST ongoing strategic planning efforts.

¹ *Nadiri (National Bureau of Economic Research, 1993) estimates an average 20 to 30 percent private return and an average 50 percent social return on R&D conducted by private industry.*

Economic Impact Studies: Long-term Outcomes of NIST Laboratory Research

Industry: Project	Year	Output	Outcomes	Measures ¹
Chemicals: gas-mixture reference standards	2002	NIST-traceable reference materials	Lower regulatory compliance costs; improve market efficiency	SRR: 221-228%; BCR: 21-27; NPV: \$49M to \$63M
Communications: security (role-based access control)	2002	Generic technology reference models and security standards	Enable new markets; increase research and development (R&D) efficiency	SRR: 62%; BCR: 109; NPV: \$292M
Electronics: Josephson voltage standard	2001	Standard Reference Materials (SRM)	Increase R&D efficiency; increase productivity; enable new markets	SRR: 877%; BCR: 5; NPV: \$18M
Communications: security (data encryption standards)	2001	Standard conformance test methods/services	Increase R&D efficiency enable new markets	SRR: 267-272%; BCR: 58-145; NPV: \$345M-\$1.2B
Pharmaceuticals: cholesterol measurement	2000	SRMs	Increase productivity decrease transaction costs	SRR: 154%; BCR: 4.5; NPV: \$3.5M
Photonics: laser and fiberoptic power and energy calibration	2000	Calibrations	Increase productivity decrease transaction costs	SRR: 43%-136%; BCR: 3-11; NPV: \$48M
Chemicals: SRMs for sulfur in fossil fuels	2000	SRMs	Increase productivity reduce transaction costs	SRR: 1,056%; BCR: 113; NPV: \$409M
Semiconductors: software for design automation (insulated-gate bipolar transistor semiconductors)	1999	Software model	Increase R&D efficiency increase productivity	SRR: 76%; BCR: 23; NPV: \$10M
Chemicals: alternative refrigerants	1998	Standard Reference Data (SRD)	Increase R&D efficiency increase productivity	SRR: 433%; BCR: 4
Materials: phase equilibria for advanced ceramics	1998	SRD	Increase R&D efficiency increase productivity	SRR: 33%; BCR: 10
Materials: thermocouples	1997	SRD (calibration)	Lower transaction costs increase product quality	SRR: 32%; BCR: 3
Pharmaceuticals: radiopharmaceuticals	1997	SRMs	Increase product quality	SRR: 138%; BCR: 97
Photonics: optical detector calibration	1997	Standards and calibration services	Increase productivity	SRR: 72%; BCR: 3

¹ The benefit-cost ratio (BCR) compares the net present value of benefits and costs over the time period being analyzed. Social (internal) rate of return (SRR) represents the annual percentage rate that would be required to reduce the net present value (NPV) of the benefit time series to zero (i.e., to yield a benefit-cost ratio of one—the break-even point for a project).

Measure 2c: Standard Reference Materials (SRM) Available

	FY 2000	FY 2001	FY 2002	FY 2003
Target	1,300	1,315	1,350	1,360
Actual	1,292	1,335	1,353	1,214
Met/Not Met	Not Met	Met	Met	Not Met

Explanation of Measure

The number of SRMs available illustrates the breadth of measurements supported by NIST. SRMs are certified for their specific chemical and material properties in the NIST Laboratories. 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. In addition, as economic exchange has become more global, customers are using SRMs to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce and trade. The data represent a direct count of SRMs available to customers at the close of the fiscal year and are tracked on an ongoing basis by NIST Technology Services. Data provide information on output levels only.

Based on feedback from OMB's PART review of the NIST Laboratory Programs, NIST is developing new performance metrics that provide better indicators of the demand for and use of NIST measurement and standards outputs. Baseline numbers for the new measures will be reported in the FY 2004 PAR.

FY 2003 Performance

The number of SRMs available in FY 2003 represents 89 percent of the expected level. NIST continues to focus on those SRMs that cannot be produced by secondary laboratories and which have broad and/or high downstream impact. With this focus, the number of SRMs available in any given year may vary as NIST evaluates the development of new SRMs and the discontinuation of others. In addition, in FY 2003 NIST implemented a new data collection system that more accurately captures the number of SRMs available. Prior to FY 2003, the tabulations did not sufficiently distinguish unique SRMs. For example, a single SRM, along with a recent update, may have been counted as two separate reference materials.

Measure 2d: Standard Reference Data (SRD) Titles Available

	FY 2000	FY 2001	FY 2002	FY 2003
Target	63	66	68	70
Actual	63	65	90	106
Met/Not Met	Met	Not Met	Met	Met

Explanation of Measure

This measure describes the number of Standard Reference Data (SRD) titles that the NIST Laboratories produce and make available through the NIST SRD Program. Standard Reference Databases provide numeric data to scientists and engineers for use in technical problem solving, research, and development. These recommended values are based on data that have been extracted from scientific and technical literature, assessed for reliability, and then evaluated to select the preferred values. The data represent a direct count of available SRD titles and are updated on an ongoing basis by the NIST SRD Program. Data provide information on output levels only.

FY 2003 Performance

The significant difference between FY 2002 and FY 2003 targets and actual counts reflect a change in the method NIST uses for tabulating the databases that it makes available to the public; the significant increase largely reflects the change to a more accurate reporting of the SRD titles available. Prior to FY 2002, the tabulations did not sufficiently represent the number of discrete databases that were made available through the Web; in some cases, several distinct databases had been counted as a single database because they are clustered at a single overarching Web address. Historically, NIST produces several new SRD titles per year and provides numerous upgrades to existing databases. Each year some database titles are eliminated from the NIST catalog. NIST is focused on providing a larger percentage of these titles via the Internet.

Measure 2e: Number of Items Calibrated

	FY 2000	FY 2001	FY 2002	FY 2003
Target	3,200	3,100	2,900	2,900
Actual	2,969	3,192	2,924	3,194
Met/Not Met	Not Met	Met	Met	Met

Explanation of Measure

This measure illustrates the quantity of physical measurement services provided by NIST for its customers, including calibration services, special tests, and Measurement Assurance Programs (MAP). 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 and special tests are characterizations of particular instruments, devices, and sets of standards with respect to international and national standards. NIST calibration services provide the customer with direct traceability to national and international primary standards. MAPs are quality control programs for calibrating entire measurement systems. The output data represent a direct count of the number of items external customers sent to NIST for formal calibration services (prior year output data may include a very small percentage of NIST internal items). The data provide information on service output levels only and represent a measure of throughput but not workload per se, as the number of tests and/or the time and calibration effort required can vary substantially across items. As with SRMs and SRD titles, downstream impact is a function of the nature of individual calibration services more than the sheer volume of items calibrated.

FY 2003 Performance

Over time NIST anticipates a relatively high but slightly declining number of items calibrated for two reasons: (1) extended calibration cycles as well as changing technology and industry mergers continue to reduce the number of artifacts delivered to NIST for calibration; (2) NIST focuses on conducting calibrations that require a direct connection to the national standards, and on improving calibration accuracy in areas where new industry demands are emerging. While the long-term trend, over the past several decades, show a decline in the number of items calibrated by NIST, individual years may fluctuate, as with the increase in FY 2001 and FY 2003 due largely to the to periodicity of multi-year calibration cycles.

Measure 2f: Technical Publications Produced

	FY 2000	FY 2001	FY 2002	FY 2003
Target	2,450	2,200	2,050	2,100
Actual	2,250	2,207	2,236	1,918
Met/Not Met	Not Met	Met	Met	Not Met

Explanation of Measure

Citation Rates Show High Demand for NIST Technical Publications

Print publications are a major channel through which NIST diffuses the scientific and technical knowledge generated by its staff. For GPRA purposes, NIST reports the number of publications generated by its staff as a partial indicator of the Institute's research output. Of these technical publications produced annually, approximately 80 percent are published externally (such as in scientific journals), while the remaining 20 percent are NIST reports and special publications.

In addition, within the scientific community, citation rates often are used to gather additional information about the demand for or relevance of published research: the cumulative number of citations per publication provides a rough gauge of the level of use and hence "impact" of the publications. NIST has assessed the citation rates for its publications by using data collected by the Institute for Scientific Information (ISI), which has been collecting research publication data for more than forty years and now maintains the most comprehensive source of available publication data for scientific and technical organizations. According to these data, NIST's "relative impact"—that is, the average citation rate per NIST publication relative to ISI's baseline citation rate number for all scientific and technical organizations in its database—from 1981 through 1999 has been consistently above average. These data indicate that NIST consistently produces relevant scientific and technical publications that are cited frequently and hence used quite broadly.

This measure represents the annual number of technical publications generated by the NIST Laboratories staff. The number is a direct count of the number of technical publications approved by the NIST Editorial Review Boards at the Gaithersburg and Boulder sites. NIST uses publications as one of the mechanisms to transfer the results of its research to the U.S. private sector and to other government agencies that require cutting-edge measurements and standards. Roughly 60 percent of these publications appear in prestigious scientific journals and withstand peer review by the scientific community. Others appear in technological forums where measurement standards and technologies developed by NIST staff (at times in collaboration with private sector partners) are disseminated. See also text box. The NIST Office of Information Services updates data on an ongoing basis. Data are not adjusted for quality and do not capture impact.

FY 2003 Performance

Actual publications produced in FY 2003 represent 93 percent of the expected level. While NIST expects a relatively constant level of high-quality publications (approx. 2,000 per year) factors such as technical staff levels and the nature and specific research findings in any given year may contribute to slight fluctuations in the number of publications produced.

NIST is in the process of revising many of its annual output measures to focus more on the quality and demand for NIST research results and standards services. While NIST uses publications as one mechanism for disseminating the results of its research to the U.S. private sector, universities, and other government agencies, the current measure only captures output. The revised measures that NIST will begin reporting on in FY 2004 will focus on: (1) the number of peer-reviewed technical publications (which serves as a partial indicator of quality); and (2) the citation impact of NIST-authored publications (which provides a partial indicator of quality and utility).

Program Evaluation

For the FY 2005 budget cycle, the NIST Laboratory Programs were assessed using OMB's Program Assessment Rating Tool (PART). The results of this assessment will be published with the FY 2005 President's budget.

Performance Goal 3: Accelerate Technological Innovation and Development of the New Technologies that will Underpin Future Economic Growth (NIST)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

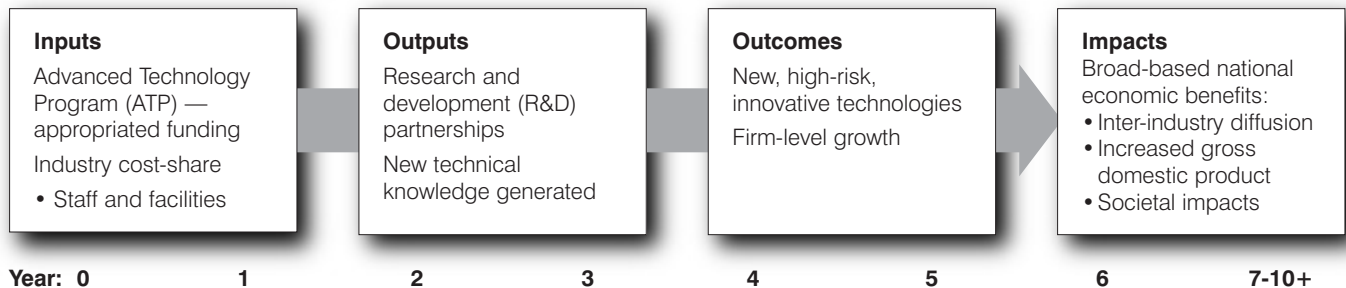
Rationale for Performance Goal

R&D funding in the United States has changed profoundly over the last 40 years. Once the primary source of funding, the Federal Government now only provides about 26 percent of all R&D funds in the United States, while funds from private industry have expanded from 33 percent in 1960 to 68 percent in 2000. The nation’s economic success and future prospects depend in large measure on the R&D strategies of private firms.

While the private sector has emerged as the nation’s R&D powerhouse, market pressures often deter firms from investing in particular types of technology. Private industry never has accounted for a large percentage of the nation’s basic R&D, because firms must be able to appropriate returns within a timeframe and at a level satisfactory to investors. For the same reasons, industry tends to avoid investing in certain types of enabling technologies: infrastructural technologies, which require distinct competencies and are broadly applied; multi-use technologies, which benefit multiple segments of an industry or group of industries; and high-potential breakthrough technologies, which typically involve risk levels and timeframes that far exceed the horizons of individual firms. These areas are the focus of the Advanced Technology Program (ATP): ATP works with industry and academia to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment.

ATP plays a unique role in the nation’s R&D infrastructure: it encourages industry to identify and invest resources in high-risk, broad impact technologies—technologies with significant economic and societal promise, but with inadequate levels of private investment.

The program is designed to generate broad-based economic benefits by stimulating industry-led partnerships to develop new technologies. ATP uses joint ventures and informal teaming arrangements to combine private investment and the best available scientific and technological talent in industry, universities, and government. The “impact path” for the ATP—from inputs like appropriated funds and industry matching funds to long-term economic benefits—is illustrated below.



From the start of the program, evaluation has been a central part of ATP operations, as a management tool to provide feedback to project selection and program operations, and to demonstrate program results to stakeholders and the public.

The ATP has developed a multi-component evaluation strategy to provide measures of progress and performance at various stages of its impact path: (1) for the short-term, from the time of project selection and over the course of the ATP-funding period (inputs and initial outputs); (2) for the mid-term, as commercial applications are pursued, early products reach the market, and dissemination of knowledge created in the R&D projects occurs (outcomes); (3) and for the longer-term, as more fully-developed technologies diffuse across multiple products and industries, with related net impacts on formation of new industries, job creation, and U.S. economic growth (impacts).

In the early and mid-stages of project evolution, ATP tracks key outputs from projects through its Business Reporting System (BRS), a unique internal database, which draws data from regular, systematic electronic project surveys and supplementary telephone surveys. Patents and technical publications generated by ATP-funded projects are key indicators used to represent the generation and diffusion of new commercially relevant technical knowledge. Taken together, these two indicators illustrate the generation and diffusion of technical knowledge created by ATP-funded R&D partnerships.

In addition to tracking patents and technical publications, ATP's BRS also tracks mid-course outcomes of ATP-funded projects, including the number of technologies under commercialization, to demonstrate the extent to which ATP projects have leverage or catalyzed new products and services. ATP also measures the long-term economic impact of ATP-funded projects through economic impact studies of well-established projects.

FY 2003 Performance

Due to ATP's data collection process, final FY 2003 data for ATP's performance metrics will be reported in the FY 2004 PAR. The FY 2002 data reported in this report show the ATP program met its targets for each of its three quantitative performance metrics. As explained below, these metrics are cumulative and represent performance realized through R&D projects funded over several fiscal years prior to the performance results.

Measure 3a: Economic Impact Studies

Fully successful ATP projects are expected to contribute significantly to the U.S. scientific and technical knowledge base, yield private benefits to the innovators, and ultimately yield benefits to others in the United States through market, knowledge, and/or network spillovers. The measurement of long-term economic outcomes requires well-established projects with technological outputs that have been in the market for long time periods. To measure long-term economic impacts derived from the set of funded ATP projects, the program conducts or contracts detailed and rigorous case studies. Where possible, these studies also estimate long-term project outcomes. For instance, a recent study of an ATP-funded joint R&D venture on digital mammography and radiography estimated a social rate of return of at least 69 percent and a benefit-to-cost ratio of at least 125:1 (Pelsoci, *Low-Cost Manufacturing Process Technology for Amorphous Silicon Detector: Applications in Digital Mammography and Radiography*, GCR 03-844, Feb. 2003).

Measure 3b: Cumulative Number of Technologies Under Commercialization

	FY 2000	FY 2001	FY 2002	FY 2003
Target	170	180	190	210
Actual	166	195	244	Available in the FY 2004 PAR
Met/Not Met	Not Met	Met	Met	

Explanation of Measure

The data provide a cumulative direct count of the number of technologies commercialized, as determined through ATP's BRS. Commercialization is broadly defined as any group of activities undertaken to bring products, services, and processes into commercial applications, including development of commercial prototypes, adoption of processes for in-house production, development of spin-off products and processes, scale-up for volume production, and the sale and licensing of products and services derived from the technology base created by the ATP-funded project. This metric demonstrates, over time, the cumulative stock of new technologies commercialized as a result of an R&D program funded in part by ATP. In any given year, the number of technologies commercialized is a product of multi-year ATP funding.

FY 2003 Performance

For all ATP output metrics, final data for FY 2003 will be reported in the FY 2004 PAR. For FY 2002, the number of technologies commercialized exceeded the expected level due largely to a more systematic approach to collecting post-project impacts resulting from ATP-funded research. In 2001, ATP initiated the post-project survey (PPS), which resulted in the more systematic collection of data from completed projects. The PPS is conducted two, four, and six years following the close of the project, and awardees are asked to report on any new commercialization activities that occurred following the end of the project period. In FY 2001, 68 ATP participants in 54 completed projects participated in the PPS. In FY 2002, 223 participants in 115 projects participated in the PPS.

Moreover, the cumulative nature of this metric and ATP's multi-year funding cycle make year-to-year performance assessment less relevant than trend analysis over time.

Measure 3c: Cumulative Number of Publications

	FY 2000	FY 2001	FY 2002	FY 2003
Target	680	720	770	860
Actual	565	747	969	Available in the FY 2004 PAR
Met/Not Met	Not Met	Met	Met	

Explanation of Measure

This 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. Projections are based on extrapolations of past publication rates and projections of projects initiated and completed over time and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. The publications data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance. In addition, publication rates vary significantly across technology areas. As a result, publications activity will be affected by changes in ATP's completed project portfolio. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its publications count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

FY 2003 Performance

For all ATP output metrics, final data for FY 2003 will be reported in the FY 2004 PAR. For FY 2002, the number of publications generated by ATP-funded research far exceeded the expected level. ATP attributes the significant increase in publications in FY 2002 to more systematic collection of data from completed ATP projects that are now reporting post-project publications through ATP's PPS described on the previous page. Also discussed on the previous page, the cumulative nature of this metric and ATP's multi-year funding cycle make year-to-year performance assessment less relevant than trend analysis over time.

Measure 3d: Cumulative Number of Patents Filed

	FY 2000	FY 2001	FY 2002	FY 2003
Target	770	790	930	1,040
Actual	693	800	939	Available in the FY 2004 PAR
Met/Not Met	Not Met	Met	Met	

Explanation of Measure

The second of ATP's set of output measures, these data represent cumulative direct counts of the number of patents filed by all ATP-funded research project participants through the close of a given fiscal year. Projections are based on extrapolations of past patenting rates and projections of projects initiated and completed over time, and are updated to reflect all currently available data. These targeting mechanisms are not perfectly accurate for several reasons. First, the patenting process is difficult to predict, thus, for example, it is possible that patents projected to materialize in one fiscal year might not occur (or be reported) until the following year. Second, the patenting data are impacted by delays in ATP project completion and/or project terminations, both of which are difficult to predict years in advance. In addition, the proclivity to patent varies significantly across technology areas and markets, due in part to differences in the utility and role of intellectual property protection. For example, biotechnology-focused projects may generate more patents than projects of an equivalent size in the IT or manufacturing sectors. As a result, patent activity (like publications) will rise or fall as ATP's completed project portfolio shifts to a different mix of projects. While these factors and others make perfectly accurate targeting difficult, ATP will continue to track its patent count closely, and also will analyze any trends that may indicate necessary adjustments to its projection models.

FY 2003 Performance

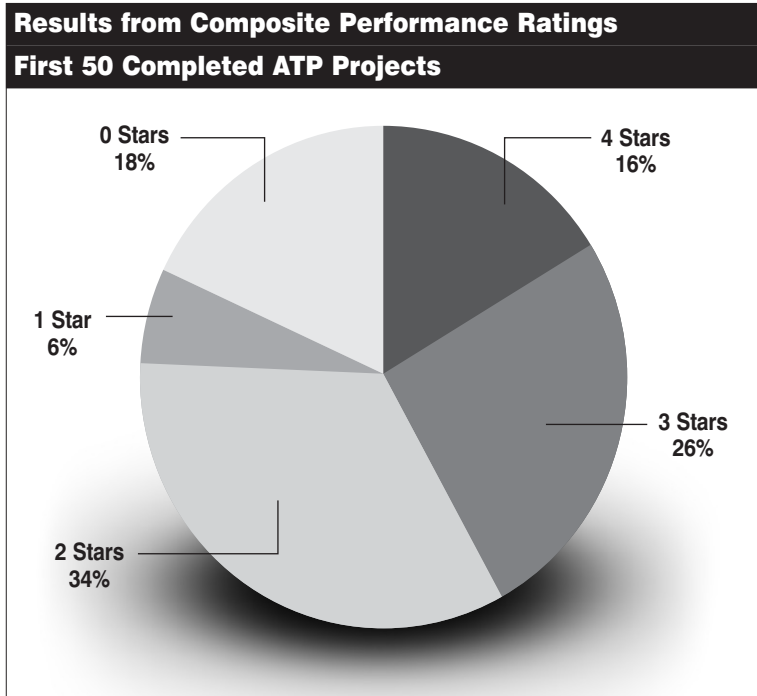
For all ATP output metrics, final data for FY 2003 will be reported in the FY 2004 PAR. For FY 2002, the actual cumulative number of patents filed by ATP-funded research met the anticipated goal. As with other ATP metrics, the patent metric is designed to show the cumulative growth in the stock of commercially relevant knowledge generated through ATP funding over several fiscal years.

To provide a more comprehensive measure of mid-term outcomes from ATP funding, the program developed a Composite Performance Rating System and compiled and published ratings of the first fifty completed ATP projects. Under the Composite Performance Rating System, each project is scored on a set of measures of knowledge creation, dissemination, and progress toward commercial goals; these are summarized in the table below.

ATP's Composite Performance Rating System: Component Measures of Rating	
Knowledge Creation and Dissemination Measures	Commercialization Progress Measures
• Technical awards	• New product/process in market or expected soon
• Collaborations	• Attraction of capital
• Patent filings	• Employment gains
• Publications and presentations	• Business awards
• New product/process in market or expected soon	• Outlook

The results from all these measures are used to construct a composite performance score to indicate the overall project effectiveness against ATP's mission (measured two to three years after the end of ATP funding). The result is a four-star system of ratings, with scores ranging from zero to four stars. The results of this analysis for the first 50 completed ATP projects found that 16 percent of the projects are top-rated in terms of overall project performance, with four stars. Twenty-four percent are in the bottom group of zero or one stars. Sixty percent make up the middle group. Over the next several fiscal years NIST expects to continue evaluating the pipeline of completed ATP projects, applying the rating system to all projects two to three years after they have completed their ATP funding cycle. NIST will include the results of this ongoing evaluation in future performance plans and reports.

Not all ATP projects are fully successful. Given the program's emphasis on funding high-risk, technology development projects that the private sector is unlikely to fund alone—but which have the potential to result in broad-based benefits for the U.S. economy—dictates that most projects will fail to accomplish all their goals. Some projects are stopped before completion of the funding period. Others fail to meet all their technical goals, or encounter business difficulties before the technologies are commercialized.



Program Evaluation

Visiting Committee on Advanced Technology (VCAT)

To supplement its comprehensive internal evaluation methods, the ATP receives external review and evaluation. The program objectives and management of ATP are reviewed regularly by VCAT, a legislatively mandated panel of advisors that meets quarterly to review NIST's general policy organization, budget, and programs, and by the ATP Advisory Committee. The ATP Advisory Committee is charged with: (1) providing advice on ATP programs, plans, and policies; (2) reviewing ATP's efforts to assess the economic impact of the program; (3) reporting on the general health of the program and its effectiveness in achieving its legislatively mandated mission; and (4) functioning solely as an advisory body, in accordance with the provisions of the Federal Advisory Committee Act.

National Research Council (NRC)

Over the past decade, ATP has been the subject of external reviews focused on program performance, including two broad program reviews by NRC Board on Science, Technology, and Economic Policy. The results of the first NRC review are available in a report entitled *The Advanced Technology Program: Challenges and Opportunities*, published in 1999 and online at <http://www.nap.edu/books/0309067758/html/>. The second report from the NRC review, *The Advanced Technology Program: Assessing Outcomes*, is available online at <http://www.nap.edu/books/030907410X/html/>. The NRC found, among other things, that:

- "...the Advanced Technology Program is an effective Federal partnership program...Its cost-shared, industry-driven approach to funding promising new technological opportunities has shown considerable success in advancing technologies that can contribute to important societal goals such as improved health diagnosis (e.g., breast cancer detection), developing tools to exploit the human genome (e.g., colon cancer protection), and improving the efficiency and competitiveness of U.S. manufacturing" (Summary of Findings, p. 87).
- "The extensive assessments of the program show that it appears to have been successful in achieving its core objective, that is, enabling or facilitating private sector R&D projects of a type, or in an area, where social returns are likely to exceed private returns to private investors" (p. 88).

The report also offers additional findings and a series of recommendations for ATP intended to further improve the effectiveness of the program and to enhance cooperation with other federal and state initiatives.

PART

During the FY 2004 budget cycle, ATP was among the first programs evaluated by OMB using the new PART. Overall OMB rated ATP "adequate," and highlighted the following:

- ATP is a well-managed program with adequate strategic planning and regular performance reviews;
- ATP has an open and competitive grant process; and
- ATP's annual performance measures are adequate and results show progress over time.

ATP scored lowest in the "program purpose and design" and "results" section of the PART, reflecting OMB's assessment that the need for the program is unclear and that the program's results, while showing progress, may not indicate "unique or significant impact." OMB did not make any specific recommendations for ATP program management to implement.

Performance Goal 4: Improve the Technological Capability, Productivity, and Competitiveness of Small Manufacturers (NIST)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

Operating under the authority of 15 U.S.C. 278k, the Manufacturing Extension Partnership (MEP) is a federal-state-local partnership program that provides small U.S. manufacturers with access to manufacturing technologies, resources, and expertise. The MEP program consists of a nationwide network of manufacturing extension centers which are linked to state, university, and private sources of technology and expertise to assist small manufacturers in adopting new and advanced manufacturing technologies, techniques, and business practices.

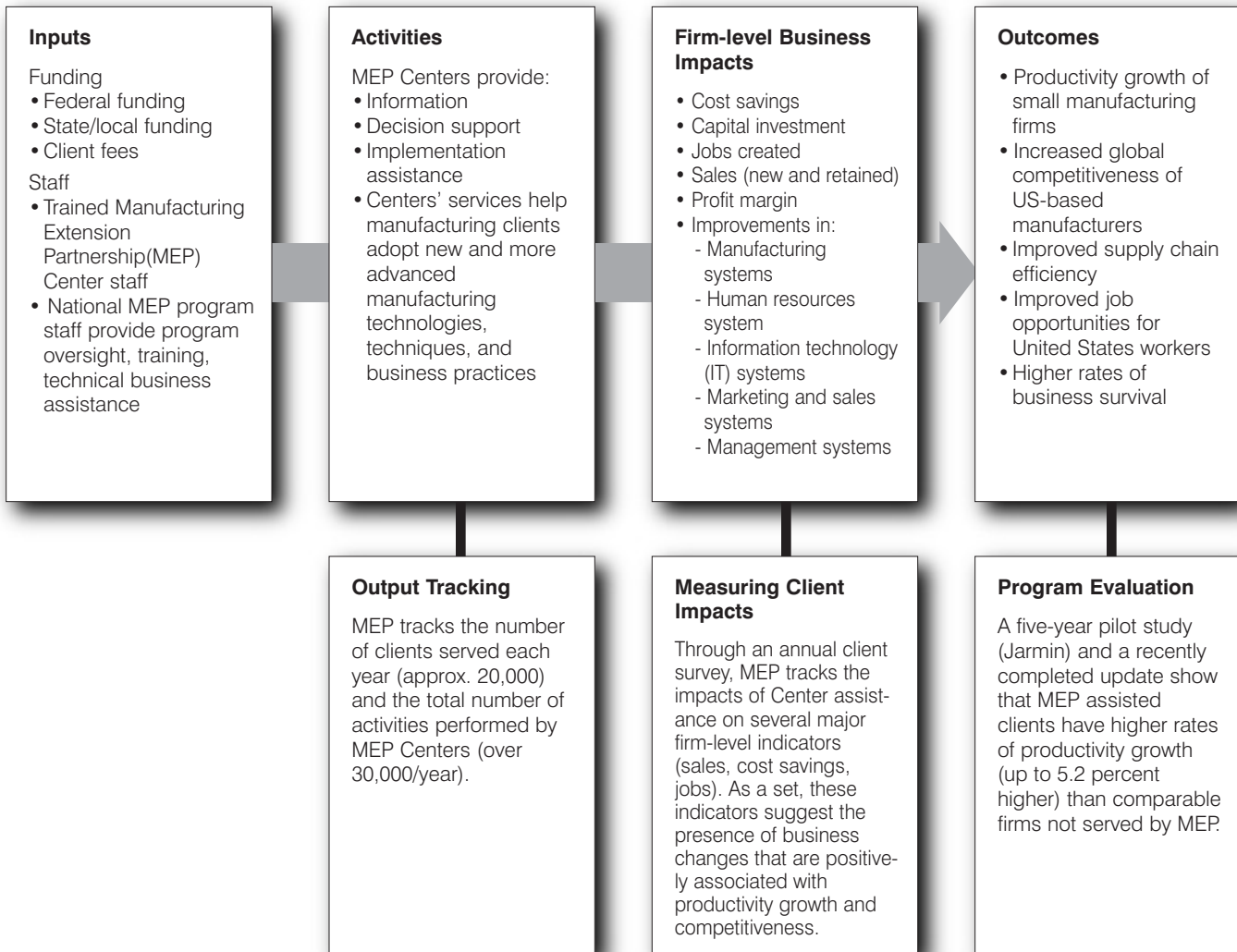
The nation's 350,000 small manufacturers employ approximately 12 million people—about two-thirds of the manufacturing workforce—and produce intermediate parts and equipment that contribute more than half of the value of U.S. manufacturing production. Their role in manufacturing supply chains means that the nation's future manufacturing productivity and competitiveness will rest largely on the ability of these small establishments to improve their quality, raise their efficiency, and lower their costs. The national MEP network helps small 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's ultimate goal is to measurably improve the productivity and competitiveness of all its clients. Through an annual client survey, MEP reports on performance measures that track the impact of MEP assistance on several major business indicators, including (1) increased sales attributed to MEP assistance, (2) capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance.

MEP Impact: Improving the Productivity of Small Manufacturing Establishments

The model below demonstrates the impact path (or value creation chain) of the MEP Program—from inputs such as appropriated funds and staff to end-outcomes such as productivity improvements for the small manufacturing sector. In addition, the model also depicts how NIST measures the progress of the MEP program along its impact chain.

MEP's Impact Path and Evaluation Methods: Results-based Management for Advisory Services



Measure 4a: Number of Clients Served by Manufacturing Extension Partnership (MEP) Centers Receiving Federal Funding

	FY 2000	FY 2001 ¹	FY 2002 ¹	FY 2003
Target	New	New	21,543	16,684
Actual	20,903	21,420	16,902	Available December 2004
Met/Not Met			Not Met	

¹ FY 2001 and FY 2002 data for this measure have been adjusted from previously reported figures. Actual counts published in the FY 2004 Annual Performance Plan (APP) were the result of an error in reporting correct data provided by MEP. (Projected data were not replaced with actual data). The revised figures (shown above) accurately represent the number of clients served in FYs 2001 and 2002.

Explanation of Measure

This measure represents the annual number of new and repeat clients MEP centers served through training, technical, and business assistance. Interactions with clients may range from informational seminars and training classes to in-depth technical assistance in areas such as lean implementation, ISO 9000, and quality improvement practices.

FY 2003 targets shown above are based on the actual FY 2003 funding received. Targets were not published in the FY 2003 Annual Performance Plan (APP) reflecting the President’s budget request to fund only the MEP centers that are less than seven years old and MEP’s intention to revise its entire performance management system as a result.

FY 2003 Performance

Due to MEP’s data collection process, final data for FY 2003 data for this measure will be reported in the FY 2004 PAR. For FY 2002, the number of clients served by MEP centers represents 78 percent of the anticipated target. The decline is largely due to the adverse business climate during this reporting period. When facing declining demand and lower revenues, manufacturing firms will historically tend to postpone new capital investment and other business improvement strategies that involve near-term cost and longer-term benefits. While the overall number of clients were lower than expected, the business impacts reported by clients using MEP services in FY 2002 were significant.

Measure 4b: Increased Sales Attributed to Manufacturing Extension Partnership (MEP) Assistance

	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$670M	\$708M	\$726M	\$522M
Actual	\$698M	\$636M	\$891M	Available December 2004
Met/Not Met	Met	Not Met		

Measure 4c: Capital Investment Attributed to Manufacturing Extension Partnership (MEP) Assistance

	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$864M	\$913M	\$910M	\$559M
Actual	\$873M	\$680M	\$876M	Available December 2004
Met/Not Met	Met	Not Met		

Measure 4d: Cost Savings Attributed to Manufacturing Extension Partnership (MEP) Assistance

	FY 2000	FY 2001	FY 2002	FY 2003
Target	\$545M	\$576M	\$497M	\$363M
Actual	\$482M	\$442M	\$645M	Available December 2004
Met/Not Met	Not Met	Not Met		

Explanation of Measures

The goal of MEP is to assist small manufacturing establishments overcome barriers to productivity growth and improving their overall competitiveness by providing information, decision support, and implementation assistance to help those businesses adopt new and more advanced manufacturing technologies, techniques, and business practices. The suite of performance measures reported above allow MEP to track 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 and revenue growth and improved competitiveness: (1) increased sales attributed to MEP assistance, (2) capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance. While NIST uses these measures, as a set, to indicate MEP's impact on the competitiveness of its clients, they provide only partial indicators of the overall impact of the MEP Centers.² Many of the benefits of MEP's services are intangible, difficult to quantify, and/or are qualitative in nature.

FY 2003 targets shown above are based on the actual FY 2003 funding received. Targets were not published in the FY 2003 APP reflecting the President's budget request to fund only the MEP centers that are less than seven years old and MEP's intention to revise its entire performance management system as a result.

FY 2003 Performance

MEP's data collection process is designed to obtain actual client impacts and as a result client survey data lag by approximately one year. The survey process coupled with the new time line for producing the PAR precludes the reporting of actual FY 2002 or FY 2003 data. The FY 2002 data reported below represents a combination of three quarters of actual client reported impacts and one quarter of *estimated* client impacts. The estimate is based on the final quarter of FY 2001 survey data and has been adjusted to reflect the number of clients anticipated in the final FY 2002 survey quarter. Final FY 2002 data will be available the end of December 2003 and will be reported in the FY 2004 PAR.

² Reported data reflect the impact of MEP services primarily on small manufacturing establishments; on some occasions, Centers will elect to serve establishments with over 500 employees. Based on recently compiled survey data, approximately 95 percent of the clients served by MEP are small establishments with fewer than 500 employees; these clients account for approximately 93 percent of the attributed sales impacts.

Final explanations of performance will be provided once final data become available the end of December 2003. The data available to date indicate that MEP continues to demonstrate a strong positive impact on the competitiveness of the manufacturing firms it has served. In terms of specific indicators, clients reported significant increases in sales (Measure 4a) and cost savings (Measure 4d), most likely due to a change in the mix of business services offered and other factors such as more in-depth client interactions. For measure 4b, *Capital Investment Attributed to MEP Assistance*, client reported impacts represent 96 percent of the anticipated target. This degree of variability is within the range of uncertainty involved in forecasting outcomes. To the extent performance is lower than expected, it is most likely due to the overall reluctance of manufacturers to make significant capital investment due to current economic conditions.

Program Evaluation

Economic Studies

The MEP program provides the resources small manufacturing establishments need to overcome cost and knowledge barriers to realize productivity growth. The program's progress toward achieving its fundamental objective has been evaluated through rigorous, controlled-comparison studies that evaluate the productivity of MEP-served clients relative to similar companies that did not receive MEP assistance.

A five-year pilot study conducted by R.S. Jarmin of the Center for Economic Studies (U.S. Census Bureau) showed that MEP assisted clients had significantly higher rates of productivity growth than non-MEP clients (\$484M in additional value added for client firms).³ A recently unpublished update to this original study also prepared by the Center for Economic Studies found that the average MEP client experienced 5.2 percent higher productivity growth between 1996 and 1997 and 4.7 percent faster employment growth compared to non-MEP clients. The findings cover a larger subset of all MEP clients.

External Reviews

National Academy of Public Administration (NAPA)

In FY 2003, NAPA, an independent, nonpartisan organization chartered by Congress to improve government performance, completed the first phase of a two-part review of the MEP program. The first phase focused on re-examining MEP's core premise—that there are barriers that prevent small manufacturers from obtaining the technical and business advice that they need to improve their productivity and overall competitiveness. Findings from the first phase of the study include:

“...barriers to improving the productivity of small manufacturers identified by earlier studies remain, although they have changed in their relative impacts. Additionally, several other factors have grown in importance and in some ways have made the challenges regarding small manufacturer improvement efforts more difficult. There are further opportunities for improving the way services are provided, yet the MEP Program does perform in a capable and effective manner, delivering impacts significantly beyond the costs of operating the program. The Panel finds that the core premise of the Program remains viable as it is fulfilling its mission by leveraging both public and private resources to assist the nation's small manufacturers.” (p. 1)

The full report is available on NAPA's Web site at: <http://www.napawash.org/Pubs/NIST0903.pdf>. The second phase (to be completed in February 2004) will identify the advantages and disadvantages of alternative business models for providing the needed services and maximizing performance.

³ R.S. Jarmin, “Evaluating The Impact Of Manufacturing Extension On Productivity Growth,” *Journal Of Policy Analysis And Management*, Vol 18, No. 1, Winter 1999, pp. 99-119.

Visiting Committee on Advanced Technology (VCAT)/MEP National Advisory Board

As with other NIST programs, the program objectives and management of MEP are reviewed regularly by VCAT, a legislatively mandated panel of advisors that meets quarterly to review NIST's policies, organization, budget, and programs. MEP also is reviewed by its National Advisory Board (MEPNAB), established by the Secretary of Commerce to (1) provide advice on MEP programs, plans, and policies; (2) assess the soundness of MEP plans and strategies; (3) assess current performance against MEP program plans; and (4) function solely in an advisory capacity, and in accordance with the provisions of the Federal Advisory Committee Act. The MEPNAB members bring a variety of backgrounds to the board, including small and large manufacturing, labor, academia, economic development, consulting, and state government. This mix provides MEP with the outside advice critical to maintaining and enhancing the program's focus on its customers—U.S. smaller manufacturers.

PART

In conjunction with the FY 2004 budget, MEP was evaluated by OMB using the PART instrument. OMB's evaluation of MEP was positive, with an overall rating of "moderately effective." Through the PART assessment, OMB highlighted the following:

- MEP is a well-managed program with adequate strategic planning and regular performance reviews;
- MEP has an open and competitive process for the establishment of new centers; and
- MEP's annual performance measures are adequate and show the program has achieved results.

MEP scored lowest in the "program purpose and design" section of the PART, reflecting OMB's assessment that "it is not evident that there is a clear need for a Federal response in this area." OMB did not make any specific recommendations for MEP program management to implement.

Performance Goal 5: Assist U.S. Businesses and Other Organizations in Continuously Improving their Productivity, Efficiency, and Customer Satisfaction by Adopting Quality and Performance Improvement Practices (NIST)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

Quality and performance improvement have become requirements—not options—for competitive businesses and high-performance organizations of all types. Through BNQP, NIST provides a systematic, well-tested set of business values, performance criteria, and assessment methods that all organizations can use to improve their productivity and effectiveness. Overall, BNQP catalyzes the business community to define what organizations must do to improve their performance and attain (or retain) market leadership, and provides a mechanism for broadly disseminating that information.

FY 2003 Performance

Due to data collection systems, final FY 2003 data for BNQP output metrics will be reported in the FY 2004 PAR. In FY 2002, BNQP actual results did not meet anticipated targets. A portion of the discrepancy between target levels and actual performance may reflect external factors such as the overall state of the economy in FY 2002. However, the primary issue involves the measures used to report performance. There are inherent difficulties involved with collecting data and forecasting the performance of state and local programs. Data from state programs is uneven and can take months to collect. For example, in January 2003, BNQP requested information on these metrics from 49 state, regional, and local quality award programs. Providing data is voluntary and 39 programs responded. Of these, one program reported that its application information is confidential; five did not report application data; and four indicated that they did not operate an award cycle in 2002.

The discrepancy between target levels and actual performance for Measure 5b, Number of Criteria Mailed, reflects BNQP and the state, regional, and local quality award programs focus on using the Internet as the primary method for disseminating the *Baldrige Criteria*. This shift to predominantly on-line dissemination has significantly decreased the number of *Baldrige Criteria* mailed but resulted in large volumes of on-line dissemination. For example, in FY 2003, BNQP alone disseminated over 884,000 copies of the *Criteria* from their Web site. See text box on following page.

For these reasons, BNQP is in the process of developing new, more meaningful performance measures that better illustrate progress on three core BNQP objectives: (1) improving overall customer satisfaction, (2) increasing participation in the Malcolm Baldrige National Quality Awards (MBNQA), and (3) promoting growth and quality awareness and performance excellence throughout the United States. BNQP will report baseline data on the new set of performance measures in the FY 2004 report.

In FY 2003, BNQP received a significant increase in the number of applications for all categories of the 2003 MBNQA. Sixty-eight organizations applied for the Nation’s top honor for excellence. This represents an increase over the 49 businesses, schools, and health care organizations that applied last year. The 68 applicants include 10 large manufacturers, eight service companies, 12 small businesses, 19 education organizations, and 19 health care organizations. The increase reflects continued interest in the award program and increased reach into other sectors. Of the 68 applicants, seven were recently selected to receive the award for performance excellence. The 2003 Baldrige Award recipients are:

- *Medrad, Inc.*, Indianola, Pa. (manufacturing);
- *Boeing Aerospace Support*, St. Louis, Mo. (service);
- *Caterpillar Financial Services Corp.*, Nashville, Tenn. (service);
- *Stoner Inc.*, Quarryville, Pa. (small business);
- *Community Consolidated School District 15*, Palatine, Ill. (education);
- *Baptist Hospital, Inc.*, Pensacola, Fla. (health care); and
- *Saint Luke’s Hospital of Kansas City*, Kansas City, Mo. (health care).

Measure 5a: Number of Applications to the Malcolm Baldrige National Quality Award (MBNQA) and Baldrige-based State and Local Quality Awards

	FY 2000	FY 2001	FY 2002	FY 2003
Target	916	935	954	1,110
Actual	911	646	444	Available in FY 2004 PAR
Met/Not Met	Not Met	Not Met	Not Met	

Measure 5b: Number of Baldrige Criteria for Performance Excellence Mailed by Baldrige National Quality Program (BNQP) and Baldrige-based State and Local Quality Programs

	FY 2000	FY 2001	FY 2002	FY 2003
Target	197,600	193,600	191,700	177,870
Actual	176,248	164,949	124,757	Available in FY 2004 PAR
Met/Not Met	Not Met	Not Met	Not Met	

Explanation of Measures

Baldrige Criteria: Online Dissemination

The Baldrige National Quality Program tracks the number of times its *Criteria for Performance Excellence* documents were downloaded via the web [<http://www.quality.nist.gov>]. In FY 2003, the three types of Baldrige *Criteria*—for business, healthcare, and education—**were downloaded over 884,000 times**. This total demonstrates the very high level of dissemination of the *Criteria*, especially when considered in conjunction with the number of Baldrige documents distributed via mail. However, this count should not be interpreted as the number of distinct users who have read or utilized the documents. It is a direct count of the number of times the documents were downloaded in Adobe Acrobat form. For technical and privacy reasons, it is not possible to determine the number of unique users, if the document was printed, or how long each user spent on the site.

The BNQP currently reports two key output metrics: (1) the total number of applications to the MBNQA and Baldrige-based state and local awards, which reflects high-level corporate commitment to quality and high-performance business practices throughout the country; and (2) the number of printed BNQP *Criteria for Performance Excellence* documents that are distributed by BNQP and Baldrige-based state and local quality programs, which illustrates the dissemination of BNQP concepts and methods. While these metrics illustrate progress on core BNQP objectives, the data are only partial representations of BNQP's output. The application count does not capture the large number of organizations that use Baldrige *Criteria* internally but do not formally apply for MBNQA or state awards. The number of documents mailed also does not capture additional dissemination channels, such as electronic acquisition and dissemination, reproduction of the Baldrige *Criteria* in textbooks, articles, and other documents, and secondary modes of copying and distribution. This is one reason why “number of Baldrige *Criteria* mailed” (Measure 6b) indicates a downward trend over time; as more copies of the *Criteria* are distributed via the Internet, the program expects to mail fewer documents (see text box for additional information about electronic distribution). Moreover, direct counts of Baldrige *Criteria* do not capture various formal and informal ways in which BNQP concepts can be disseminated, such as through academic programs, consulting channels, business and organizational management literature, etc.

Program Evaluation

Economic Studies

Economics professors Albert N. Link, of the University of North Carolina, and John T. Scott, of Dartmouth College, recently examined the MBNQA program and estimated the total economic benefits of the program at almost \$25 billion, for a benefit-to-cost ratio of 207 to 1. They determined the total operational costs, including the value of executives' volunteered time to review applications, to be \$119 million. Through 2000, 41 companies had received the Baldrige National Quality Award, and NIST had received 785 applications. However, thousands of other organizations of all sizes and in all sectors of the economy have benefited by using the Baldrige *Criteria* as the foundation for performance management and quality improvement programs. Thousands of paper and electronic copies of the *Criteria* are disseminated each year to organizations across the country. Professors Link and Scott examined data from a survey of corporate members of the American Society for Quality (ASQ). They estimated the total benefits to the ASQ members from using the *Criteria* to be \$2.17 billion. To determine the benefits to the economy as a whole, they extrapolated the ASQ data based on the assumption that other companies in the economy benefit to the same extent as ASQ member companies.

External Review

In general, the program objectives and management of the BNQP are reviewed by VCAT, a legislatively mandated panel of advisors that meets quarterly to review NIST's general policy organization, budget, and programs. In addition, the performance of BNQP is evaluated by the Board of Overseers, a federal panel of national quality experts from business and academia that advises the Secretary of Commerce. An important part of the board's responsibility is to assess how well BNQP is serving the national interest. The board reviews all aspects of BNQP, including the adequacy of the Baldrige *Criteria* and processes for making Baldrige Awards, and reports its recommendations to the Secretary

NIST-wide External Program Review and Oversight

The program goals and management policies of NIST as a whole, including each of its major programs, are reviewed regularly by VCAT. VCAT is a legislatively mandated panel of external advisors that meets quarterly to review NIST's general policy, organization, budget, and programs. The current list of VCAT members is provided in the text box. Additional information, including VCAT's annual report, is available at [http:// www.nist.gov/director/vcat/index.htm](http://www.nist.gov/director/vcat/index.htm)

NIST Visiting Committee on Advanced Technology (VCAT): Current Membership – 2003

Mr. Gary Floss, Business Partner, Bluefire Partners

Dr. Richard M. Gross, Vice President

Research & Development, The Dow Chemical Company

Dr. Deborah L. Grubbe, Corporate Director, Safety & Health, DuPont Safety, Health, Environment

Dr. Lloyd R. Harriott, Professor, Dept. of Electrical and Computer Engineering, University of Virginia

Dr. Lou Ann Heimbrook, Vice President

Global Operations, Merck Research Laboratories

Dr. Jennie Hunter-Cevera, President, University of Maryland Biotechnology Institute

Dr. Thomas A. Manuel, President, Council for Chemical Research

Dr. Wayne H. Pitcher, Jr., Technology Management Consultant

Dr. F. Raymond Salemme, Founder, President, and Chief Scientific Officer, 3-Dimensional Pharmaceuticals, Inc.

Dr. Juan M. Sanchez, VCAT Chair, Vice President for Research, University of Texas, Austin

Dr. April M. Schweighart, Product Business Manager, Motorola

NIST Visiting Committee on Advanced Technology (VCAT): Current Membership – 2002

Mr. Gary Floss, Business Partner, Bluefire Partners

Dr. Deborah L. Grubbe, Corporate Director, Safety & Health, DuPont Safety, Health, Environment

Dr. Lloyd R. Harriott, Professor, Dept. of Electrical and Computer Engineering, University of Virginia

Dr. Jennie Hunter-Cevera, President, University of Maryland Biotechnology Institute

Dr. Caroline A. Kovac, Vice President, Services, Applications and Solutions, IBM

Dr. Thomas A. Manuel, President, Council for Chemical Research

Dr. Wayne H. Pitcher, Jr., Technology Management Consultant

Dr. F. Raymond Salemme, Founder, President, and Chief Scientific Officer, 3-Dimensional Pharmaceuticals, Inc.

Dr. Juan M. Sanchez, VCAT Chair, Vice President for Research, University of Texas, Austin

Dr. April M. Schweighart, Product Business Manager, Motorola

Dr. Masayoshi Tomizuka, Director, , Engineering Systems Research Center, University of California, Berkeley

Performance Goal 6: Enhance Public Access to Worldwide Scientific and Technical Information through Improved Acquisition and Dissemination Activities (NTIS)

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The National Technical Information Service (NTIS) operates a central clearinghouse of scientific and technical information that is useful to U.S. business and industry. Without appropriated funds, NTIS collects scientific and technical information; catalogs, abstracts, indexes, and permanently archives the information; disseminates products in the forms and formats most useful to its customers; develops electronic and other new media to disseminate information; and provides information processing services to other federal agencies. NTIS's revenue comes from (1) the sale of technical reports to business and industry, schools and universities, state and local government offices, and the public at large and (2) from services to federal agencies that help them communicate more effectively with their employees and constituents.

NTIS continues to meet the challenge of permanent preservation of and ready access to the taxpayers' investment in R&D through the acquisition, organization, and preservation of the titles added annually to the permanent collection. NTIS promotes the development and application of S&T by providing technologically advanced global e-commerce channels for dissemination of specialized information to business, industry, government, and the public. NTIS is implementing a new initiative to provide the public with increased access to government information. The NTIS bibliographic database (from 1990 to the present) is available via the Internet free of charge. NTIS allows users to download any item in its collection that NTIS has in electronic format for a single low fee, or at no charge if it is less than 20 pages. In addition NTIS has created links that hyper-link customers to other agency Web sites that offer documents for free download. These recent developments and initiatives are a result of NTIS's new business model that maximizes utilization of the World Wide Web and e-commerce in its information collection and dissemination activities.

NTIS collects its material primarily from U.S. Government agencies, their contractors, and grantees, as well as from international sources. The NTIS permanent collection includes approximately three million titles, including reports describing the results of federally sponsored research, statistical and business information, audiovisual products, computer software, and electronic databases developed by federal agencies, and reports prepared by foreign research organizations. NTIS maintains a permanent repository of these information products as well as offering approximately 500,000 online electronic items to its many customers, primarily researchers and business managers in private industry. The disseminated materials may include computer downloads, paper, microfiche, audiovisual, and electronic media.

Collection of scientific and technical information from various contributors, and dissemination of that information to an even larger audience is highly dependant on external factors, and therefore not entirely controllable. For example, the amount of new material available is highly dependent on budgetary and program decisions made by other agencies. NTIS's efforts to ensure the public easy access to available scientific and technical information through enhanced acquisition and dissemination activities are implemented and monitored through the following performance measures.

FY 2003 Performance

In FY 2003, NTIS had one goal and three measures. Of those measures, NTIS met two. Implementation of NTIS's new business model, which focuses on its mission of disseminating information, stimulating innovation and discovery, and thus supporting economic growth and job creation, has been a major influence on the success of those two performance measures. The one measure not met has been addressed below, and steps have already been taken to correct the performance in the future. NTIS managers will continue to closely monitor the Bureau's performance and remain responsive to necessary changes in the overall operation.

Measure 6a: Number of New Items Available (Annual)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	510,000	520,000
Actual		505,068	514,129	530,910
Met/Not Met			Met	Met

Explanation of Measure

The number of items available for sale to the public from 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, their contractors, and grantees, but also from international sources. NTIS collects approximately 30,000 scientific and technical reports annually and another 500,000 items in the form of articles, updates, advisories, etc. that are contained in various subscription products and databases it distributes. The number of new information products available each year from NTIS is approximately 530,000, but the number largely depends on input from other government agencies.

FY 2003 Performance

NTIS has expanded and refined its efforts to acquire new scientific and technical information products by harvesting products from the World Wide Web. These harvesting efforts together with increased availability of online electronic subscription products demonstrate NTIS's success in making new products available to the public.

Measure 6b: Number of Information Products Disseminated (Annual)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	16,000,000	17,000,000
Actual		14,524,307	16,074,862	29,134,050
Met/Not Met			Met	Met

Explanation of Measure

This measure represents information disseminated and includes compact discs, diskettes, tapes, online subscriptions, Web site pages, as well as the 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, to increase the number of products distributed, and expand the number of customers that have access to valuable scientific and technical information. NTIS is continually striving to stay abreast of the latest technological advances in information dissemination processes to improve its ability to meet the demands of the public. NTIS has implemented an initiative that enables customers to locate and download information directly from the originating agency's Internet site. NTIS continues to enhance its ability to stay current in the e-commerce environment, while continuing to serve customers that require the more traditional distribution methods, as demonstrated in our targets above.

FY 2003 Performance

Due to the shift in information dissemination practices from traditional paper copy to electronic-based dissemination, NTIS implemented a new business model that takes advantage of the opportunities offered by the World Wide Web. The new business model was designed to increase information dissemination opportunities by expanding NTIS' customer base and increasing demand for its products. In addition to the added benefit generated from the business plan, expectations of electronic-based dissemination have far exceeded our original targets, as demonstrated in the performance measure above.

Measure 6c: Customer Satisfaction

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	97%	98%
Actual		97%	98%	97%
Met/Not Met			Met	Not Met

Explanation of Measure

This measure represents the percentage of NTIS customers that are satisfied with the quality of their order, the ease of order placement, and the timely processing of that order. Orders for NTIS's vast collection of scientific and technical information are received by phone, e-mail, fax, mail, and online, and are filled in a variety of formats. NTIS's continual efforts to maintain and possibly improve this very high rate of customer satisfaction are a top priority.

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 inquires about the status of an order or other general questions.

FY 2003 Performance

NTIS's customer satisfaction performance has declined slightly in FY 2003. The decline can be attributed to two problems that arose during the year that drove the number of customer complaints above anticipated levels. One transpired as a result of order input into the order processing system from a source that hadn't been correctly coordinated, and the other involved an order processing system failure caused by antiquated hardware. NTIS' Office of Customer Service and the Office of

Information Services reacted immediately to both circumstances to correct the orders that had already gone astray and implemented preventive measures for all future orders. The aging hardware supporting the order processing system is being replaced as quickly as possible, and should be fully functional by January 2004. NTIS will continue to place the highest priority on ordering and delivery capabilities to ensure the highest level of customer satisfaction.

Program Evaluation

The Office of the Inspector General (OIG) prepared an evaluation of NTIS's new business model. The model reflects NTIS's commitment to maximize dissemination of unclassified scientific, technical, engineering, and business-related information to U.S. business, industry, and the public. OIG's recommendations were: (1) make clear that there are major uncertainties associated with the business model's estimates during future discussions and presentations of the model, (2) periodically review the projections to determine whether they are realistic and achievable, and (3) evaluate the impact of the new business model on NTIS's operations on a monthly basis, and determine whether the new model is achieving the desired results or whether modifications are needed.

TA Data Validation and Verification

NIST's Program Office conducts an annual review of its quantitative performance data to ensure that they are complete and accurate. During this process, Program Office staff members discuss the data with appropriate offices to assess results relative to forecasts and to understand long-term trends and drivers of performance. Program Office staff also evaluate the verification and validation procedures used by the offices that provide the source data and verify that the source data are identical to or consistent with the reported data. A set of NIST's quantitative performance measures and OIG audited associated verification and validation procedures recently, and NIST has implemented the suggestions for improvement identified in that audit.

For its qualitative performance measure, the NIST Program Office provides summary findings from the annual NRC review of the NIST laboratories; the complete results of that evaluation are available for public review. The Program Office also provides the results from economic impact studies, which are conducted by external economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST.

The table starting on the following page summarizes the data validation and verification processes for each organization in TA.

TA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Support and improve the American innovation system	Office of the Under Secretary/Office of Technology Policy (US/OTP)	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities.	Output only	OTP continues to refine this measure. During FY 2003 and FY 2004, it will be integrated into four other measures.
Measure 1b: Advance the role technology plays in U.S. economic growth and homeland security	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities. For reporting activities, data are gathered and analyzed by technology policy analysts using accepted analytical practices, are submitted for peer review to other Commerce bureaus, other agencies, and academia, as appropriate, prior to publication.	Elements of some of OTP's analyses must rely on anecdotal data. Such instances are clearly identified in the reports provided by OTP.	OTP continues to refine this measure. Because it is an integral part of all of OTP's activities and mission, during FY 2003 and FY 2004 this measure will be integrated into four improved measures.
Measure 1c: Strengthen the competitive position of U.S. technology industries	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities.	Output Only	Due to the integral nature of this measure to OTP's activities, in FY 2003 and FY 2004 it will be incorporated and integrated into four improved measures.
Measure 1d: Strengthen the Office of the Under Secretary/Office of Technology Policy's (US/OTP) organization, capabilities, and resources to maximize the effectiveness of its activities and services	OTP	OTP performance is cumulative and is reported annually.	OTP	Data represent verifiable tabulations of OTP activities.	Output Only	Due to the integral nature of this measure to OTP's activities, in FY 2003 and FY 2004 it will be incorporated and integrated into four improved measures.
Measure 2a: Qualitative assessment and evaluation using peer review	On-site interviews and discussions with NIST management and research staff by independent external scientific and technical experts, managed by the National Research Council (NRC).	Annual	NRC	Verification and oversight of laboratory-specific expert review panels provided by the NRC Board on Assessment of NIST Programs.	Data are qualitative in nature.	None

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 2b: Economic impact studies</p>	<p>Research is contracted to economic and technical experts, who generate quantitative estimates and qualitative information using performance data gathered through industry surveys and field research. Project cost data are supplied by NIST.</p>	<p>Intermittent</p>	<p>Contractors collect and maintain all data. Survey results, cost data, and all calculations are presented in final reports.</p>	<p>Data are gathered and analyzed by highly qualified economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST.</p>	<p>Elements of study populations often are too diffuse to measure; availability and quality of industry data often are uneven; impact estimation typically requires counterfactual data, which can be difficult to estimate; outcomes are specific to each project—i.e., results are not cumulative and not readily comparable.</p>	<p>None</p>
<p>Measure 2c: Standard Reference Materials (SRM) available</p>	<p>NIST SRMs Program</p>	<p>Ongoing</p>	<p>NIST SRMs Program</p>	<p>Data represent direct and verifiable counts of SRMs available to customers at the close of the fiscal year. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.</p>	<p>Output only</p>	<p>There are no obvious replacements for these output tabulations; NIST is in the process of developing new output measures focused on the use of and demand for NIST measurements and standards.</p>
<p>Measure 2d: Standard Reference Data (SRD) titles available</p>	<p>NIST SRD Program</p>	<p>Ongoing</p>	<p>NIST SRD Program</p>	<p>Data represent a direct and verifiable count of SRD products developed and disseminated by NIST. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.</p>	<p>Output only</p>	<p>There are no obvious replacements for these output tabulations; NIST is in the process of developing new output measures focused on the use of and demand for NIST measurements and standards.</p>
<p>Measure 2e: Number of items calibrated</p>	<p>NIST Calibration Program</p>	<p>Ongoing</p>	<p>NIST Calibration Program</p>	<p>Data represent direct and verifiable counts of items calibrated by the NIST Laboratories. Internal verification includes review by NIST Technology Services and the NIST Director's Office and Budget Division.</p>	<p>Output only</p>	<p>There are no obvious replacements for these output tabulations.</p>

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2f: Technical publications produced	NIST Office of Information Services	Ongoing	Publications data are gathered and maintained by NIST Office of Information Services.	Data represent direct and verifiable counts of NIST technical publications that have been cleared for publication by the internal Washington and Boulder Editorial Review Boards. Internal verification includes review by the NIST Director's Office.	Output only	NIST is developing new measures focused on the quality and utility of NIST's technical publications.
Measure 3a: Economic impact studies	Research is contracted to economic and technical experts, who generate quantitative estimates and qualitative information using performance data gathered through industry surveys and field research.	Intermittent	Contractors collect and maintain all data. Survey results, cost data, and calculations are presented in final reports.	Data are gathered and analyzed by highly qualified economists and technical specialists using well-developed research methods and standard economic and business analysis metrics, as specified and monitored by NIST.	Elements of study populations often are too diffuse to measure; availability and quality of industry data often are uneven; impact estimation typically requires counterfactual data, which can be difficult to estimate; outcomes are specific to each project—i.e., results are not cumulative and not readily comparable.	None
Measure 3b: Cumulative number of technologies under commercialization	Data are gathered from the portfolio of Advanced Technology Program (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.	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.	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.	External auditors have evaluated ATP's Business Reporting System. In addition, 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. In addition, a recent OIG audit of NIST's performance measures included review of two of these metrics—technologies commercialized and patents filed—and resulted in changes to procedures.	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.	Administrative procedures have been enacted to increase reliability, per Office of Inspector General (OIG) audit.
Measure 3c: Cumulative number of publications						
Measure 3d: Cumulative number of patents filed						

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 4a: Number of clients served by Manufacturing Extension Partnership (MEP) centers receiving federal funding</p>	Data are collected from each MEP-funded center.	Data are collected on a quarterly basis and reporting annually.	NIST MEP	Data are reviewed each quarter by MEP staff.	Output only	None at this time.
<p>Measure 4b: Increased sales attributed to Manufacturing Extension Partnership (MEP) assistance</p>	A private firm, Synovate, located in Arlington Heights, IL, administers the survey.	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 2001 was surveyed in Jan/Feb 2002. This survey methodology reduces respondent burden, raises overall response rates, and improves 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.	Survey data is sent directly to MEP for analysis. MEP reviews and stores survey data received from Synovate.	Internal verification includes significant review of the data by MEP staff. Criteria are in place for identifying and verifying significant outliers in the data. In addition, an OIG audit of NIST's performance measures included a review of one of MEP's measures ("increased sales attributed to MEP assistance"); in response to this audit, NIST implemented some improvements to data verification procedures.	As with similar survey instruments, 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 (which is over 70 percent). Reported data reflect the impact of MEP services primarily on small manufacturing establishments; on some occasions, Centers will elect to serve establishments with over 500 employees.	Verification procedures improved per OIG audit. Decisions about implementing additional improvements to verification procedures depend on a number of factors including the impact of these changes on MEP's relationships with the Centers and clients, cost, and feasibility.
<p>Measure 4c: Capital investment attributed to Manufacturing Extension Partnership (MEP) assistance</p>						
<p>Measure 4d: Cost savings attributed to Manufacturing Extension Partnership (MEP) assistance</p>						

TA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 5a: Number of applications to the Malcolm Baldrige National Quality Award (MBNQA) and Baldrige-based state and local quality awards</p> <p>Measure 5b: Number of Baldrige Criteria for Performance Excellence mailed by Baldrige National Quality Program (BNQP) and Baldrige-based state and local quality programs</p>	<p>Application data are collected and tracked by the BNQP; some data collected from state and local programs.</p>	<p>Based on the application cycle. Data from state programs are collected annually.</p>	<p>BNQP</p>	<p>Data represent direct and verifiable counts of BNQP business activities and processes. Internal verification includes review by the NIST Director's Office. Data collected from state and local programs may be incomplete.</p>	<p>Output only</p>	<p>NIST is in the process of revising these performance measures. Baselines will be reported in FY 2004.</p>
<p>Measure 6a: Number of new items available (annual)</p>	<p>NTIS operates and maintains internal systems for processing collected information into available products.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal and independent auditor reporting.</p>	<p>None</p>	<p>None</p>
<p>Measure 6b: Number of information products disseminated (annual)</p>	<p>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.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal and independent auditor reporting.</p>	<p>None</p>	<p>None</p>
<p>Measure 6c: Customer satisfaction</p>	<p>NTIS records every transaction using a commercial order processing system modified to meet its specific needs, together with internal processes for collecting customer complaint statistics.</p>	<p>Internal management activity reports are produced daily, summaries are produced monthly.</p>	<p>All performance-related information is stored within NTIS systems.</p>	<p>NTIS accounting and budget offices analyze and report performance output data and revenue and cost data to management. Data verification is provided through regular internal and independent auditor reporting.</p>	<p>None</p>	<p>None</p>



National Telecommunications and Information Administration

Mission Statement

The National Telecommunications and Information Administration (NTIA) advises the President on domestic and international communications policy, manages the Federal Government's use of the radio frequency spectrum, and performs research in telecommunications sciences.

NTIA's major responsibilities fall in the radio frequency spectrum management and communications policy arena. NTIA is the manager of the Federal Government's use of spectrum. NTIA is also the President's advisor on communications policy matters. NTIA is frequently asked by both the Administration and Congress to conduct studies of key policy issues.

In conjunction with the State Department and the Federal Communications Commission (FCC), NTIA represents U.S. interests on communications issues abroad. NTIA participates in a variety of international forums, such as the International Telecommunication Union (ITU), the Organization for Economic Cooperation and Development, the Asia-Pacific Economic Cooperation, and the Inter-American Telecommunications Commission. NTIA also participates in direct bilateral and multilateral negotiations with key strategic nations.

NTIA plays a major role in the continued successful functioning of the Internet through its contractual relationship with the Internet Corporation for Assigned Names and Numbers (ICANN), the private sector entity responsible for management of the Internet domain name system. NTIA is also involved in the management of .us, the U.S. country code top-level domain, through its contractual relationship with NeuStar in the management of .org with the Public Interest Registry, and in the management of .edu with EDUCAUSE.

The Institute for Telecommunication Sciences (ITS) is NTIA's chief research and engineering arm, and also serves as a principal federal resource for solving the telecommunications concerns of other federal agencies, state and local governments, and private associations and organizations.

NTIA's Public Telecommunications Facilities Program (PTFP) provides grants through a competitive process to help public broadcasting stations, state and local governments, Indian tribes, and nonprofit organizations construct facilities to bring educational and cultural programming to the American public.

Priorities/Management Challenges

NTIA's priorities are to promote competition and remove regulatory impediments to the development of new technologies, to promote international trade in telecommunications products and services, to identify and promote new wireless technologies and spectrum efficiencies, and to perform basic research on telecommunications technology. The major challenge for NTIA in the spectrum management area is to meet the ever-growing demands for spectrum by both the public and private sectors. This ultimately will involve significant changes in spectrum management practices, both in the United States and worldwide. A major portion of NTIA's resources is devoted to this challenge.

For NTIA, the challenge is to create and implement national policies that will promote the health and stability of the telecommunications sector. These policies must also reflect the new realities of the security and defense needs of the country.

FY 2003 Performance

In FY 2003, NTIA had three goals and 11 measures. Of the 11 measures, NTIA met nine, and did not meet two. For Performance Goal 1, NTIA conducted a wide variety of policy-related activities described in the narrative section below. NTIA postponed the customer survey until FY 2004. The postponement was necessitated by departures in NTIA's senior management, which meant that needed approvals and issuance of the survey to senior levels in the White House, FCC, Department of Commerce and other departments, and the Congress could not be obtained. The survey is ready for issuance in FY 2004, however. For Performance Goal 2, NTIA met the measure covering accuracy of frequency assignment requests but will discontinue the measure as it does not directly assess NTIA activities. NTIA is processing frequency assignment requests within 15 business days; it is achieving less than the anticipated 95 percent online applications by the end of FY 2003 because of delays in implementing secure digital authentication, and better than 90 percent of customers rate the training courses as satisfactory. For Performance Goal 3, NTIA awarded 79 digital television conversion grants, completed 100 percent of grant awards on schedule, and increased public radio and television coverage. NTIA published five peer-reviewed research publications, and entered into five Cooperative Research and Development Agreements (CRADA).

In the communications and information policy area, NTIA worked with regulators, industry, and consumers to promote broadband deployment, local competition, and universal access by removing regulatory and economic barriers to growth. NTIA promoted market-opening, competition-based U.S. telecom policy before international governing bodies and in international telecom forums. NTIA continued to promote effective privatization of the Internet domain name system management functions through contractual arrangements with ICANN. NTIA extended its Memorandum of Understanding (MOU) with ICANN after a thorough examination of ICANN's performance of its transition responsibilities to date, as well as of ICANN's ongoing reform efforts.

In January, the FCC and NTIA executed a new MOU on spectrum coordination. The MOU will apply to coordination of spectrum issues involving both federal and non-federal users. The FCC and NTIA have been operating under a MOU dating back to October 1940. The new agreement establishes procedures relating to frequency coordination, as well as spectrum planning provisions contained in the Communications Act. This MOU establishes a framework for compliance with the statutory requirements and stipulates that the Chairman of the FCC and Assistant Secretary for Communications and Information shall meet biannually to conduct joint spectrum planning. The MOU also is consistent with a recent General Accounting Office (GAO) report that focused on the need for greater cooperation between the two spectrum policy organizations. The Communications Act assigns joint jurisdiction for spectrum management to the FCC and NTIA. The FCC is responsible for non-federal users (e.g. broadcast, commercial, public safety, and state and local government users, etc.) and NTIA is responsible for federal users. The majority of spectrum is shared between federal and non-federal users, in which case the FCC and NTIA must coordinate spectrum policy.

NTIA released a report in August finding that Internet blocking and filtering technologies available today have the capacity to meet most, if not all, of the needs and concerns that educational institutions have relative to protecting children from obscenity, pornography, or other harmful content. Mandated by Section 1703 of the Children's Internet Protection Act of 2000 (CIPA), the report says that educational institutions would benefit from greater awareness of the technology products available and would also benefit from more training. NTIA made two recommendations to Congress in the report: (1) technology vendors should offer training services to educational institutions on specific features of their products, and (2) CIPA's definition of "technology protection measures" should be expanded to include additional technologies in order to encompass a wider array of technological measures to protect children from inappropriate content.

Access to rights-of-way—the conduits, corridors, trenches, tower sites, and other physical passageways that modern communications networks traverse—is critical to the deployment of broadband services. To assist rights-of-way stakeholders in understanding and improving the authorization process for constructing new communications networks that carry broadband Internet and other communications services, NTIA in May launched an electronic report on state and local rights-of-way. Intended as a resource for state and local land managers, communications providers, and other rights-of-way stakeholders, the report provides information about the laws, regulations, policies, and practices that affect state and local management of rights-of-way. The electronic report includes a state-by-state matrix that provides the rights-of-way laws relating to jurisdiction, compensation, time lines, nondiscrimination, mediation, and condemnation in all 50 states and the District of Columbia. NTIA's electronic report is intended to help advance the dialogue on rights-of-way management at the state and local level, with the goal of promoting broadband deployment across all states and localities in the United States.

NTIA, in November 2002, announced the development of new and innovative techniques to measure the quality of digital video pictures that will significantly enhance the competitiveness of U.S. companies and lead to higher quality products for consumers. The new measurement tools will enable companies and public entities to determine, through objective technical means, the quality of digital video pictures on computers, TV monitors, and hand held devices. Improvements in digital video systems enable the creation of new telecommunication services essential to the U.S. economy, such as direct broadcast satellites, digital and high-definition television, video teleconferencing, telemedicine, and e-commerce. The new measurement software, known as "reduced-reference" video quality measurement tools, has received two U.S. patents and has been adopted as a telecommunications standard by the American National Standard Institute (ANSI). The software is available to the public through an online evaluation license agreement under which users receive the software in exchange for agreeing to evaluate it.

Major Initiatives and Priorities in FY 2004

NTIA will continue its leadership role in a major Administration initiative to develop a radio spectrum policy for the twenty-first century that will better manage the nation's airwaves, enhance homeland and economic security, increase benefits to consumers and ensure U.S. leadership in high-tech innovations. The Secretary of Commerce formed a high-level interagency task force under an Executive Memorandum issued by the Administration in June that will recommend ways to stimulate more efficient use of the radio frequency spectrum by government users. This effort will be the first comprehensive study of Federal Government radio spectrum policy in the modern era and will build on previous administration efforts to improve the spectrum management process. The task force, which will issue its recommendations within one year, includes Federal Government agencies that use the radio spectrum such as the Departments of Defense, Transportation and Homeland Security as well as the Federal Aviation Administration, the National Aeronautics and Space Administration, and others. The initiative also calls for a series of public meetings with the private sector and state and local governments to provide input to improve policies and procedures for overall management of the radio spectrum.

Targets and Performance Summary

See individual Performance Goals Section for further description of each measure.

Performance Goal 1: Promote Competition Within the Telecommunications Sector and Promote Universal Access to Telecommunications Services for all Americans

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Provide the policy framework for introduction of new technologies	New	New	New	Spectrum for third generation (3G) ultra-wideband (UWB); Internet Corporation for Assigned Names and Numbers (ICANN) reform; ".us" domain name administration.	Spectrum for 3G UWB; .us and kids.us, ENUM, Voice over Internet Protocol (VoIP), ICANN, Rights of way, Children's Internet Protection Act of 2000 (CIPA).	X	
Policy customer survey	New	New	New	50 customers	Postponed		X

Performance Goal 2: Ensure that the Allocation of Radio Spectrum Provides the Greatest Benefit to all People

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Timeliness of processing	New	New	New	15 business days.	15	X	
Percentage of requests accomplished online	New	New	New	95%	55%		X
Completeness and accuracy of agency assignment request	New	New	New	85%	87%	X	
Customer satisfaction survey on training course	New	New	New	90% satisfactory or better.	90%	X	

Performance Goal 3: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Digital broadcasting conversion	New	New	New	40 grants	79	X	
Timeliness of grant awards	New	New	New	100%	100%	X	
Percentage of the U.S. covered by public broadcasting signals	New	New	New	95% TV 90% Radio	95% TV 90% Radio	X	
Quality of basic research as reflected in peer-reviewed publications	New	New	New	5 Publications	5	X	
Level of technology transfer activities conducted with the private sector through the Cooperative Research and Development Agreements (CRADA)				5 CRADAs	5	X	

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Promote Competition Within the Telecommunications Sector and Promote Universal Access to Telecommunications Services for All Americans

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	3.6	3.7	4.2	4.0
Domestic and International Policies	3.6	3.7	4.2	4.0
Spectrum Management	0.0	0.0	0.0	0.0
Telecommunication Sciences Research	0.0	0.0	0.0	0.0
Total Funding	3.6	3.7	4.2	4.0
IT Funding ¹	1.5	1.5	1.5	1.5
FTE	26	25	27	26

Performance Goal 2: Ensure that the Allocation of Radio Spectrum Provides the Greatest Benefit to all People

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	19.8	21.5	23.4	24.7
Domestic and International Policies	0.0	0.0	0.1	0.1
Spectrum Management	17.8	19.3	19.0	20.6
Telecommunication Sciences Research	2.0	2.1	4.3	4.1
Total Funding	19.8	21.5	23.4	25.0
IT Funding ¹	2.4	3.2	3.2	3.2
FTE	135	133	141	147

Performance Goal 3: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	5.4	5.6	5.6	6.1
Domestic and International Policies	0.0	0.0	0.0	0.0
Spectrum Management	0.0	0.0	0.0	0.0
Telecommunication Sciences Research	5.4	5.6	5.6	6.1
Public Telecommunications Facilities, Planning, and Construction	27.5	44.2	47.6	45.9
Grants	25.8	42.0	45.4	43.5
Program Management	1.7	2.2	2.2	2.4
Information Infrastructure Grants	17.8	46.2	15.5	17.1
Grants	13.9	42.9	12.4	13.9
Program Management	3.8	3.3	3.0	3.2
Total Funding	50.6	96.0	68.6	69.1
IT Funding ¹	0.6	0.7	0.7	0.7
FTE	85	86	76	78

Grand total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Salaries and Expenses	29.0	30.8	33.2	34.5
Domestic and International Policies	3.7	3.8	4.3	4.0
Spectrum Management	17.8	19.3	19.0	20.4
Telecommunication Sciences Research	7.3	7.7	9.8	10.2
Public Telecommunications Facilities, Planning, and Construction	27.5	44.2	47.6	45.9
Grants	25.8	42.0	45.4	43.5
Program Management	1.7	2.2	2.2	2.4
Information Infrastructure Grants	17.7	46.2	15.5	17.1
Grants	13.9	42.9	12.4	13.9
Program Management	3.8	3.3	3.0	3.2
Total Funding	74.0	121.1	96.3	97.6
Direct	56.2	101.8	77.1	77.4
Reimbursable ²	17.8	19.4	19.1	20.2
IT Funding ¹	4.5	5.4	5.4	5.4
FTE	246	244	244	251

¹ IT funding included in total funding.

² Reimbursable funding included in total funding.

Skill Summary:

- NTIA employs policy analysts with legal, economics, and technical skills to perform these activities.
- NTIA does not have a separate budget category for these activities.

FY 2003 Performance Goals

Performance Goal 1: Promote Competition Within the Telecommunications Sector, and Promote Universal Access to Telecommunications Services for all Americans

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably.

Rationale for Performance Goal

One of NTIA's primary missions is to serve as the President's principal policy advisor on telecommunications and information issues, and to be the Administration's primary voice on them. NTIA fulfills this policy-setting role in a number of ways during the course of a year by preparing and issuing a number of special reports on topics that emerge over time, by testifying before Congress and other organizations that are concerned with telecommunications policy, by providing the Administration's views on actions proposed by the FCC, by issuing requests for public comment on specific issues, and by encouraging dialogue with the private sector through sponsorship and participation in conferences, workshops, and other forums.

Beginning in FY 2003 and through FY 2004, NTIA's main policy development activities will focus on:

- Removing impediments to broadband deployment;
- Promoting spectrum policies that rely on market-based incentives for efficiently deploying new technologies and addressing consumer needs;
- Promoting international trade in telecommunications products and services, promoting consistent approaches to telecommunications policy, and improving relations with Western Hemisphere neighbors;
- Continuing progress toward privatization of Internet management; and
- Examining issues and making recommendations on proposals to regulate Internet services and content.

NTIA expects to have a significant role in the public debate on these issues and in the development of policy solutions, but does not have direct responsibility for implementing solutions.

FY 2003 Performance

NTIA worked with regulators, industry, and consumers to promote broadband deployment, local competition, and universal access by removing regulatory and economic barriers to growth. NTIA promoted market-opening, competition-based U.S. telecom policy before international governing bodies and in international telecom forums. NTIA continued to promote effective privatization of the Internet domain name system (DNS) management functions through contractual arrangements with ICANN. NTIA extended its Memorandum of Understanding (MOU) with ICANN after a thorough examination of ICANN's performance of its transition responsibilities to date, as well as of ICANN's ongoing reform efforts.

Measure 1a: Provide the Policy Framework for Introduction of New Technologies

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Spectrum for third generation (3G) ultra-wideband (UWB); Internet Corporation for Assigned Names and Numbers (ICANN) reform; “.us” domain name administration.
Actual				Spectrum for 3G UWB; .us and kids.us, ENUM, Voice over Internet Protocol (VoIP), ICANN, Rights of way, Children’s Internet Protection Act of 2000 (CIPA).
Met/Not Met				Met

Explanation of Measure

This measure is intended to provide a place for NTIA to describe accomplishments in its many policy-related activities. Much of the policy work that NTIA performs is initiated to provide the Administration’s views on industry developments and on legislative and regulatory proposals. A substantial portion, however, is directed by Congress, the White House and by the Secretary of Commerce, and therefore is difficult to plan in advance. The narrative description of policy issue results reported with this measure is intended to demonstrate that the resources NTIA devotes to these activities are justified.

FY 2003 Performance

- In February, NTIA hosted a roundtable to discuss Voice over Internet Protocol (VoIP) and the convergence of the Internet and the public switched telephone network. The roundtable included an overview of VoIP technology, including a brief demonstration of the Commerce Department’s new VoIP telephone system. The overview was followed by two panels of leading experts addressing the VoIP marketplace and the policy and regulatory implications of VoIP.
- To assist rights-of-way stakeholders in understanding and improving the authorization process for constructing new communications networks that carry broadband Internet and other communications services, NTIA in May launched an electronic report on state and local rights-of-way. Intended as a resource for state and local land managers, communications providers, and other rights-of-way stakeholders, the report provides information about the laws, regulations, policies, and practices that affect state and local management of rights-of-way. The electronic report includes a state-by-state matrix that provides the rights-of-way laws relating to jurisdiction, compensation, timelines, nondiscrimination, mediation, and condemnation in all 50 states and the District of Columbia.
- In August, the heads of the NTIA, the FCC, and the Department of State’s International Communications and Information Policy declared their support for an industry-based mechanism to implement ENUM in the U.S. provided the process is “as inclusive as possible” and adheres to principles of competition, interoperability, innovation, privacy and security. ENUM is a mapping protocol that links the Internet and telephony platforms through a single identifier. ENUM has the potential to facilitate convergence of communications networks by linking e-mail addresses, telephone numbers, fax numbers, and cell phone numbers for individuals or businesses.
- Also in August, NTIA released a report finding that Internet blocking and filtering technologies available today have the capacity to meet most, if not all, of the needs and concerns that educational institutions have relative to protecting children from obscenity, pornography, or other harmful content. Mandated by Section 1703 of CIPA, the report states that educational institutions would benefit from greater awareness of the technology products available and would also benefit from more training.

- On September 4, general registrations in the "kids.us" second level domain was launched. NTIA is required by the law establishing kids.us to publicize its availability as a source for Internet content suitable for children. The kids.us registration process opened to the public on a first-come, first-served basis through the .us registry operated by NeuStar. Kids.us is an Internet domain that parents and children can trust for educational and appropriate online fun; all content on affiliated sites is regularly screened and monitored.

Measure 1b: Policy Customer Survey

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	50 Customers
Actual				Postponed
Met/Not Met				Not Met

Explanation of Measure

NTIA has developed a customer survey to be administered in FY 2004 that yields qualitative assessments of NTIA’s policy activities. The survey will measure Administration customer perceptions of NTIA’s policy priorities, the timeliness of its activities in support of those priorities, and the inclusiveness of NTIA’s policy activities. Customers that will be surveyed include the White House, the State Department, other federal agencies, the Technology Administration, the International Trade Administration, and the Office of the Secretary within the Department of Commerce. NTIA intends to survey at least 50 customers on its policy-related activities.

FY 2003 Performance

NTIA anticipated conducting the customer survey in FY 2003 but changes in the Agency’s leadership necessitated postponement of the survey until FY 2004. The survey is intended to be approved and issued to senior levels in the White House, FCC, Department of Commerce and other departments, and the Congress by the agency head as an assessment of NTIA’s priorities and performance. The survey is ready for issuance in FY 2004.

Program Evaluation

NTIA conducts weekly meetings and semi-annual strategic planning retreats with senior executives to evaluate progress and to develop and refine program goals. NTIA meets with the Deputy Secretary monthly to plan and coordinate activities associated with the President’s Spectrum Management Initiative. Agency priorities and resource allocations are examined to ensure that limited resources are devoted to the highest priority goals. These program goals are coordinated with the Secretary of Commerce and the White House. Program evaluations determine whether existing resources are being assigned appropriately to the highest priority issues.

Performance Goal 2: Ensure Allocation of Radio Spectrum Provides the Greatest Benefit to all People

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

The availability of the radio frequency spectrum is key to the development and implementation of innovative telecommunications technologies such as ultra-wideband (UWB) and third generation (3G) wireless services. NTIA's spectrum management activities are intertwined with its policy activities because existing uses of spectrum by both the private and federal sectors must be examined to determine where spectrum will be made available for new and innovative spectrum-using services that provide benefits to all consumers. Recent examples include undertaking a leadership role in a major Bush Administration initiative to develop a radio spectrum policy for the twenty-first century, as well as actions to provide spectrum for 3G and UWB wireless services, and to evaluate broadband over powerline technology. NTIA's activities include (1) identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and the private sectors; (2) providing the 56 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; (3) developing plans and policies to use the spectrum effectively; (4) satisfying future U.S. 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; and (5) improving through telecommunications research and engineering the understanding of radio-wave transmission, thereby improving spectrum utilization and the performance of radio-communications systems.

FY 2003 Performance

In January, NTIA and the FCC executed a new MOU on spectrum coordination. The FCC and NTIA have been operating under a MOU dating back to October 1940. The new agreement establishes procedures relating to frequency coordination, as well as spectrum planning provisions contained in the Communications Act. This MOU establishes a framework for compliance with the statutory requirements and stipulates that the Chairman of the FCC and Assistant Secretary for Communications and Information shall meet biannually to conduct joint spectrum planning. The MOU also is consistent with a recent GAO report that focused on the need for greater cooperation between the two spectrum policy organizations.

The U.S. Government agencies involved in spectrum management—NTIA, FCC and the State Department—must work collaboratively as "one spectrum team" to serve the nation's collective interest. Second, policies that encourage spectrum efficiency must be further developed. NTIA has long advocated and required the use of spectrum efficient technologies by federal agencies. For example, NTIA has developed, and the federal agencies are now implementing, a transition to narrowband technology to relieve the congestion in the land mobile radio bands used by the Federal Government. NTIA and the federal public safety agencies have adopted technical standards for receivers to minimize interference and increase overall spectrum efficiency. NTIA is also exploring innovative new technologies, including those that will permit radios to select their operating frequencies, decrease power, and adjust coverage, based on sensing the operating environment and dynamically selecting unused channels. Forward-looking policies must be established that enable technological advances and eliminate legacy regulations that stand in the way of innovation. One such promising reform in this area is the FCC's proceeding on creating

secondary markets that would permit parties to "lease" their spectrum to others to put otherwise unused spectrum to its most efficient use. Another is the accommodation of frequency flexible wireless systems, such as those under the 802.11 standard, on an unlicensed basis. NTIA is achieving these goals through research at its Boulder, Colorado, laboratory, and through education and outreach.

In May 2003, NTIA in cooperation with the FCC and the U.S. Department of State's International Communications and Information Policy group, hosted a two-day wireless technology showcase and policy discussion. The first day consisted of an exhibition of new, innovative wireless technologies, devices, and applications. The second day featured panel discussions on unlicensed wireless technologies by key policymakers, entrepreneurs, industry representatives, and experts from government and academia. This event built upon NTIA's "Spectrum Summit" held in FY 2002, the findings and recommendations of the FCC's Spectrum Policy Task Force, and the State Department's international policy and regulatory reform efforts by highlighting and demonstrating new and emerging technologies and creating a forum to discuss important spectrum policy issues that are likely to impact tomorrow's marketplace.

In August 2003, the FCC and NTIA announced a plan for implementation in the U.S. of the Final Acts of the 2003 World Radiocommunication Conference (WRC-03). The Final Acts record the decisions taken at the conference, and include the new and revised provisions of the Radio Regulations and associated Appendices, as well as the new and revised Resolutions and Recommendations adopted by the Conference. The ITU, under the auspices of the United Nations, convened WRC-03 from June 9 to July 4, 2003, in Geneva, Switzerland, with over 140 countries participating. The U.S. delegation was led by Ambassador Janice Obuchowski. WRC-03 considered 48 conference agenda items concerning the deployment, growth, and evolving use of a broad range of spectrum-based services. The changes adopted by the WRC-03 will directly impact global spectrum use for government and commercial use of the spectrum. The United States achieved its goals at WRC-03 and the FCC, in concert with NTIA, has developed a plan to implement the results of the conference. It will ensure that Federal Government, state and local governments, and commercial spectrum users promptly derive maximum benefits from the WRC-03 results. This summit plan follows the MOU signed by the FCC and NTIA in January 2003 for coordination of spectrum issues involving both federal and non-federal users.

Measure 2a: Timeliness of Processing

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	15 business days
Actual				15
Met/Not Met				Met

Explanation of Measure

NTIA has made substantial improvements over the years in the time required to process frequency assignment actions requested by the federal agencies. This measure will permit NTIA to continue to track improvements in processing time through further automation procedures and logistical procedures that are included in its paperless spectrum management initiative.

FY 2003 Performance

The target for FY 2003 to have frequency assignment requests processed and placed on the Interdepartmental Radio Advisory Committee (IRAC) agenda within 15 business days was met. As the paperless process is fully implemented, improvements in this schedule are expected. The IRAC then will consider those items for approval at its next regularly scheduled meeting.

Measure 2b: Percentage of Requests Accomplished Online				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	95%
Actual				55%
Met/Not Met				Not Met

Explanation of Measure

NTIA has made substantial progress over the years in automating the frequency assignment process for federal agencies. This measure tracks and demonstrates the effectiveness of a new, secure Web-based interface for federal agencies to request frequency assignment actions entirely online.

FY 2003 Performance

The target for FY 2003 to process 95 percent of frequency assignment requests online was not met due to delays in implementing a Public Key Infrastructure (PKI) authentication schema meeting the program’s security requirements. A PKI solution has been implemented and the program performance is expected to achieve these planned levels in FY 2004 and beyond as investments in the paperless spectrum management initiative yield further results.

Measure 2c: Completeness and Accuracy of Agency Assignment Requests				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	85%
Actual				87%
Met/Not Met				Met

Explanation of Measure

This measure was intended as an indication of whether customers are able to file a request completely and accurately, and whether improvements in the customer interface are needed. NTIA will discontinue this measure after FY 2003 as many customer behaviors are outside its control, subject to too many outside variables beyond NTIA’s control, and the information sought through this measure is more readily obtained in the spectrum management training courses offered throughout the year.

FY 2003 Performance

More than 87 percent of agency frequency assignment requests are complete and accurate when filed. This is largely due to the routine nature of the filings and the help routines built into the Spectrum XXI software package, however. As indicated above, program management derives little useful information from this measure so it will be discontinued.

Measure 2d: Customer Satisfaction Survey on Training Course				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	90% satisfactory or better
Actual				90%+
Met/Not Met				Met

Explanation of Measure

NTIA's Office of Spectrum Management (OSM) conducts a number of spectrum management training seminars each year for federal spectrum managers and for representatives from foreign administrations. This measure will determine whether the seminar content is useful to participants. NTIA's goal in FY 2003 is to have 90 percent or better of customers to give the course a satisfactory rating.

FY 2003 Performance

NTIA's goal in FY 2003 was to have 90 percent or better of customers give the spectrum management training courses a satisfactory rating. These training courses have developed such a positive reputation in the federal spectrum management community that there is a waiting list for each session. The goal was met.

Program Evaluation

NTIA management reviewed and assessed policy and program priorities in the development of FY 2003 and 2004 budgets. In addition, NTIA's spectrum summit in FY 2002 began an inquiry on how to better manage and allocate this finite resource among competing uses. The ongoing inquiry will yield information about new and innovative ideas for spectrum policy and management that encourage spectrum efficiency, that provide spectrum for new technologies, and that improve the effectiveness of the domestic and international spectrum management process. NTIA will continue this leadership role in a major Bush Administration initiative to develop a radio spectrum policy for the twenty-first century that will better manage the nation's airwaves, enhance homeland and economic security, increase benefits to consumers, and ensure U.S. leadership in high-tech innovations. To meet its current obligations and to address improvements, NTIA's spectrum management functions will continue to consume the largest share of agency resources.

Performance Goal 3: Promote the Availability, and Support New Sources, of Advanced Telecommunications and Information Services

Corresponding Strategic Goal

Strategic Goal 2: Provide infrastructure for innovation to enhance American competitiveness.

Rationale for Performance Goal

In addition to its policy-related activities, NTIA supports innovative telecommunications and information technologies through a grant program and through basic research performed at its laboratory, the ITS. ITS performs extensive basic research on quality of digital speech, audio and video compression, and transmission characteristics. This research has the potential to improve both the performance of telecommunications networks and the availability of digital content on the Internet. Basic research at ITS also supports U.S. positions in international standard-setting bodies and NTIA's development of Administration policies related to the introduction of new technologies, such as UWB and 3G wireless services.

FY 2003 Performance

To foster more efficient use of the radio spectrum, and to advance the development and introduction of more spectrally efficient communication technologies, NTIA's ITS completed a number of key research and engineering studies in 2003 focused on radio spectrum occupancy and new communication technologies. This research was accomplished in close coordination with NTIA's Office of Spectrum Management (OSM). A critical part of this work centered on the measurement and analysis of the actual use of the spectrum, utilizing the ITS-operated Radio Spectrum Measurement System (RSMS). The RSMS, consisting of a mobile unit, a suitcase-transportable version, and a supporting laboratory in Boulder, is used to perform measurements in multiple frequency bands at selected sites, and to make other specialized measurements as necessary to determine the effects that emerging technologies have on spectrum use/efficiency and on existing systems. ITS continued research and engineering to support the development of new wireless technologies, including wireless local area networks, 3G wireless, broadband wireless access, digital broadcasting, smart antennas, and UWB communications. Public Telecommunications Facilities Program (PTFP) grants assisted public broadcasting stations across the country complete federally mandated conversions to digital technology.

Measure 3a: Digital Broadcasting Conversion				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	40 grants
Actual				79
Met/Not Met				Met

Explanation of Measure

The PTFP is a competitive grant program that helps public broadcasting stations, state and local governments, Indian tribes, and nonprofit organizations construct facilities to bring educational and cultural programs to the American public using broadcast and nonbroadcast telecommunications technologies. The main objective of the program is to extend the delivery of public radio and television to unserved areas of the United States. Because the FCC requires that all public television stations begin broadcasting a digital signal, PTFP has implemented special provisions to help public television stations meet the FCC's digital conversion requirement. As part of this performance measure, PTFP will track the number of all public television stations that have converted to digital broadcasting and will, therefore, be able to estimate the percentage of the U.S. population served by a digital public television signal. This estimate will help in determining program-funding priorities.

FY 2003 Performance

PTFP awarded \$31 million in 79 digital television conversion grants, which will be matched by \$51 million raised by the recipients. Funds were awarded to support the digital television conversion in 49 states and of statewide systems in 28 states. Determination of U.S. population covered will be made in FY 2004.

Measure 3b: Timeliness of Grant Awards				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	100%
Actual				100%
Met/Not Met				Met

Explanation of Measure

PTFP has a number of steps to accomplish in each grant round before making awards near the end of the fiscal year. These include preparation of the application package, initial review of applications, engineering and outside review of applications, and rating and recommendations for grant applications. This measure permits the program to determine whether its procedures are working adequately for the timely award of grants.

FY 2003 Performance

PTFP awarded a total of \$39 million in FY 2003 funding to assist public radio, public television, and nonbroadcast (distance learning) projects across the country. On September 30, 2003, \$6 million went to 23 grantees to assist in the digital conversion of 36 public television stations. Other grant awards also included \$4.5 million for 66 radio grants, \$1.6 million for nine television equipment replacement grants, \$1.4 million for 11 nonbroadcast (distance learning) grants, and one grant to the University of Hawaii for \$488,977 for the PEACESAT (Pan-Pacific Educational and Cultural Experiments by Satellite) project.

Earlier in the year, PTFP awarded \$25 million for the conversion of public television stations to digital broadcasting, bringing the total amount awarded for digital television conversion projects during the year to \$31 million. These 79 digital television conversion grants will be matched by \$51 million raised by the recipients.

All grants were awarded by September 30, 2003.

Measure 3c: Percent of the U.S. Covered by Public Broadcasting Signals

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	95% 90% Radio
Actual				95% TV 90% Radio
Met/Not Met				Met

Explanation of Measure

One of the primary goals of the PTFP is to bring a public radio or public television signal to unserved areas. This measure indicates how well the program is meeting that goal. The target for FY 2003 is to increase the population served by public broadcasting coverage in the United States.

FY 2003 Performance

Eleven awards will extend public radio signals to approximately 223,000 people unserved by public radio. PTFP awarded \$30,922,311 in digital television conversion grants, which supports the digital conversion of 116 stations, a top priority of the program. This goal was met in that grants were made to extend public broadcasting to unserved areas, but actual FY 2003 population data will not be available from the FCC until sometime in 2004.

Measure 3d: Quality of Basic Research as Reflected in Peer-reviewed Publications

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	Five publications
Actual				5
Met/Not Met				Met

Explanation of Measure

One measure of the quality of basic research programs is the number of peer-reviewed articles that are published in technical journals and publications. This measure indicates the reception of research results within the spectrum research and engineering community. This research supports NTIA's spectrum management and policy-related activities, as well as other federal agencies.

FY 2003 Performance

The target for FY 2003 was five peer-reviewed articles, and was met. ITS also published reports on *An Iterated Nested Least-Squares Algorithm for Fitting Multiple Data Sets* (October 2002), *Compensating for System Gain: Motivations, Derivations, and Relations for Three Common Solutions*, (October 2002), *Proceedings of the International Symposium on Advanced Radio Technologies March 4-7, 2003* (March 2003), *Measurements to Determine Potential Interference to Public Safety Radio Receivers from Ultrawideband Transmission Systems* (June 2003), and *Measurements of Channel Transfer Functions and Capacity Calculations for a 16x16 BLAST Array over a Ground Plane* (June 2003).

Measure 3e: Level of Technology Transfer Activities Conducted with the Private Sector through the Cooperative Research and Development Agreements (CRADA).

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	3 CRADAs
Actual				5
Met/Not Met				Met

Explanation of Measure

CRADAs based upon the Federal Technology Transfer Act of 1986 are the principal means of aiding the private sector through ITS's spectrum research and engineering activities. This measure provides an indication of the utility of these activities to the private sector.

FY 2003 Performance

The target for FY 2003 was three CRADAs, and was met. New and existing research agreements include those with Bell South Enterprises; Telesis Technology Laboratories; US WEST Advanced Technologies; Bell Atlantic Mobile Systems; GTE Laboratories Inc.; US WEST New Vector Group; General Electric Company; Motorola Inc.; Hewlett-Packard Company; Integrator Corporation; AudioLogic, Inc.; Industrial Technology, Inc.; Netrix Corporation; Lucent Technologies; ARINC; Lehman Chambers; Lucent Digital Radio; Intel Corporation; and the American Automobile Manufacturers Association.

Program Evaluation

NTIA management reviewed and assessed policy and program priorities in the development of FY 2003 and 2004 budgets. As a result, ITS research will focus on supporting those spectrum management reform activities undertaken in NTIA's policy development (see Goals 1 and 2 above.)

NTIA Data Validation and Verification

NTIA reviews performance data to ensure that it is complete and accurate. In FY 2003, NTIA had three goals and 11 measures. Of the 11 measures, NTIA postponed activity associated with one (policy customer survey), met nine, and did not meet two. The actual validation process is conducted following similar audit principles including sampling and verification of data. Unclassified spectrum management data is published and distributed on CD-ROM and has been examined for accuracy by the Department's Inspector General and the GAO. Grant information is verified by the Department's Office of Financial Assistance and published on the NTIA Web site. Additionally, documentation is reviewed and a determination is made on its adequacy and sufficiency to support claims that outcomes and outputs have been achieved.

The NTIA Data Validation and Verification table can be found on the following page.

NTIA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Provide the policy framework for introduction of new technologies	Office of Policy Coordination and Management.	Weekly, monthly, annually.	NTIA intranet	Manual inspection	None	Collection of data.
Measure 1b: Policy customer survey	Customer surveys	Annual	NTIA's CIO	Manual inspection	A survey of 50 federal customers should yield useful results for program planning and evaluation. The sample size will be examined in light of experience with the FY 2003 survey.	Develop survey methodology and conduct survey.
Measure 2a: Timeliness of processing	Interdepartmental Radio Advisory Committee (IRAC) support branch, Office of Spectrum Management (OSM).	Weekly, monthly, annually.	Computer services division, OSM.	Automated data processing (ADP) routines.	Classified information is not included in public data.	Collection of data.
Measure 2b: Percentage of requests accomplished online	IRAC support branch, OSM.	Annual	Computer services division, OSM.	ADP routines	Classified information is not included in public data.	Collection of data.
Measure 2c: Completeness and accuracy of agency assignment request	IRAC support branch, OSM.	Annual	Computer services division, OSM.	ADP routines and manual inspection.	Classified information is not included in public data.	Collection of data.
Measure 2d: Customer satisfaction survey on training course	OSM	Every course conducted.	OSM	Manual inspection	None	Develop survey.
Measure 3a: Digital broadcasting conversion	Public Telecommunications Facilities Program (PTFP).	Annual	PTFP	Awards are posted on the public Web site when made.	None	Collection of data.
Measure 3b: Timeliness of grant awards	PTFP	Annual	PTFP	Manual inspection	Depends on the data from the Federal Communications Commission (FCC).	Inspection of the U.S. covered by public broadcasting signals.
Measure 3c: Quality of basic research as reflected in peer-reviewed publications	Institute for Telecommunication Sciences (ITS).	Annual	NTIA/ITS Web site.	Inspection, posted on the public Web site.	None	Inspection of current publications.
Measure 3e: Level of technology transfer activities conducted with the private sector through the Cooperative Research and Development Agreements (CRADA).	ITS	Annual	ITS administrator.	Inspection, posted on the public Web site.	None	Inspection of transfer activities.

STRATEGIC GOAL 3

*Observe and manage the Earth's environment
to promote sustainable growth*





National Oceanic and Atmospheric Administration

Mission Statement

The National Oceanic and Atmospheric Administration's (NOAA) mission is to describe and predict changes in the Earth's environment, and conserve and manage wisely the nation's coastal and marine resources so as to ensure sustainable economic opportunities.

NOAA is a future minded environmental science agency whose mission is to describe and predict changes in the Earth's environment, and conserve and manage the nation's coastal and marine resources to ensure sustainable economic opportunities. Known as the oceans and atmosphere agency, NOAA is also an Earth sciences and space agency. Understanding ocean and atmosphere is essential to sustaining U.S. environmental and economic health. As an agency, NOAA provides products that form a critical part of the daily decisions made across the United States. From satellite imagery to tornado warning, navigational charts to fishery stock assessments, hurricane tracking to El Niño and harmful algal bloom predictions, severe weather forecasts to coastal zone management—every day NOAA's science, service, and stewardship are essential to the lives of millions of people in the United States. Accurate predictions of severe weather safeguard both lives and economic structure of communities. A deeper understanding of long-term climate and environmental trends can impact daily activities from the strategic planting of crops to better management of water and energy resources. Coastal communities depend heavily on sustaining healthy marine habitats and a robust ocean ecosystem. With effective partnerships among governments, universities, non-governmental organizations, and communities, NOAA helps to manage the critical issues along the U.S. coasts and the Great Lakes. A healthy coastal environment is intrinsic to American economic prosperity.

Priorities/Management Challenges

In FY 2003, NOAA continued to enhance the scientific understanding of the oceans and atmosphere in order to sustain both the environmental and economic health to the nation. NOAA completed its new Strategic Plan for FY 2003–FY 2008, wherein more than 1,000 stakeholders—internal and external—helped to shape the plan's goals, strategies, and performance measures. The NOAA Strategic Plan promises major improvements in the agency's capability to best serve the United States and its citizens in three critical areas: the environment, the economy, and public safety. Through published performance measures and a continuing dialogue on the plan's progress and need for revisions, NOAA will be accountable for moving the new plan forward. The plan contains four mission goals, namely:

- Protect, restore, and manage the use of coastal and ocean resources through ecosystem-based management;
- Understand climate variability and change to enhance society's ability to plan and respond;
- Serve society's needs for weather and water information; and
- Support the nation's commerce with information for safe, efficient, and environmentally sound transportation.

In addition, the plan contains six crosscutting priorities and core capabilities, each supportive of NOAA's mission goals.

- Integrated global environmental observation and data management system;
- Environmental literacy, outreach and education;
- Sound, state-of-the-art research;
- International cooperation and collaboration;
- Homeland security; and
- Organizational excellence.

Starting with the FY 2005 Annual Performance Plan (APP), NOAA will group its performance measures based on the four mission goals contained in the new NOAA Strategic Plan. However, for purposes of this report, the performance measures are presented under the seven strategic planning goals (performance goals) as reported in the FY 2004 APP.

FY 2003 Performance

Overall, NOAA continued to improve its business processes in the areas of grant management, facilities planning, and capital improvement. NOAA has greatly improved the grants processing time by reducing the number of processing days from between 60 to 30, depending on the type of grant. Reductions in processing time contribute to a streamlined grants management system and facilitate NOAA's ability to provide funding to grant recipients in a timely manner. In addition, NOAA completed an agency-wide five-year facilities plan.

In FY 2003, NOAA also continued to implement the recommendations made by the Program Review Team (PRT). The PRT was formed in FY 2002 and performed a bottom-up review of NOAA's organization, operation, and resource utilization. To date, NOAA has completed 80 percent of the total number of actions mandated by the PRT.

One of the actions taken is the enhancement of a more corporate NOAA with the infusion of a shared system of principles, processes, and support structures. NOAA has implemented a new Strategic Management Process that integrates planning, programming, and budgeting which will enable NOAA to more effectively and efficiently achieve its mission by leveraging intra-agency synergies and increasing total efficiencies by standardizing business processes throughout the agency. The NOAA Strategic Management Process will serve as the foundation for a pragmatic yet flexible corporate deliberation and decision process.

In the area of safety, NOAA is in the midst of completing a concentrated safety training upgrade for all NOAA leadership, managers, and employees. In addition, a NOAA Safety Plan is scheduled for completion by October 2003, which raises the bar to the "Best in Class" level. As a result, the NOAA Safety Program is a top priority demanding a heightened awareness of a safety culture and increased investment over the next several years.

In terms of performance measures relating to the seven strategic planning goals, NOAA met 78 percent, or 18 out of 23 targets for FY 2003 for which data are available. Nearly all of these results are estimates based on third quarter data, because NOAA works on a calendar year to track performance. For six measures, preliminary data are not available and thus are not included when computing the percentage of met/not met.

Generally, however, there were some significant achievements in FY 2003 relating to the seven strategic planning goals. Regarding climate-related activities, NOAA played a major role in developing the new Climate Change Science Program Strategic Plan (CCSPS). Underscoring the scientific aspects of a 10-year strategic plan that couples science and technology,

the plan is built on four pillars: research, observations, decision support, and communications. The goals of the CCSPS are: (1) advance science by studying changes in climate and related systems via an interdisciplinary approach; (2) advance Earth observation and data management systems; (3) develop decision-support resources as a basis of sound policy; and (4) emphasize two-way communications by engaging the U.S. and international scientific and stakeholder communities. In addition, NOAA hosted an Earth Observation Summit in Washington, DC. The summit resulted in 34 nations, plus the European Commission, to adopt a declaration calling for action in strengthening global cooperation on Earth observations. The summit was conceived by NOAA and approved by the White House and included White House participation.

In the case of the Advanced Short-term and Weather Forecast goal, the NOAA National Weather Service (NWS) utilized the benefits of investments in modern weather technologies and new science, as exemplified during the Midwest tornado outbreak from May 4-10, 2003. With approximately 400 tornadoes reported over this seven-day period, NWS issued tornado warnings with an average lead time of 18 minutes. For its performance, NWS was praised by the governors of Missouri and Oklahoma and several news organizations. In terms of the President's Management Agenda, NWS was recognized both within and outside the government as a leader in performance-based management. In FY 2003, NWS was one of a handful of programs rated effective by the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART). The NWS continues to link budgeting and investment review to performance through the establishment and tracking of key service improvement goals.

In the Build Sustainable Fisheries area, NOAA Fisheries over the past three years has pursued a multifaceted effort to revitalize the oyster resource of the Chesapeake Bay. Once the basis for a million dollar industry and an ecological keystone species, Chesapeake oysters have dwindled to less than one percent of their historic abundance. NOAA's work to reverse the decline includes physical habitat restoration, supplementation of natural populations with hatchery reared oysters, and applied scientific research. NOAA Fisheries has also provided over \$16 million in funding for over 600 grass-roots habitat restoration projects including dam removal, culvert replacement and mangrove, salt marsh, stream bank, and native oyster restoration projects. The geographic scope and rate at which restoration can be accomplished have been expanded through national and regional habitat restoration partnerships established with nine organizations. Tens of thousands of volunteer and community service hours are logged on these projects, resulting in heightened stewardship for and awareness of the importance of fishery habitats to the sustainability of the nations living marine resources. NOAA's investment in these projects has leveraged over \$34 million in matching contributions of cash, services, and in-kind donations.

Regarding the Sustain Healthy Coasts goal, NOAA National Ocean Service (NOS) moved closer to its FY 2007 goal of mapping all U.S. shallow water coral reefs by completing a major benthic habitat mapping project of American Samoa. The new maps help conservation groups better identify critical habitat and commercial interests and meet economic objectives while remaining sensitive to environmental concerns. Additionally, the mapping gives researchers a framework to conduct future habitat studies. Also in FY 2003, NOAA and the U.S. Geological Society completed the first ever 1:25,000, 10meter resolution contour interval mapping project for the Pribilof Islands of Alaska. The maps were prepared to support the islands' environmental restoration along with identifying and protecting sensitive habitat areas. The data are also being shared with the Native communities on the islands for land use, economic development analysis, and natural resource management.

In terms of the Promote Safe Navigation goal, NOAA implemented the new Port of New York and New Jersey Operational Forecast System (NYOFS) to provide improved predictions of water levels in the New York harbor. NYOFS can produce hourly nowcasts and four-times-daily forecasts of water levels and currents in the harbor to be used by commercial and recreational mariners. The system provides an increased margin of safety and maximizes the efficiency of maritime commerce throughout the harbor. Also, the NOAA Electronic Navigational Chart (ENC) was launched in FY 2003 as an official product for navigation. The ENCs support real-time navigation as well as the collision and grounding avoidance needs of the mariner, and accommodate a real-time tide and current display capability that is essential for large vessel navigation. NOAA ENCs, which are the first ENCs to be released free and open on the Internet, will allow domestic and international mariners to download the most up-to-date navigation information and safely navigate U.S. waters.

Targets and Performance Summary

See individual Performance Goal sections for further description of each measure.

Performance Goal 1: Build Sustainable Fisheries							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Reduce the number of overfished major stocks of fish from 46 to 35 by FY 2007	56	46	45	43 ¹	43 ²	X	
Reduce the number of major stocks with an "unknown" stock status to no more than 73 by FY 2007	120	120	88	88 ³	88 ²	X	
Increase the percentage of plans to rebuild overfished major stocks to sustainable levels	93%	93%	90%	96%	Available in calendar year 2004		

Performance Goal 2: Sustain Healthy Coasts							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Number of acres of coastal habitat restored (cumulative)	New	New	New	2,829	5,200	X	
Reduce introductions and effects of invasive species in a total of six regions within the United States	1	2	2	2	2	X ⁴	
Percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts	8% ⁵	8% ⁵	8% ⁵	17% ⁶	17%	X	

Performance Goal 3: Recover Protected Species							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Reduce by 10 (from a FY 2000 baseline of 27) by FY 2007, the number of threatened species at risk of extinction	New	2	7	5	Available in calendar year 2004		
Increase the number of commercial fisheries that have insignificant marine mammal mortality	New	2	3	6	Available in calendar year 2004		
Reduce by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction	New	3	5	6	Available in calendar year 2004		

Performance Goal 4: Advance Short-term Warnings and Forecasts

Measure		FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Lead time (minutes), accuracy (%), and false alarm rate (FAR)(%) for severe weather warnings for tornadoes	Lead Time	10	10	12	12	14 ⁷	X	
	Accuracy	63%	67%	76%	72% ⁷	81% ⁷	X	
	FAR	76%	73%	73%	72% ⁷	76% ⁷		X
Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods	Lead Time	43	47	53	47	44 ⁷		X
	Accuracy	86%	86%	89%	87%	90% ⁷	X	
Accuracy of hurricane track forecasts (48 hour)	Nautical Miles (nm)	New	New	122	130 ⁸	Available in calendar year 2004		
Accuracy (percent) (threat score) of day 1 precipitation forecasts		New	New	New	25	29 ⁷	X	
Lead time (hours) and accuracy (%) for winter storm warnings	Lead Time	9	13	13	13	14 ⁷	X	
	Accuracy	85%	90%	89%	88%	90% ⁷	X	
Accuracy (%) and FAR (%) of forecasts of ceiling and visibility (aviation forecasts)	Accuracy	15%	18%	13%	45%	47% ⁷	X	
	FAR	53%	51%	58%	71%	64% ⁷	X	
Accuracy (%) of forecast for winds and waves (marine forecasts)	Wind Speed	New	New	New	54%	57% ⁷	X	
	Wind Height	New	New	New	66%	71% ⁷	X	

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
U.S. temperature — skill score	27	20	18	20	17 ⁷		X
New climate observations introduced	New	132	192	275	Available in calendar year 2004		

Performance Goal 6: Predict and Assess Decadal to Centennial Change

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Assess and model carbon sources and sinks throughout the U.S.	New	New	Identified five new pilot atmospheric profiling sites and four new oceanic carbon tracks.	Reduce uncertainty of atmospheric estimates of U.S. carbon balance to +/- 50%.	Established five pilot atmospheric profiling sites. Established one oceanic carbon track; identified two additional oceanic carbon tracks. ⁹		X
Assess and model carbon sources and sinks globally	New	New	Established three new global background sites as part of the Global Flask Network.	Complete a working prototype of a coupled carbon-climate model.	Completed a model that can look at effects of climate change on particular carbon sinks with feedback to the atmosphere.	X	
Determine actual long-term changes in temperature and precipitation over the U.S.	New	New	Captured more than 85% of true contiguous U.S. temperature trend and captured more than 55% of true contiguous U.S. precipitation trend.	Capture more than 70% of true contiguous U.S. temperature trend and capture more than 40% of true contiguous U.S. precipitation trend.	Captured 95% of the true contiguous U. S. national annual temperature trend and captured 84% of the true contiguous U.S. national annual precipitation trend.	X	

Performance Goal 7: Promote Safe Navigation

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Reduce the hydrographic survey backlog within navigationally significant areas (in square nautical miles [snm] surveyed per year) ⁹	1,557	2,963	1,514	2,100	1,762		X
Percentage of National Spatial Reference System (NSRS) completed (cumulative)	71%	75%	83% ¹⁰	84% ¹¹	84%	X	

¹ This number was originally reported as 55 in the FY 2003 Annual Performance Plan (APP). However, due to the reclassification of 10 major stocks as not being subject to overfishing as defined in the Fisheries Management Plan, the target for FY 2003 was adjusted and reported in the FY 2004 APP to reflect a more accurate number.

² Preliminary estimates.

³ The original figure reported in the FY 2003 APP was 118. NOAA is developing new outyear targets based on the result of FY 2002 actual number.

⁴ Based on the Office of Inspector General (OIG) Audit Report, No. FSF-14998/November 2002, this performance measure will be replaced but will not be reported as an APP measure. The future measure will be more specific in terms of scope and regional areas covered by the work.

⁵ This figure was reported as 6 percent in the FY 2003 APP. However, based on OIG Audit Report, "No. FSF-14998/November 2002," NOAA understated the results for FY 2000 and FY 2001 and should have reported 8 percent (instead of 6 percent) of shoreline as having improved ability to reduce impacts from coastal hazards.

⁶ The change also resulted in an increase of the target for FY 2002 and 2003 from 15 percent to 17 percent.

⁷ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

⁸ This target was originally reported in the FY 2003 APP as 138.

⁹ Please refer to narrative section for explanation.

¹⁰ This figure was reported as 81 percent in the FY 2002 PAR. As a result of OIG Audit Report No. FSD-14998-3-001 dated February 2003, the FY 2002 Actual reported previously has been revised to 83 percent in this document.

¹¹ This figure was reported as 82 percent in the FY 2004 APP.

Resource Requirements Summary

(Dollars in Millions, funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Build Sustainable Fisheries				
	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
National Ocean Service	9.1	0.0	9.8	1.6
National Marine Fisheries Service	309.1	439.1	400.4	521.0
NOAA Research	37.1	93.0	44.0	74.1
Program Support	21.6	18.7	42.2	0.2
Procurement, Acquisition, and Construction				
National Marine Fisheries Service	0.0	62.5	14.8	13.5
Program Support	0.0	3.7	4.8	46.1
Other Accounts				
Discretionary—National Marine Fisheries Service	0.0	2.4	0.4	170.0
Mandatory—National Marine Fisheries Service	0.0	6.9	16.4	20.6
Mandatory—Program Support	0.0	3.5	0.0	0.0
Total Funding	441.6	629.8	532.8	938.8
IT Funding ¹	13.5	17.9	5.2	9.2
FTE	2,205	2,053	2,158	1,688

Performance Goal 2: Sustain Healthy Coasts

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
National Ocean Service	165.0	275.8	275.3	306.5
National Marine Fisheries Service	17.3	23.0	28.4	40.4
NOAA Research	58.4	28.3	80.0	54.7
National Weather Service	0.0	0.0	0.0	0.1
NESDIS	6.2	4.0	4.8	0.7
Program Support	7.9	14.9	28.9	47.9
Procurement, Acquisition, and Construction				
National Ocean Service	0.0	53.9	61.7	69.3
NOAA Research	0.0	14.0	0.0	0.0
Program Support	0.0	3.5	3.2	7.5
Other Accounts				
Discretionary—National Ocean Service	0.0	152.9	142.7	6.9
Mandatory—National Ocean Service	0.0	0.0	9.0	0.0
Mandatory—Program Support	0.0	2.6	0.0	3.9
Total Funding	278.6	572.9	634.0	537.9
IT Funding ¹	2.1	16.2	1.6	1.2
FTE	509	1,047	1,144	1,588

Performance Goal 3: Recover Protected Species

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
National Ocean Service	0.3	0.0	2.8	0.0
National Marine Fisheries Service	90.2	172.0	157.9	194.2
NOAA Research	0.3	0.0	0.4	0.0
Program Support	4.6	8.5	21.7	0.1
Procurement, Acquisition, and Construction				
National Marine Fisheries Service	0.0	0.0	0.0	0.0
Program Support	0.0	9.8	5.6	0.0
Other Accounts				
Discretionary—National Marine Fisheries Service	0.0	109.8	154.1	0.0
Mandatory—Program Support	0.0	1.2	0.0	0.0
Total Funding	153.4	301.3	342.5	194.3
IT Funding ¹	7.2	7.0	1.9	3.3
FTE	519	813	824	655

Performance Goal 4: Advance Short-term Warnings and Forecasts

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
NOAA Research	61.6	49.7	48.7	69.1
National Weather Service	587.0	629.0	674.1	743.6
NESDIS	54.0	56.2	73.0	67.9
Program Support	41.2	49.0	51.6	27.3
Procurement, Acquisition, and Construction				
NOAA Research	0.0	3.0	2.0	0.0
National Weather Service	0.0	63.4	71.9	60.3
NESDIS	0.0	515.0	517.1	634.6
Program Support	0.0	8.5	7.4	1.8
Other Accounts				
Mandatory—Program Support	0.0	2.2	0.0	2.2
Total Funding	1,260.9	1,376.0	1,445.8	1,606.8
IT Funding ¹	290.3	241.1	210.9	230.7
FTE	5,812	5,997	5,859	5,118

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
NOAA Research	70.5	58.5	77.8	27.3
National Weather Service	4.7	0.4	1.0	2.2
NESDIS	41.6	61.8	64.2	109.4
Program Support	4.3	4.0	13.0	43.4
Procurement, Acquisition, and Construction				
Program Support	0.0	0.8	0.8	2.6
Other Accounts				
Mandatory—Program Support	0.0	1.4	0.0	0.0
Total Funding	121.1	126.9	156.8	184.9
IT Funding ¹	22.8	35.8	42.6	44.8
FTE	350	323	399	1,187

Performance Goal 6: Predict and Assess Decadal to Centennial Change

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
NOAA Research	69.2	97.8	95.4	191.7
National Weather Service	9.7	0.0	0.0	0.0
NESDIS	6.3	3.0	0.5	0.1
Program Support	5.2	3.5	12.8	19.7
Procurement, Acquisition, and Construction				
NOAA Research	0.0	6.0	11.6	10.3
NESDIS	0.0	0.0	0.0	0.0
Program Support	0.0	0.7	0.6	1.2
Other Accounts				
Mandatory—Program Support	0.0	0.9	0.0	1.6
Total Funding	95.3	111.9	120.9	224.6
IT Funding ¹	22.1	18.9	15.8	17.6
FTE	127	370	487	820

Performance Goal 7: Promote Safe Navigation

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
National Ocean Service	98.4	114.4	118.6	131.8
NOAA Research	0.4	0.0	0.9	0.0
National Weather Service	0.0	0.0	0.0	0.1
Program Support	5.7	5.5	23.7	54.9
Procurement, Acquisition, and Construction				
Program Support	0.0	12.6	15.4	25.6
Other Accounts				
Mandatory—Program Support	0.0	3.5	0.0	4.5
Total Funding	104.5	136.0	158.6	216.9
IT Funding ¹	9.7	22.8	10.3	11.2
FTE	807	870	734	1,537

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Operations, Research, and Facilities				
National Ocean Service	272.8	390.2	406.5	439.9
National Marine Fisheries Service	416.6	634.1	586.7	755.6
NOAA Research	297.5	327.3	347.2	416.9
National Weather Service	601.4	629.4	675.1	746.0
NESDIS	108.1	125.0	142.5	178.1
Program Support	90.5	104.1	193.9	193.5
Procurement, Acquisition, and Construction				
National Ocean Service	0.0	53.9	61.7	69.3
National Marine Fisheries Service	0.0	62.5	14.8	13.5
NOAA Research	0.0	23.0	13.6	10.3
National Weather Service	0.0	63.4	71.9	60.3
NESDIS	0.0	515.0	517.1	634.6
Program Support	0.0	39.6	37.8	84.8
Other Accounts				
Discretionary				
National Ocean Service	0.0	152.9	142.7	6.9
National Marine Fisheries Service	0.0	112.2	154.5	170.0
Mandatory				
National Ocean Service	0.0	0.0	9.0	0.0
National Marine Fisheries Service	0.0	6.9	16.4	20.6
Program Support	0.0	15.3	0.0	12.2
Total Funding	2,455.4	3,254.8	3,391.4	3,979.2
Direct	2,455.4	3,254.8	3,391.4	3,949.2
Reimbursable ²	290.6	204.0	197.0	194.6
IT Funding ¹	367.7	359.7	288.3	318.0
FTE	10,329	11,473	11,605	12,593

¹ IT funding included in total funding. For FY 2002-2003, the total IT dollars include the figures for four additional categories (infrastructure, architecture and planning, grants management, and financial management) which were not included in the total IT dollars for each of the seven strategic planning goals.

² Reimbursable funding is included in total funding.

Notes:

NOAA changed its methodology for allocating support costs by Performance Goal to more accurately reflect the distribution of the budget across performance goal.

Other Accounts/andatory/Program Support is a breakout of the Civil Service Retirement System funds.

PAC/Program Support includes the distribution of Commerce Administrative Management System.

FY 2003 Performance Goals

Performance Goal 1: Build Sustainable Fisheries

Corresponding Strategic Goal

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

Rationale for Performance Goal

Billions of dollars in economic growth, thousands of jobs, and countless commercial and recreational fishing opportunities are not realized as a result of overfishing and overcapitalization in commercial and recreational fisheries. While many fisheries are well managed and produce positive benefits, others are severely depleted or overcapitalized and must be restored and managed to realize their long-term potential. Rebuilding and reducing overcapitalization in existing fisheries will promote the economic and biological sustainability of U.S. fishing resources. Building sustainable fisheries will greatly increase the nation's wealth and quality of life.

The basis for the suite of performance measures is the sequence of events associated with sustaining or rebuilding fisheries over time. In concept, these events occur in the following order: (1) The first task is to identify if a stock is overfished; the performance measure on stock assessment and reducing the number of unknown stocks addresses this step. (2) Once a stock has been classified as overfished, the NOAA National Marine Fisheries Service (NMFS) is mandated to create a rebuilding plan by statute; the rebuilding performance measure addresses this outcome. (3) Each rebuilding plan will have a trajectory and timeframe to achieve the rebuilding objective of recovering the stock to sustainable levels; the performance measure describing the number of overfished stocks measures how closely this target and trajectory is being met and other measures for this goal that are important indicator measures of these influences. An additional important area of concern that NOAA will address through its performance measures in the future is the issue of bycatch and its effect on fish stocks and protected species.

FY 2003 Performance

The time line for producing the Performance and Accountability Report (PAR) precludes NOAA NMFS from providing actual FY 2003 data for this measure since complete data will not be available until calendar year 2004. However, NOAA continues the task of building sustainable fisheries, and is providing FY 2003 estimates in this report, where available.

The following were FY 2002 activities:

In FY 2002, NOAA implemented harvest specifications for the groundfish fisheries of the Bering Sea, Aleutian Islands, and Gulf of Alaska. The 2002 harvest limits and associated management measures became effective in January 2002 under an emergency rule that also implemented Stellar sea lion production measures. NOAA also proposed annual specifications and management measures, which include many new protective management measures to reduce and eliminate directed or incidental catch of overfished Pacific groundfish stocks. In addition, NOAA declared that certain Pacific groundfish species were overfished. NOAA expected the Pacific Fishery Management Council to recommend large-scale closures for 2003 of the continental shelf off Washington, Oregon, and California to groundfish fishing. Some of the overfished species that are most severely depleted are continental shelf species. Rebuilding plans for all these species will be crafted in at least two

amendments to the Fishery Management Plan (FMP). Regarding the east coast, the New England Fishery Management Council approved a new Deep-sea Red Crab FMP. The plan would put in place measures to prevent overfishing, provide better management information, and control effort in this fishery. Also, NOAA completed Amendment 6 to the FMP for the salmon fisheries in federal waters off Alaska. Amendment 6 brings the FMP into compliance with the requirements of the Magnuson-Stevens Act by specifying objective and measurable criteria for identifying when fisheries are overfished. Conservation and management measures are also included to prevent overfishing or end overfishing and rebuild fisheries.

Measure 1a: Reduce the Number of Overfished Major Stocks of Fish from 46 to 35 by FY 2007

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	55	43 ²
Actual	56	46 ¹	45	43 ³
Met/Not Met			Met	Met

¹ The original baseline was 56 of which 10 were later reclassified as not being subject to overfishing requirements as defined in the Fisheries Management Plan.

² The original figure reported in the FY 2003 Annual Performance Plan (APP) was 55.

³ Preliminary estimates.

Explanation of Measure

This measure focuses on the total number of overfished stocks defined as major stocks for which status is known. A major stock is defined as a stock that yields annual catches of more than 200,000 pounds (90.7 metric tons). There are approximately 905 stocks overall (as reported in the Annual Report to Congress), of which more than 600 are either unknown or undefined. Currently, the population status of 167 major stocks is known. The criteria for a reduction in the number of overfished stocks are when stocks are rebuilt. A fisheries stock is expected to be rebuilt in the year after a rebuilding program is expected to meet its target, i.e., spiny dogfish is in the fifth year of a five-year rebuilding program in 2003, so it should be declared rebuilt in 2004. The information for this metric is from the Status of Stocks Report. The original baseline was 56 of which 10 were later reclassified as not being subject to overfishing requirements as defined in the FMP.

The term overfishing means that the harvest rate is above a prescribed threshold. Overfished means that the biomass of a given fishery’s stock is below a prescribed threshold. Overfished stocks are defined in the FMP.

FY 2003 Performance

The time line for producing the PAR precludes NOAA from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003. FY 2003 actuals are preliminary. However, NOAA NMFS continues to carry out activities to address overfishing.

South Atlantic yellowtail snapper has been rebuilt in FY 2003. In addition, the skate FMP was implemented in July 2003. Winter skate has been declared rebuilt. The other three skate stocks, barndoor, thorny, and smooth, have rebuilding plans in effect. The plans place the maximum restrictions possible on these species and do not allow any fishing or possession. This will remain the case until the target is reached.

Measure 1b: Reduce the Number of Major Stocks with an “Unknown” Stock Status to No More Than 73¹ by 2007

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	120	88 ²
Actual	120	120	88	88 ³
Met/Not Met			Met	Met

¹ The original figure reported in the FY 2003 Annual Performance Plan (APP) was 98.

² The original figure reported in the FY 2003 APP was 118. NOAA is developing new outyear targets based on the result of FY 2002 actual number.

³ Preliminary estimates.

Explanation of Measure

The purpose of this measure is to track progress in improving knowledge about the population status of major stocks as defined in the Annual Report to Congress. In many cases the current status of stocks under NMFS authority remains unknown.

Not all unknown stocks are of equal importance; parameters, such as the value and quantity of catches or known role in the ecosystem as key predators or prey, determine a stock’s level of importance. This measure takes into account the outcome of investments in staff and data acquisition, such as charter and research vessel days-at-sea and stock assessment methodological research.

It is worth noting that the status of a large number of stocks continues to be classified as either unknown or undefined, which means that an overfishing definition is not possible. Of the 932 stocks mentioned in the 2002 Annual Report to Congress, the status of more than 642 was either unknown or was classified as undefined. Of these unknown or undefined stocks, 88 are major stocks and 554 are classified as minor stocks. Minor stocks, in fact, accounted for 86 percent of the stocks whose status were either unknown or undefined, while only 14 percent of the unknown and undefined stocks were categorized as major.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003. However, to both fulfill its mandated responsibilities and to expand its understanding of the resources, NOAA continues to conduct between seven and nine stock assessments annually.

The following were FY 2002 activities that accounted for the significant drop in number of unknown stocks in FY 2002:

In FY 2002, NOAA Fisheries researchers began cooperative research with tuna scientists from Japan and Taiwan on a new stock assessment model for North Pacific albacore. The research represents the first attempt to explore length-based modeling for albacore in the North Pacific. Length-based catch, size, frequency, and fishing effort statistics have been compiled for some 26 international albacore fisheries across the North Pacific, and a preliminary modeling framework has been established.

NOAA completed a stock assessment for Pacific sardine with estimates indicating the stock biomass remains at a relatively high abundance level, nearly 1.1 million metric tons. The population had been increasing at a rate of about 30 percent per year since the mid-1980s, but the rate of increase now appears to be more moderate.

NOAA's Northwest Fisheries Science Center completed full stock assessments for Pacific whiting and canary rockfish. The Center provides the Pacific Fishery Management Council with stock assessments that are used to help determine the portion of the fish stock that may be harvested, given certain management objectives.

Also in FY 2002, NOAA completed a survey that provides the only fishery-independent estimate of juvenile pelagic shark abundance off the west coast. Some declines in catch per unit of effort and size of catch have been observed. Concurrent studies are providing valuable information on the life histories of these shark populations.

Measure 1c: Increase the Percentage of Plans to Rebuild Overfished Major Stocks to Sustainable Levels

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	94%	96%
Actual	93%	93%	90%	Available in calendar year 2004
Met/Not Met			Not Met	

Explanation of Measure

This measure relates directly to the statutory requirements in the Magnuson-Stevens Act that require Regional Councils to develop rebuilding plans for stocks of fish that have been identified as overfished. Section 304(e) outlines the specific parameters and time frames required for rebuilding. At this point in time, major and minor stocks have been differentiated to highlight the relative priorities and complexities of producing a rebuilding plan, and the consequent impact on performance measurement. Measurement of this metric will occur in the annual status of stocks report to Congress.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing final FY 2003 data for this measure since complete data will not be available until calendar year 2004, however, NOAA continues its task of rebuilding fisheries.

The following were FY 2002 activities:

NOAA declared that certain Pacific groundfish species were overfished. NOAA expects the Pacific Fishery Management Council to recommend large-scale closures for year 2003 of the continental shelf off Washington, Oregon, and California to groundfish fishing. Some of the overfished species that are most severely depleted are continental shelf species. Rebuilding plans for all these species will be crafted in at least two amendments to the FMP.

Regarding the east coast, the New England Fishery Management Council approved a new Deep-sea Red Crab FMP. The plan would put in place measures to prevent overfishing, provide better management information, and control effort in this fishery.

As of 2002, management measures for the directed fisheries for king mackerel in the Gulf of Mexico had been also successful in reducing the average fishing mortality rate and increasing the biomass of king mackerel. The king mackerel is a migratory coastal pelagic species found in the western Atlantic Ocean from New England to Brazil and in the Gulf of Mexico. King mackerel eat voraciously and are relatively fast growing fish that form large schools. They mature quickly, as early as two years, and can live up to 20 years, although the majority of catches are younger than six years old. Their large size, appealing taste, and strong fighting ability make them a target for both commercial and recreational fishermen. Two groups of these fish

are currently recognized for management in U.S. waters: the Atlantic group and the Gulf of Mexico group. Large catches by both commercial and recreational fishermen in the late 1970s and early 1980s, along with perceived declines in catch rates, were part of the reason for inclusion of these fish in the Coastal Migratory Pelagics Resources FMP in 1985. The Gulf of Mexico has mandated several regulatory measures designed to promote rebuilding.

NOAA also completed Amendment 6 to the FMP for the salmon fisheries in federal waters off of Alaska. Amendment 6 brings the FMP into compliance with the requirements of the Magnuson-Stevens Act by specifying objective and measurable criteria for identifying when fisheries are overfished. Conservation and management measures are also included to prevent overfishing or end overfishing and rebuild fisheries.

Program Evaluation

Virtually every aspect of NMFS fisheries science program is peer reviewed, either internally within NMFS or outside the agency by, for example, the National Academy of Sciences or the National Science Foundation. NMFS also relies on extensive informal networks of university partnerships and laboratories throughout the United States. Moreover, reviews often occur by opposing parties' scientists in the court system when fisheries management decisions are litigated.

Evaluation efforts include peer reviews of proposals and internal and external reviews of programs. The Center for Independent Experts is an established pool of experts from outside of NMFS that the agency can call on to review the stock assessments, new management methods, scientific programs, grant proposals, and to participate in the design of those enterprises. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

For this performance goal, the NOAA NMFS Regulatory Program was reviewed using OMB's Program Assessment Rating Tool (PART). Within the federally controlled U.S. Exclusive Economic Zone, NOAA NMFS is responsible for the management and conservation of the nation's living marine resources and their habitats. The regulatory programs under NMFS promote sustainable use of living marine resources and the recovery of threatened and endangered species.

Performance Goal 2: Sustain Healthy Coasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

NOAA has three primary objectives to sustain healthy coastal ecosystems and the communities and economies that depend on them. These are to (1) protect, conserve, and restore coastal habitats and their biodiversity; (2) promote clean coastal waters; and (3) foster well-planned and revitalized coastal communities. To meet these objectives, NOAA integrates a broad range of research, assessment, and management activities from four of NOAA's five line offices: NOS; the Office of Oceanic and Atmospheric Research (OAR); NMFS; and the National Environmental Satellite, Data, and Information Service. NOAA works with many governmental and nongovernmental partners at local, state, national, and international levels to address the critical challenges facing coastal areas. NOAA measures its performance in meeting these objectives by tracking key outcomes, such as the acres of coastal habitat restored, changes in coastal water quality, number of coastal states with effective nonpoint pollution control programs, and the percentage of U.S. shoreline covered by improved ability to identify and mitigate the impacts of natural hazards.

FY 2003 Performance

In FY 2003, NOAA's Habitat Restoration Program was formed as a joint and coordinated effort among NOAA Line Offices. The core and collaborating components of the program have worked to restore degraded habitats through a variety of complimentary efforts. This work is geared to restoring ocean, coastal, and Great Lakes habitats, advancing the science underlying habitat restoration and developing improved tools, and transferring restoration information, technology, and results to the private and public sectors through technical guidance, education, and outreach. The program settled two major damage assessment cases in FY 2003, one of which involved the *Westchester* oil spill in Louisiana, where over 500,000 gallons of crude oil were released from a tanker, resulting in one of the largest oil spills in gallons of oil in the lower 48 states. The spill injured birds, fish, and critical habitat and affected fishing and hunting. NOAA worked cooperatively with the responsible parties and co-trustees for rapid resolution and achieved settlement in less than three years. The settlement includes wetland restoration that will result in 20-100 acres of new marsh growth, and constructing a boat dock to improve access to fishing and hunting. The restoration projects accomplished through the settlement were implemented in August and September 2003. The natural resource value of the restoration is approximately \$4.3 million, with an additional \$2.3 million for the boat dock, bringing the total value of the restoration of that area to nearly \$6.6 million.

NOAA's Hazardous Materials Response Division coordinated with federal, state, and local agencies in responding to more than 130 events in FY 2003, including oil and chemical spills, search and rescue efforts, and other emergencies.

NOAA and the Environmental Protection Agency granted full approval to five new state coastal nonpoint pollution programs, bringing the total number of fully approved programs to 15. The American Samoa, Commonwealth of Northern Marinas Islands, and the states of Maine, North Carolina and Wisconsin joined previously approved coastal states and territories. States and territories with approved coastal nonpoint programs are eligible to receive federal funds intended to improve water quality by building local capacity to manage pollution, and targeting sources such as marinas and failing septic systems.

NOAA and the state of California dedicated more than 3,700 acres on San Francisco Bay as a National Estuarine Research Reserve (NERR), the third in California. The San Francisco Bay NERR, established to restore tidal marshes and protect estuarine habitat through research, monitoring and educational programs, includes coastal habitats in two sites: China Camp State Park in San Rafael (1,640 acres in Marin County) and the Rush Ranch Open Space Preserve (2,070 acres in Solano County). The Reserve is the 26th in the national federal-state partnership and the first addition since 1999.

Measure 2a: Number of Acres of Coastal Habitat Restored (Cumulative)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	2,829
Actual				5,200
Met/Not Met				Met

Explanation of Measure

This performance measure replaces the discontinued performance measure, “Number of Habitat Acres Benefited.” This performance measure reflects a more precise measure of the actual and direct consequences of restoration actions with the recognition that indirect beneficial impacts may occur that cannot be precisely measured at present. With the revised performance measure, a new baseline for tracking progress has been established.

At one point, NMFS formerly tracked “acres benefited” as a measure of performance for actions undertaken through its various restoration programs. This was erroneously changed to “acres restored” in the FY 2001 budget documents as part of the editorial, rather than scientific review, process. The error was identified and corrected in succeeding budget documents. Those events, however, engendered a discussion of methods used to calculate the precise number of acres that would or could benefit from any particular restoration action. It was determined that scientific models to identify and count the actual number of acres benefiting from a restoration action did not exist and that such estimates were subject to human error and exaggeration. As a consequence, the performance measure has been changed once again to “acres restored.”

FY 2003 Performance

This performance measure has been revised to show “Number of Habitat Acres Restored.” The performance measure has been changed to reflect a more precise measure of the actual and direct consequences of restoration actions.

NOAA's Habitat Restoration Program restores habitat acres and services lost or degraded as a result of development and other human activities, as well as specific pollution incidents and sources. The program's objectives and activities are targeted to NOAA's trust resources found across ocean, coastal, and Great Lakes habitat areas. NOAA Fisheries over the past three years has pursued a multifaceted effort to revitalize the oyster resource of the Chesapeake Bay. Once the basis for a million dollar industry and an ecological keystone species, Chesapeake oysters have dwindled to less than one percent of their historic abundance. NOAA's work to reverse the decline includes physical habitat restoration, supplementation of natural populations with hatchery reared oysters, and applied scientific research.

In response to current and ongoing habitat degradation and loss occurring at the national level, in FY 2003, NOAA provided approximately \$7.5 million in funding for 215 grass-roots habitat restoration projects. Types of projects included: improvements to migratory fish access and a variety of restoration efforts focused on submerged aquatic vegetation, tidal wetlands, shellfish, riparian, and coral habitat areas. The geographic scope and rate at which restoration can be accomplished have been expanded through national and regional habitat restoration partnerships established with 17 organizations. In addition, in FY 2003, community members devoted approximately 60,000 hours to these projects, through participation in volunteer opportunities and educational programs. This involvement resulted in heightened stewardship for and awareness of the importance of fishery habitats to the sustainability of the nation's living marine resources. NOAA's investment in these projects has been leveraged by factors of 3-5 through matching contributions of funding and in-kind services.

Measure 2b: Reduce Introductions and Effects of Invasive Species in a Total of Six Regions within the United States

	FY 2000	FY 2001	FY 2002	FY 2003
Target	1	2	2	2
Actual	1	2	2	2
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Executive Order 13112, dated February 3, 1999, defines invasive species as “an alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health.” Many such species displace native species, disrupt the ecological integrity of ecosystems, and threaten the economic and recreational value of coastal resources. NOAA's Sea Grant Program divides the country into six regions (Great Lakes, Northeast, Mid-Atlantic, Southeastern Atlantic and Gulf of Mexico, Pacific, and Northwest) for its activities related to invasive species.

Primarily through research and education, this measure covers the two components that result in an overall reduction in the number of invasive species introductions in the six regions around the country: (1) a decrease in the number of new non-indigenous species that become established in U.S. coastal regions from other countries, when compared to a base period and (2) a decrease in the spread of new non-indigenous species out of the region where they originally became established. Basically, this measure means that in any given period of time, NOAA is continually working towards the reduction of invasive species in at least two of the six regions, although the activities may also have positive effects on the other regions as well.

Based on the Office of Inspector General (OIG) Audit Report, No. FSF-14998/November 2002, this measure will be replaced by a measure more specific in terms of scope and regional areas covered by the work.

FY 2003 Performance

The target number does not rise because it is not intended to be a cumulative figure. In other words, in each year, steps are taken to reduce the impacts in the given number of regions and the next year steps can be taken in another region. There are literally thousands of nonindigenous species that can either be introduced or spread and dozens of methods by which this could happen.

Measure 2c: Percentage of U.S. Shoreline and Inland Areas that have Improved Ability to Reduce Coastal Hazard Impacts

	FY 2000	FY 2001	FY 2002	FY 2003
Target	14%	6%	17% ²	17%
Actual	8%	8% ¹	8%	17%
Met/Not Met	Not Met	Met	Not Met	Met

¹ This figure was reported as 6 percent in the FY 2003 Annual Performance Plan (APP). However, based on Office of the Inspector General (OIG) Audit Report, No. FSF-14998/November 2002, NOAA understated the results for FY 2000 and FY 2001 and should have reported 8 percent (instead of 6 percent) of shoreline as having improved ability to reduce impacts from coastal hazards.

² The change also resulted in an increase of the target for FY 2002 and 2003 from 15 percent to 17 percent.

Explanation of Measure

This measure tracks improvements in NOAA’s ability to estimate the risks of natural hazards in U.S. coastal regions. 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 the impacts of hazards to life and property. Currently, many coastal communities make major decisions on land use, infrastructure development, and hazard responses without adequate information about the risks and possible extent of natural hazards in their area. Through the coastal risk atlas, NOAA NOS, with other federal and state agencies, will provide a mechanism for coastal communities to evaluate their risks and vulnerabilities to natural hazards for specific U.S. coastal regions and improve their hazard mitigation planning capabilities. Annual percentages are calculated by dividing the total amount of U.S. shoreline (97,128 miles) into the cumulative amount of shoreline addressed by projects in support of this measure.

FY 2003 Performance

The target for this performance measure was met by completing the states of Florida and Mississippi to the Coastal Risk Atlas project. The addition of Florida (8,436 miles of shoreline) and Mississippi (359 miles of shoreline) combined with the previous miles of shoreline (Alabama – 607; Part of Hawaii (Maui county) – 325; North Carolina – 3,375; Ohio – 262; part of Oregon – 53; Rhode Island – 420; and South Carolina- 2,876) brings the cumulative total to 16,713 of the total shoreline 97,128, or 17 percent of the total shoreline.

Discontinued Measure in FY 2003

Based on recommendations from OIG General Audit Report, No. FSD-14998/November 2002, NOAA discontinued the following performance measure and replaced it with “Number of Habitat Acres Restored.”

Number of Acres of Coastal Habitat Benefited (Cumulative)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	108,531	132,000
Actual		83,002	108,531	Discontinued
Met/Not Met			Met	

Explanation of Measure

NOAA replaced this performance measure with “Number of Habitat Acres Restored.” The new performance measure reflects a more precise measure of the actual and direct consequences of restoration actions with the recognition that indirect beneficial impacts may occur that cannot be precisely measured at present. With the revised performance measure, a new baseline for tracking progress has been established.

Program Evaluation

NOAA’s goal to sustain healthy coasts is the product of more than 25 years of experience helping to understand and manage coastal resources so that their ecological and economic productivity can be fully realized and sustained. Evaluation efforts exist at a variety of levels, from peer reviews of proposals and evaluations of individual projects, to internal and external reviews of entire programs and quarterly reviews of NOAA’s overall performance in coastal stewardship areas. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

OIG regularly conducts reviews of NOAA programs relating to performance and on occasion provides recommendations. The most recent OIG review related to this goal focused on “acres of habitat restored” and “improved U.S. shoreline and inland areas.” The recommendations are reflected in this report.

For this performance goal, the Coastal Zone Management (CZM) Program under the CZM Act (CZMA) is being reviewed using the OMB’s PART.

The CZMA of 1972, as amended, creates federal-state partnerships to support effective management, beneficial use, protection, and development of the coastal zone. The NOAA NOS CZM Program addresses competing demands for economic development and environmental protection through an integrated approach to protecting, restoring, and developing the natural, cultural, and economic resources of the coastal zone.

As a result of NOAA’s efforts on the FY 2005 PART for the CZM Program, NOAA will continue to develop meaningful long-term outcome measures.

Performance Goal 3: Recover Protected Species

Corresponding Strategic Goal

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

Rationale for Performance Goal

To recover protected species, the NOAA NMFS aims to prevent the extinction of protected species, recover protected species, and to maintain the status of healthy species. NOAA measures its performance in meeting these objectives by focusing on the agency's ability to manage protected species through conservation programs and recovery plans and through constant monitoring of and research into the status of species and the stresses that affect their mortality.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing FY 2003 data for this measure since complete data will not be available until calendar year 2004. However, NOAA continued in FY 2003 its work to recover protected species.

During the year, NOAA NMFS convened an International Technical Expert Workshop on Marine Turtle Bycatch in Longline Fisheries. Participants came from 19 countries and four inter-governmental organizations (Food and Agriculture Organization of the United Nations, Inter-American Tropical Tuna Commission, Convention on Migratory Species, Secretariat of The Pacific Community). The Workshop objectives were to: (1) evaluate existing information on turtle bycatch in longline fisheries, (2) facilitate and standardize collection of data from longline fisheries, (3) exchange information on experimentation with longline gear, (4) identify and consider solutions to reduce turtle bycatch in longline fisheries, and (5) exchange information and gain a comprehensive understanding of the fishing methodologies and operations of global longline fleets.

Numerous recovery teams were convened in FY 2003 to develop or revise recovery plans for a variety of species. These include teams for the two distinct population segments of Steller sea lion (revision), white abalone (new), Hawaiian monk seal (revision), loggerhead sea turtle (revision), Kemp's Ridley sea turtle (revision), and eight technical recovery teams for the 26 species of Pacific salmon (new). Some of these teams, such as the Hawaiian monk seal team, will also be used to implement the plans. Other recovery plans, specifically the Atlantic salmon and North Atlantic right whale plans, have been written with input from states and other stakeholders.

In 2003, NOAA NMFS Office of Protected Resources got a first time line item in the budget to be used for Endangered Species Act Section 6 grants to states. With this funding, 16 projects are being funded to conduct research toward the conservation of species along the Atlantic coast. These grants are only available to states with Section 6 agreements with NOAA. In 2003, three agreements were completed with Florida, Puerto Rico and the U.S. Virgin Islands to add to the six already in existence. In 2004, the Office of Protected Resources hopes to develop agreements with more states to enable them to access Section 6 funds.

On the international front, NOAA NMFS completed an eight-year-long effort to promote sustainable management of queen conch fisheries by working simultaneously with the Convention on International Trade in Endangered Species (CITES) and the International Queen Conch Initiative. CITES, which regulates international trade in this species, completed a review of the species and imposed import restrictions on countries that do not have sustainable fisheries. The International Queen Conch Initiative is working in the Wider Caribbean region to develop support for a cooperative management regime for this species.

Measure 3a: Reduce by 10 (From a FY 2000 Baseline of 27) by FY 2007, the Number of Threatened Species at Risk of Extinction

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	2	2	5
Actual		2	7	Available in calendar year 2004
Met/Not Met		Met	Met	

Explanation of Measure

The measure addresses 10 of the 27 threatened species that have been identified as the threatened species most in danger of becoming endangered with extinction. The authority to list species at “threatened” or “endangered” is shared by the NMFS, which is responsible for listing most marine species, and the Fish and Wildlife Service of the Department of the Interior, which administers the listing of all other plants and animals. There are two classifications under which a species may be listed:

- Species determined to be in imminent danger of extinction throughout all of a significant portion of their range are listed as “endangered.”
- Species determined likely to become endangered in the foreseeable future are listed as “threatened.”

The 2003 target for the number of species with reduced threats for 2003 was already exceeded in 2002, with the actual species number of seven. This reflects the stable or increasing status of Johnson’s sea grass, the eastern distinct population segment (DPS) of Steller sea lions, Snake River fall-run chinook, Oregon coast coho, Hood Canal summer chum, Lower Columbia steelhead, and Upper Willamette steelhead.

Strategies to accomplish this performance measure include enforcing existing conservation measures, conducting priority research as identified in species recovery plans, developing partnerships with states and others to implement conservation programs, and building the tools and technology to improve the effectiveness of conservation actions.

Because this measure reflects only general trends in status of threatened species, it does not capture the impact of work that NOAA undertakes on an annual basis to improve our understanding of protected species, build partnerships to address the conservation needs of those listed species, or the development of new tools and technology to address conservation needs. This performance measure is being reviewed and will be modified to more accurately address NOAA-controlled activities.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing FY 2003 data for this measure since complete data will not be available until calendar year 2004. However, NOAA undertook several activities in FY 2003 relevant to this performance measure.

Increases in several salmon populations can be attributed in part to management actions such as restricted harvest (e.g. Oregon Coast coho salmon, Hood Canal summer chum salmon), and improvements in survival through hydroelectric dams on the Columbia River (e.g. Upper Columbia River Spring-run chinook, Upper Columbia River steelhead). Although some of the increases in abundance and productivity for threatened and endangered Pacific salmon may be attributed to favorable conditions in the marine environment, the initial indications that management actions are exhibiting results are encouraging.

Permanent regulations were passed implementing Steller sea lion conservation measures. The 2002 survey indicated that the eastern DPS, just the southeast portion (U.S.) was up 0.9 percent. This was not a DPS-wide survey, but this DPS is considered stable.

In 2003, NOAA NMFS enacted a temporary final rule to protect sea turtles from further entanglement and impingement in Virginia pound net leaders. NOAA NMFS has also funded several projects aimed at promoting the recovery of sea turtles, including (1) research projects that tag and assess the health and status of sea turtle populations; and (2) projects that support the recovery, transfer, and rehabilitation of cold stun sea turtles from Cape Cod.

In FY 2002, NMFS exceeded the target because of better than expected results in the status of five ESUs of Pacific salmon—Snake River fall run chinook, Oregon Coast coho, Hood Canal summer run chum, Lower Columbia River steelhead and Upper Willamette River steelhead. The improvement in these species’ status was related to better than expected ocean conditions (over which NMFS has no control) that improved survivability, as well as actions to reduce takes in the river and to improve in-river spawning and migratory habitat.

Measure 3b: Increase the Number of Commercial Fisheries that Have Insignificant Marine Mammal Mortality

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	2	6	6
Actual		2	3	Available in calendar year 2004
Met/Not Met		Met	Not Met	

Explanation of Measure

This measure tracks the number of commercial fisheries where marine mammal deaths are substantial and where deaths will be reduced to insignificant levels by 2007. By definition, insignificant levels mean that total mortality or rate of death is no more than 10 percent of the maximum number of marine mammals that could die from human-caused mortality. For this measure, 15 out of 32 fisheries have been targeted.

One of the most significant impacts on marine mammal stocks is death from entanglement and drowning in fishing gear. Certain marine mammal species are particularly vulnerable to interactions with fisheries because of the location and type of fishing gear used. There are 15 fisheries and marine mammal stocks targeted in this measure. For the Western North Atlantic stock of coastal bottlenose dolphins, the fisheries are the Mid-Atlantic coastal gillnet, North Carolina inshore gillnet, Southeast Atlantic gillnet, Southeast Atlantic shark gillnet, Atlantic blue crab trap or pot, Mid-Atlantic haul or beach seine, North Carolina long haul seine, North Carolina roe mullet stop net, and Virginia pound net. For the Gulf of Main/Bay of Fundy stock of harbor porpoise, the fishery is the Northeast sink gillnet. For the Atlantic large whale (ALW), the fisheries are the Northeast and Mid Atlantic American lobster trap or pot, Northeast sink gillnet, Mid Atlantic coastal gillnet, and Southeast

Atlantic shark gillnet. Finally, for the Pacific new fishing technologies to reduce gear impacts need to be developed, and strategies to reduce offshore cetaceans. It is the California and Oregon fishery for thresher shark and swordfish. Interactions between fishing gear and marine mammals need to be devised. NOAA also needs to educate fishermen about how they can avoid marine mammals while still being able to catch fish.

A successful program to reduce mortality of marine mammal stocks will require research on marine mammal behavior, assessment of marine mammal populations, reductions of interactions in problem fisheries, and monitoring and analysis via the observer program.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing FY 2003 data for this measure since complete data will not be available until calendar year 2004. However, NOAA undertook several activities in FY 2003 relevant to this performance measure.

NOAA NMFS has convened six take reduction teams (TRT) to date and implemented four take reduction plans (TRP). Most successful to date are the Pacific Offshore Cetacean TRP and the Harbor Porpoise TRPs, which have resulted in takes below the Potential Biological Removal (PBR). A PBR is defined as the maximum number of animals that may be removed from a marine mammal stock while allowing that stock to reach or maintain its optimum sustainable population. The Bottlenose Dolphin TRP has not gone into effect yet, but modeling suggests it will be effective at reducing takes below PBR once implemented. Substantial progress has been made in reducing takes of marine mammals in commercial fisheries toward insignificant levels in three of these fisheries – the California/Oregon drift gillnet fishery for thresher shark/swordfish, Northeast sink gillnet fishery, and the Mid-Atlantic coastal gillnet fisheries. Although the target for 2002 was not met, progress was made toward the 2007 target.

The Pacific Offshore Cetacean TRP addresses incidental mortality and serious injury of beaked whales, pilot whales, pygmy sperm whales, sperm whales, and humpback whales in the swordfish/shark drift gillnet fishery off California and Oregon. The final rule, published on October 3, 1997, and effective October 30, 1997, implemented the team's TRP, which requires that the top of the nets be set at a minimum depth of 36 feet below the water surface, that pingers be used on all nets, that the states of California and Oregon reduce the number of "inactive" permit holders, and that vessel operators be required to attend educational workshops if requested to educate them about marine mammals and the take reduction plan. The plan has achieved the Marine Mammal Protection Act's short-term goal of reducing incidental takes in the California/Oregon drift gillnet fishery below the PBR levels for all species covered under the plan.

The Gulf of Maine Harbor Porpoise TRP addresses incidental mortality and serious injury of Gulf of Maine harbor porpoise in the Northeast sink gillnet fishery. The final rule, published December 2, 1998 (63 FR 66464) and effective January 1, 1999, implemented the team's TRP, which instituted several time-area closures, some of which are complete closures, and required the use of pingers on sink gillnets. Takes of harbor porpoise in the sink gillnet fishery have been reduced below PBR since the TRP was implemented.

The Mid-Atlantic Harbor Porpoise TRP addresses incidental mortality and serious injury of harbor porpoise in Mid-Atlantic coastal gillnet fisheries. The final rule, published on December 2, 1998 (63 FR 66464) and effective January 1, 1999, implemented the team's TRP, which instituted time and area closures to gillnet fishing unless the gear meets certain specifications. The plan also includes some time and area closures in which gillnet fishing is prohibited regardless of the gear specifications. Takes of harbor porpoise in Mid-Atlantic coastal gillnet fishery have been reduced to below PBR since the TRP was implemented.

The Atlantic Large Whale (ALW) TRP addresses incidental mortality and serious injury of right whales, humpback whales, fin whales, and minke whales in the shark gillnet fishery, the Northeast/Mid-Atlantic mixed species trap/pot fishery, Mid-Atlantic gillnet fishery, Southeast shark gillnet fishery, and Northeast sink gillnet fishery. The first rule implementing the ALWTRP went into effect in 1997 when it was published in the *Federal Register* as an Interim Final Rule. The regulations contained in that rule were updated in February 1999, and again in December of 2000. In January 2002, NOAA Fisheries published three rules that (1) make further modifications to commercial fishing gear, (2) establish a system for restricting fishing in areas where unexpected aggregations of right whales are observed, and (3) establish restricted areas based on the annual, predictable congregations of right whales. The ALWTRP consists of restrictions on where and how gear can be set; research into whale populations, whale behavior, and fishing gear; outreach to inform fishermen of the problem and to seek their help in understanding and solving the entanglement problem; and a program to disentangle whales that do get caught in gear. The ALWTRT met at the end of April 2003 and is in the process of organizing regional sub-group meetings within the next two months to further develop and discuss proposals for additional gear modifications to decrease the likelihood of large whale entanglements.

The Bottlenose Dolphin TRT was convened in 2001 to address incidental mortality and serious injury of Western North Atlantic coastal bottlenose dolphins in Mid-Atlantic and Southeast gillnet, beach seine, stop net, and trap/pot fisheries. The team wrapped up their final meeting in April 2003 and recently submitted their final recommendations to NOAA Fisheries to reduce bycatch of the seven management units of bottlenose dolphins in this stock complex to levels below PBR. The recommendations include temporal restrictions, proximity and gear-marking requirements, gear length restrictions, mesh size restrictions, and mandatory training. NOAA Fisheries is currently drafting a proposed rule incorporating the team's recommendations. The proposed rule is expected to be published by winter 2003 for 90 days of public comment and to complete the final rule implementing the team's TRP by the end of November 2003. Modeling efforts suggest these measures will reduce takes of bottlenose dolphins to levels below PBR.

In FY 2002, NMFS did not meet the target because of the delay in proposing conservation measures to benefit the mid-Atlantic bottlenose dolphin until this year. NMFS had established this take reduction team in late 2001, but as the team was working through the issues, it became clear that the abundance estimates for the species were inadequate for the purposes of negotiating reductions in dolphin takes by a number of mid-Atlantic coastal fisheries. NMFS conducted a new abundance survey last year, which is the basis of a draft plan and regulations that is intended to be implemented in spring 2004.

Measure 3c: Reduce by 11 (from a FY 2000 Baseline of 29) by FY 2007, the Number of Endangered Species at Risk of Extinction

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	3	6	6
Actual		3	5	Available in calendar year 2004
Met/Not Met		Met	Not Met	

Explanation of Measure

The term “endangered species” is defined in the Endangered Species Act as any species that is in danger of extinction. Of the 29 endangered species under the authority of NOAA NMFS, 11 have been identified as the most critically in danger of extinction. These 11 species include the Pacific leatherback turtle, Kemp’s Ridley turtle, hawksbill turtle, Hawaiian monk seal, Western Steller sea lion, shortnose sturgeon (SNS), and five species of Pacific salmonids. The number of species with reduced risk of extinction is on target as of 2002, with an actual species number of five. This reflects the stable or increasing status of the Kemp’s Ridley sea turtle, Snake River sockeye, Sacramento River winter-run chinook, Upper Columbia spring-run chinook, and Upper Columbia steelhead.

Efforts to prevent extinction will focus on identifying the factors that contribute to extinction and developing and implementing recovery plans to address these factors. Reducing the probability of extinction requires a reduction in human activities that are detrimental to the survival of protected species, that is, reducing incidental and direct catch (takes), increasing species habitat, decreasing negative interactions, and mitigating natural phenomena.

Because this measure reflects only general trends in status of endangered species, it does not capture the impact of work that NOAA undertakes on an annual basis to improve our understanding of protected species, build partnerships to address the conservation needs of those listed species, or the development of new tools and technology to address conservation needs. This performance measure is being reviewed and will be modified to more accurately address NOAA-controlled activities.

FY 2003 Performance

The time line for producing the PAR precludes NOAA NMFS from providing FY 2003 data for this measure since complete data will not be available until calendar year 2004. However, NOAA undertook several activities in FY 2003 relevant to this performance measure.

NOAA Fisheries continued to monitor and assess wild Atlantic salmon populations in cooperation with the Maine Atlantic Salmon Commission. NOAA Fisheries provided funding and staff support for habitat restoration projects in Maine, and led U.S. participation in international efforts to manage Atlantic salmon through NASCO. NOAA NMFS also led efforts to develop and publish a draft Recovery Plan for the Gulf of Maine DPS of Atlantic Salmon, and have been engaged in formal Endangered Species Act Section 7 consultations with the Army Corps of Engineers to reduce the threats posed by commercial salmon.

Permanent regulations were passed implementing Steller sea lion conservation measures. In addition, FY 2002 surveys exhibited the first signs that the western DPS may be stabilizing (although this determination cannot be certain at this time).

NOAA NMFS is working with the owners/operators of the Holyoke Dam to minimize and mitigate potential adverse impacts from the dam to the Connecticut River SNS population, through improved upstream and downstream passage of SNS. NOAA NMFS is also funding several studies on SNS, including (1) a study to identify sonar technology that may be utilized to remotely locate/identify and study SNS behavior; (2) a study to obtain information using sonic telemetry on the abundance and distribution of SNS in the lower tidal Delaware River and Bay; (3) a study to determine over-wintering and spawning locations, movements, and stock structure of SNS in the Potomac River.

With regard to North Atlantic right whales, NOAA NMFS supported gear research efforts through the Endangered Species Act Section 6 funds in support of state whale conservation plans as well as gear research to minimize the risks associated with entanglements; added new trap/pot fishery representatives to the ALWTRT for fisheries including, but not limited to, black sea bass, red crab, hagfish, and conch; implemented the Dynamic Area Management (DAM) Program by establishing

two DAM zones from October 2002-December 2002 and four DAM zones from January 2003-August 2003; and conducted numerous outreach efforts, which included the distribution of a special message to gillnet and trap/pot fishermen regarding measures fishermen can take to reduce the risk of serious injury and mortality of large whales and expanding outreach efforts in the mid-Atlantic by adding new Mid-Atlantic Liaison.

In July of 2003, a 10-day cruise to Cortes Bank, 120 miles off the coast of San Diego, California, was mounted to map potential white abalone habitat and to census surviving individuals on the Bank. The new estimates of available habitat and total abundance will likely exceed those reported in the white abalone status review (Hobday and Tegner 2000), however, density estimates for Cortes Bank may be similar to those reported in the status review (approximately three to eight per hectare depending on the depth stratum).

On August 20, 2003, NOAA NMFS completed the Mid-Columbia Habitat Conservation Plan (HCP) for the operation of three hydroelectric projects located on the Columbia River in the State of Washington. This HCP provides for operation of the hydroelectric projects while also protecting Endangered Upper Columbia River steelhead and Upper Columbia River spring-run chinook salmon.

In FY 2002, NMFS did not meet the target because of continued declines for critically endangered species that interact with fisheries in the Western and North Pacific ocean (Steller sea lions and Pacific leatherback turtles). In addition, nesting sites for leatherback turtles showed a steep decline in nests produced, despite efforts to protect these areas. NMFS continues to work with domestic and foreign fisheries to reduce at sea incidental capture of turtles by limiting fishing gear use until mitigation measures can be demonstrated effective and implemented in the fishery. NMFS has had several years of successful development of alternative gear and will be requiring their use domestically in spring 2004. NMFS will “export” these successful measures to other nations through various means, including treaties and fishery and conservation fora. NMFS anticipates that it will be able to demonstrate improvement with SNS based on increased cooperation with Atlantic coastal states and federal agencies responsible for riverine habitat, including the U.S. Army Corps of Engineers. NMFS is supporting mitigation measures for sturgeon and more comprehensive surveys for this species which, is found in limited numbers, but throughout the Atlantic seaboard.

Program Evaluation

Evaluation efforts include peer reviews of proposals, internal and external reviews of programs, and quarterly reviews of NOAA’s overall performance in protected species recovery. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

For this performance goal, the Pacific Coastal Salmon Recovery Program was reviewed using OMB’s PART.

The Pacific Coastal Salmon Recovery Fund is authorized for salmon habitat restoration, salmon enhancement, salmon research, and salmon supplementation activities. The program provides grants to states and tribes to assist state, local, and tribal salmon conservation and recovery efforts. Using PART, this program received a total score of 80 percent out of 100 percent.

Performance Goal 4: Advance Short-term Warnings and Forecasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

The environment has profound effects on human welfare and economic well being. Each year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural hazards. NOAA’s current ability to predict short-term change is restricted by observations that are incomplete. This limits the ability to improve basic understanding and predictive modeling of weather and other natural phenomena. Although we can do nothing to prevent natural disturbances, we must do everything possible to minimize impact on humans. NOAA must improve its observing systems, develop a better understanding of natural processes, and enhance numerical weather prediction models and dissemination systems.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data. Therefore the following information is preliminary and subject to change.

NWS is currently expected to meet the FY 2003 targets for tornado lead time, accuracy and false alarm rate (FAR); flash flood accuracy, heavy precipitation forecasts; winter storm warnings and accuracy; aviation forecasts; and marine forecasts. Based on the preliminary verification, NWS is not expected to meet the FY 2003 target for flash flood lead time. Presently, there is not enough data available to determine the expected outcome of the hurricane track error measure.

Measure 4a: Lead Time (Minutes), Accuracy (%), and False Alarm Rate (FAR) (%) for Severe Weather Warnings for Tornadoes					
		FY 2000	FY 2001	FY 2002	FY 2003
Lead time (min)	Target	12	13	11	12
	Actual	10	10	12	14 ¹
	Met/Not Met	Not Met	Not Met	Met	Met
Accuracy	Target	70%	68%	69%	72%
	Actual	63%	67%	76%	81% ¹
	Met/Not Met	Not Met	Not Met	Met	Met
FAR	Target	65%	73%	71%	72%
	Actual	76%	73%	73%	76%
	Met/Not Met	Not Met	Met	Not Met	Not Met

¹ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

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 throughout the year are averaged to get this statistic. The accuracy of the warnings is the percentage of times a tornado actually occurred in an area that was covered by a warning. The FAR is the percentage of times a tornado warning was issued but no tornado occurrence was verified. The FAR was added as a reportable measure in FY 2000, although it had been collected and used internally previously. NOAA is exploring how best to represent events where the public is not provided warning in time to take action.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003. The data as stated in the table reflects estimates based on third quarter actuals.

However, as of July 2003, NWS exceeded the performance targets for both tornado warning lead time and accuracy. The target for tornado FAR was not met as of this date. Improved performance in FY 2003 can be attributed to improved training for NOAA field forecasters through use of a weather event simulator, implementation of best practice procedures during storm events, and providing improved resolution of precipitation data to forecasters through the NEXRAD Open System Radar Product Generator processor retrofits. NWS performance during the May 4-10 tornado outbreak contributed to the improved performance to date: NWS average lead time for this outbreak was 19 minutes for 375 tornado events.

Improved tornado warning accuracy can come at the expense of FAR. As more tornados are detected and warnings are issued, the probability of additional false alarms increases. Finer resolution radar data through improved radar signal acquisitions (Open Systems Radar Data Acquisition and Dual Polarization) will reduce false alarms while further improving the accuracy.

Measure 4b: Lead Time (Minutes) and Accuracy (%) for Severe Weather Warnings for Flash Floods					
		FY 2000	FY 2001	FY 2002	FY 2003
Lead time (min)	Target	55	45	45	47
	Actual	43	47	53	44 ¹
	Met/Not Met	Not Met	Met	Met	Not Met
Accuracy (%)	Target	86%	86%	86%	87%
	Actual	86%	86%	89%	90% ¹
	Met/Not Met	Met	Met	Met	Met

¹ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

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 throughout the year within the continental United States are averaged to get this statistic. This average includes all warned events with zero lead times and all unwarned events. The accuracy of the warnings 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. NOAA's actions include data collection and verification, and new performance measures will be reported in future years. NWS expects steady improvement in both flash flood lead time and accuracy leading into FY 2003. The steady improvement is linked to the implementation of new flash flood decision assistance tools in FY 2002 and NEXRAD retrofits in FY 2003. The NEXRAD retrofits allow NWS forecasters to run new algorithms for improved rainfall estimates.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

However, as of July 2003, NWS met the accuracy goal but fell two minutes short of the goal for lead time. When conditions are dry, the ground soaks up the initial rain and the runoff from precipitation events takes longer to begin, typically resulting in longer lead times. When conditions are wet, precipitation occurs on top of saturated soil and the runoff begins immediately, yielding shorter lead times. Through July of FY 2003, the western half of the United States has been extremely dry to the point of having almost no reports of flash flood events, while the majority of flash flood events have occurred in the eastern U.S. which has been unusually wet. This has created the condition of having most flash flood events this past year occurring on wet ground, hence the shorter lead times.

Measure 4c: Accuracy of Hurricane Track Forecasts (48 Hours)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	142	130 ¹
Actual			122	Available in calendar year 2004
Met/Not Met			Met	

¹ This target was originally reported in the FY 2003 Annual Performance Plan (APP) as 138.

Explanation of Measure

The public, emergency managers, government institutions at all levels in this country 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 (nm). 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 (30-year) trend, and basing outyear goals on that trend, is preferred over making large upward or downward changes to the goals each year. The average track error is projected to decrease due to improvements in hurricane forecast models, aircraft upgrades, supporting data, and computer infrastructure, and by conducting research within the U.S. Weather Research Program (USWRP) that will be transferred to NOAA forecast operations.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until calendar year 2004. Hurricane season does not end until November 30th. Through the third quarter of FY 2003, there had only been two, short-lived tropical storms (48-50 hours), which did not provide enough data to produce preliminary verification. However, in the fourth quarter there was increased activity with Hurricanes Claudette, Fabian, and Isabel. The preliminary track errors for the hurricanes are the following: Claudette, 117 nm; Fabian, 85 nm; and Isabel, 61 nm. All of these preliminary track errors are far below the NWS FY 2003 goal of 130 nm. For Hurricane Isabel, watches were issued approximately 50 hours prior to landfall and Hurricane Warnings were posted 38 hours prior to the eye coming ashore. Isabel, which had been at Category 5 on the Saffir-Simpson Hurricane Scale several days earlier, made landfall at Category 2 strength.

Measure 4d: Accuracy (Percent) (Threat Score) of Day 1 Precipitation Forecasts				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	New	25
Actual				29 ¹
Met/Not Met				Met

¹ This actual reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

This measure replaced the discontinued measure, “Accuracy (percent) of 3-day Forecast of Precipitation.” The original measure reflected the ability to accurately forecast a precipitation event three days in advance. The new measure reflects a more representative and accurate means of measuring the performance for this strategic goal. The measure reflects the ability to forecast accuracy of precipitation events one day in advance. Through this measure, the Hydrometeorological Prediction Center (HPC) focuses on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period (short-term 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.

The HPC of the NOAA NWS began providing quantitative precipitation forecasts (QPF) in 1961. These forecasts indicate how much precipitation is expected, not just whether it will rain or snow. HPC has focused on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period, because of the major safety and economic impacts such heavy precipitation can have in producing flooding, alleviating drought, and affecting river navigation. The HPC began making QPFs through two days into the future in 1965 and through three days in 2000.

The HPC has tracked the accuracy of these forecasts very carefully over the years using a metric that is very challenging. This accuracy metric ranges from zero percent, indicating no skill, to 100 percent for a perfect forecast. In verifying the accuracy of a one-inch precipitation forecast for day 1, for example, the 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 wherever it falls is a significant event for the people and nature existing in that particular area. The HPC then compares these observed one-inch areas with the one-inch areas it had forecasted 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 representing the area of Fairfax City, Virginia, or the area of Upper Marlboro, Maryland. 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 it would rain an inch or it had actually rained an inch. In summary, to earn a high accuracy score, HPC has to forecast the time, place, and amount of precipitation very well.

Two important points should be noted. First, although the accuracy scores are low with respect to perfection, the accuracy is clearly sufficiently high to be of major utility to U.S. decisionmakers. As indicated by the numerous requests for HPC's precipitation products, especially in times of hardship, the Federal Emergency Management Agency (FEMA), Army Corps of Engineer, the media, and farmers among others all rely heavily on NOAA forecasts to decide how to proceed. Second, the scores are continuing to improve in accuracy. The metrics from the last 40 years indicate the day 2 forecasts of at least one inch of precipitation in 2002 had more skill than the day 1 forecasts in 1994, and HPC's day 3 forecasts in 2002 were as accurate as our day 2 forecasts in 1997.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

The skill through the third quarter of FY 2003 is higher than the annual target. Consistent with performance in FY 2002, the higher scores can be attributed to the following factors: (1) higher resolution regional weather models run on the new weather and climate supercomputer, (2) a focused training effort for forecasters, (3) new collaborative forecasts approach between HPC and the River Forecast Centers, and (4) a higher number of intense rainfall events in the later half of the year that were easier to forecast.

Measure 4e: Lead Time (Hours) and Accuracy (%) of Winter Storm Warnings					
		FY 2000	FY 2001	FY 2002	FY 2003
Lead time (hrs)	Target	12	13	13	13 ¹
	Actual	9	13	13	14 ¹
	Met/Not Met	Not Met	Met	Met	Met
Accuracy (%)	Target	85%	86%	86%	88%
	Actual	85%	90%	89%	90% ¹
	Met/Not Met	Met	Met	Met	Met

¹ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

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. This performance indicator measures the accuracy and advance warning lead time 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.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

Preliminary data indicates that NWS met both performance measure targets for Winter Storm Warnings. In FY 2003, NOAA NWS continued the use of higher resolution (i.e., 12 km) regional weather forecast models and shorter-range ensemble forecasts to improve skill. In addition, NOAA NWS conducted intense field training sessions to leverage best practices processes and improve multi-office coordination during storm events.

Measure 4f: Accuracy (%) and FAR (%) of Forecasts of Ceiling and Visibility (Aviation Forecasts)					
		FY 2000	FY 2001	FY 2002	FY 2003
Accuracy (%)	Target	20%	21%	18%	45%
	Actual	15%	18%	13%	47% ¹
	Met/Not Met	Not Met	Not Met	Not Met	Met
FAR (%)	Target	50%	51%	52%	71%
	Actual	53%	51%	58%	64% ¹
	Met/Not Met	Not Met	Met	Not Met	Met

¹ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

This measure originally covered “1/4 mile/200 feet.” Conditions of a 200-foot ceiling and one quarter mile visibility are components of the FY 2002 and earlier performance measure accuracy and FAR percentages. However, these conditions are rare events. Because of the infrequency of these conditions, the performance measure poorly captured the operational impact of NWS aviation forecasts. The NWS decided that a better criterion of performance is an aviation performance measure based on a 1,000-foot ceiling and three miles of visibility for both accuracy and false alarm rate, and is related to Instrument Flight Rules (IFR) conditions. A revised performance measure was reported in the FY 2004 APP and included a new FY 2003 baseline with future targets.

In accordance with the NOAA Weather Service strategic plan, this measure was added in FY 2000 to reflect a segment of customers that had not been represented in other performance measures. Visibility and cloud ceiling forecasts are critical for the safety of aircraft operations.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

Preliminary FY 2003 data indicate NWS exceeded the target(s) for accuracy and FAR. Accuracy increased approximately five percent over historical averages, while FAR decreased nearly 10 percent. NOAA launched a new aviation training program for meteorologists, while also releasing new forecast assistance software “tools,” which have contributed to NOAA’s improved performance. NWS replaced its aviation performance target in the FY 2004 APP with aviation forecasts related to IFR conditions. This new goal is more relevant to key users, provides better skill targets, and occurs more often, reducing the impact of seasonal weather variation.

Measure 4g: Accuracy (%) of Forecast for Winds and Waves (Marine Forecasts)

		FY 2000	FY 2001	FY 2002	FY 2003
Winds and waves accuracy (%)	Target	49%	51%	53%	N/A
	Actual	51%	52%	53%	N/A
	Met/Not Met	Met	Met	Met	
Wind speed accuracy (%)	Target	New	New	New	54%
	Actual				57% ¹
	Met/Not Met				Met
Wave height accuracy (%)	Target	New	New	New	66%
	Actual				71% ¹
	Met/Not Met				Met

¹ These actuals reflect preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

In accordance with the NOAA and NWS strategic plans, this measure was added in FY 2000 to reflect another segment of customers that had not been represented in other performance measures. This measure was originally a “combined accuracy forecast for marine wind and wave.” The measure was revised in FY 2002 into two separate measures to reflect the individual wind speed and wave height components, which are important for marine commerce.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

Based on preliminary skill scores for NWS marine wind speed and wave height forecasts through August 2003, NWS appears to be on target for FY 2003 for wave height but not for wind speed. Meanwhile, NWS marine forecasting skill continues to improve slightly due to focused training for NWS forecasters improving models.

Discontinued Measure in FY 2003

The following measure was discontinued during FY 2003 and replaced by a different measure (4d) that better reflected NOAA programs and performance.

Accuracy (Percent) of Three-day Forecast of Precipitation				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	20%	22%	17%	Discontinued
Actual	16%	19%	26%	Discontinued
Met/Not Met	Not Met	Not Met	Met	

Explanation of Measure

This measure has been replaced by the measure “Accuracy (%) (Threat Score) of Day 1 Precipitation Forecasts.” The original measure reflects the ability to accurately forecast a precipitation event three days in advance. The new measure reflects a more representative and accurate means of measuring the performance for this strategic goal. The measure reflects the ability to forecast accuracy of precipitation events one day in advance. Through this measure, the HPC focuses on relatively heavy amounts of precipitation, usually a half inch or more in a 24-hour period (short-term 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.

Program Evaluation

NOAA’s vision for the future is to provide significantly improved short-term warning and forecast products and services that enhance public safety and the economic productivity of the United States. While it is difficult to see the improvements on an annual basis because of the scientific nature and seasonal variations of weather events, historical trends have shown that NOAA continues to improve the accuracy and advance warning lead time of severe weather hazards.

Program evaluations at NWS Field Offices are conducted annually. Quality control procedures are followed to ensure the highest reliability of gathered data and weather products. The National Academy of Sciences is also involved in program analysis and evaluation processes on a national level.

For this performance goal, the programs under NOAA NWS were reviewed using OMB’s PART. NWS provides the public with weather, water, and climate warnings and forecasts. The information is critical for public safety, and protecting lives and property. The data is also critical for business planning and decisions. The NWS is the only national provider of daily warnings and forecasts, storm and severe warning tracking, and flood forecasting. NWS is also the only entity with an established national infrastructure for collecting weather observations and disseminating information. Using PART, NOAA NWS was rated as an effective program.

Performance Goal 5: Implement Seasonal to Interannual Climate Forecasts

Corresponding Strategic Goal

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

Rationale for Performance Goal

NOAA works with academic and international partners to provide one-year lead time forecasts of global climate variability, especially that result from El Niño/Southern Oscillation (ENSO), and consequent precipitation and surface temperature distributions. These forecasts increase society’s ability to mitigate economic losses and social disruption resulting from such events.

FY 2003 Performance

The time line for producing the PAR precludes NOAA from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

Regarding the temperature skill score, NOAA missed the goal for the year. The El Niño pattern experienced in FY 2002 was less severe than anticipated, impacting the overall accuracy of climate forecasts for the year.

For the new climate observation measure, U.S. deployments of the Argo profiling float system increased substantially during FY 2002 and continued above target. This system is the largest new climate observing system currently being deployed with NOAA support.

Measure 5a: U.S. Temperature — Skill Score				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	20	20	20	20
Actual	25	20	18	17 ¹
Met/Not Met	Met	Met	Not Met	Not Met

¹ The actual number reflects preliminary information from the third quarter and estimates for the remaining year.

Explanation of Measure

The verification of seasonal prediction of U.S. temperatures is done based on the Heidke Skill Scores (HSS). HSS is one of several accepted verification standards for measuring forecast skill, and is based on a comparison of observed temperatures with forecasted temperatures. For the areas of the United States where a temperature forecast is made, this score measures how much better the prediction is than just being correct by a random chance. Areas where no forecast for surface temperature is made (i.e., areas designated as “equal chance [or EC]” on the Climate Prediction Center seasonal forecast maps) are not included in the computation of HSS.

HSS varies between -50 to +100. If forecasters match a random prediction, the skill score is zero. HSS above zero shows skill in forecasting. Given the difficulty of making seasonal temperature forecasts for specific locations, a skill score of 20 is considered quite good. Seasonal forecasts will likely be better in El Niño years than in non-El Niño years.

Reported skill score is a cumulative average over past 48 consecutive three-month seasons. For example, skill score of 18 reported at the end of FY 2002 is the HSS averaged over previous 48 surface temperature forecasts from October 1998 to September 2002. Prior to FY 2001, the HSS reported by NOAA was averaged only over the past 36 seasons. A decision to change to an average over 48 seasons was based on following considerations: (1) A longer average reduces the influence of natural unpredictable variability on the skill score, and (2) a cumulative average over four years tends to better capture transitions from El Niño to neutral, and then to La Niña conditions. After the definition for the reported scores was changed in FY 2001, NOAA recomputed the skill scores for FY 1999 and FY 2000, and these numbers, based on 48 season cumulative average, appear in the table above. Temperatures across the United States will be measured using NOAA’s cooperative network maintained by volunteers across the nation. Temperature data will be collected and analyzed by NOAA.

FY 2003 Performance

The time line for producing the PAR precludes NWS from providing final FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

The U.S. Seasonal Temperature Skill Score was lower than the goal of 20 for FY 2003 at the end of the third quarter. The primary reason is the state of the science and predictive skill does not yet permit NOAA to predict the unusually cooler than normal conditions, which have occurred in the eastern half of the United States throughout most of FY 2003. These conditions were due to circulation regimes driven by the Pacific North America (PNA) pattern and the North Atlantic Oscillation (NAO), which are not predictable a season in advance at this time. HSS targets were set at 20-25 during a period when NOAA had limited experience (in the late 1990s), when there were unusually high scores (the strong El Niño and La Niña winters of 1997-2000), and when the PNA and NAO patterns had less influence on the United States.

NWS is working with the research and modeling communities to help improve its skill and consistency, but it may take several years to show improvement. NWS is also working with the same communities to develop and propose a new/improved GPRA skill measure for seasonal outlooks.

Measure 5b: New Climate Observations Introduced

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	120	174	275
Actual		132	192	Available in calendar year 2004
Met/Not Met		Met	Met	

Explanation of Measure

NOAA is undertaking new efforts to better describe the atmosphere-ocean-land system to improve its climate monitoring and prediction capability. As a part of this effort, OAR and National Environmental Satellite, Data, and Information Service (NESDIS) will expand their existing observation systems, that is, data buoys and new satellites.

The oceans provide the largest source of potential predictability for the climate system as well as the potential to produce large climatic surprises, and yet they are currently critically underobserved for certain variables and in many regions. This measure will continue NOAA’s long-term and sustained effort to improve ocean observational capabilities, and to increase the usefulness of observations for this critical part of the Earth’s climate system. NOAA will complete an annual report detailing how these new climate observations increased data density and coverage and how they will be used in climate analysis and prediction.

NOAA’s actions include, as resources permit, expanding its ocean observing systems, focusing on the highest priority variables for climate monitoring and prediction, and addressing critical oceanic data voids. NOAA will also place high priority on improving the assimilation and optimal use of ocean observations in climate models that are used for climate analyses and forecasts. NOAA will also estimate the reduction in analysis error that accompanies increases in data quality, density, and coverage.

FY 2003 Performance

The time line for producing the PAR precludes NOAA from providing FY 2003 data for this measure since complete data will not be available until the end of calendar year 2003.

U.S. deployments of the Argo profiling float system, the largest new climate observing system currently being deployed with NOAA support, increased substantially during FY 2002 and continued above target. As of October 2002, the United States contributed 33 percent of the global Argo array and was the largest international contributor. The profiling floats provide report measurements of the upper ocean temperature and salinity in real time. This is a critical measure for climate, as heat storage in the ocean will largely determine the rate of climate change. Current description of the global Argo array can be found online at <http://argo.jcommops>.

Discontinued Measures in FY 2003

Based upon recommendations from OIG Audit Report No. FSD-15643-3-0001/September, NOAA discontinued the following measures:

Determine the Accuracy of the Correlation Between Forecasts of the Southern Oscillation Index and El Nino/La Nina Events				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	0.85	0.85	0.85	0.85
Actual	0.84	0.85	0.85	Discontinued
Met/Not Met	Not Met	Met	Met	

Explanation of Measure

This measure has been discontinued due to its complexity. NWS acknowledges that this measure is too technical and is working with the broader NOAA climate community to develop more meaningful measures.

The atmosphere is tightly linked to ocean temperatures and circulation patterns. The pattern of warming of the tropical Pacific over periods of three to seven years known as ENSO has a tremendous impact on U.S. and global climate. This measure specifically assesses the correlation between forecasts of Pacific sea surface temperatures (based on models) and actual sea surface temperature (based on satellite and on site observations).

Number of New Monitoring or Forecast Products that Become Operational Per Year (cumulative)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	4	8	12
Actual		4	8	Discontinued
Met/Not Met		Met	Met	

Explanation of Measure

This performance measure was discontinued in FY 2003. NOAA will consider the development of new procedures to verify new climate products and develop a definition of a “new climate product.” When this action is completed, the performance measure will be reevaluated.

Program Evaluation

A number of NOAA line offices participate in the seasonal-to-interannual goal. The OAR conducts periodic reviews of the activities of its Environmental Research Laboratories. NESDIS holds management performance reviews several times a year. NWS conducts reviews of the National Centers for Environmental Prediction. In addition, the National Science Foundation and the National Research Council also evaluate programs. NOAA holds annual constituent workshops where NOAA’s seasonal climate forecasts efforts are discussed with the community of seasonal-to-interannual climate forecast users and where NOAA solicits input to shape future efforts.

Performance Goal 6: Predict and Assess Decadal to Centennial Change

Corresponding Strategic Goal

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

Rationale for Performance Goal

NOAA scientists provide policymakers with the scientific information and expert assessments necessary to make decisions on long-term global and regional environmental issues. NOAA research, conducted in conjunction with its national and international partners, contributes significantly to the understanding of these issues. Experts in these fields periodically compile, summarize, and evaluate the current state of scientific knowledge and report their findings in assessment documents. NOAA’s research, authors, and review of these documents are essential to ensure the highest quality science is available to support important decisions on long-term climate issues. Additionally the national effort in climate research increasingly focuses on reducing uncertainty in projections of climate change and on building the research, modeling, and observational systems to further this objective. Central to the issue of climate change are descriptions of the greenhouse gases that influence how radiation is absorbed by the planet. Knowledge of how carbon dioxide is stored and released and how this will change in the future is essential. Other greenhouse gases and aerosols with shorter atmospheric lifetimes may offer the chance to influence climate change over a shorter period, as well as provide benefits for other environmental issues.

FY 2003 Performance

NOAA performance measures in long-term climate focused on observing system development. Substantial advances took place in deployment of an observing system for tracking carbon storage in North America and in the ocean. For monitoring of the global carbon cycle, expanded carbon measurements allow more precise characterization of global trends in greenhouse gases. In addition, early deployments of the highly accurate U.S. Climate Reference Network (USCRN) are resulting in reduced uncertainty in the U.S. average measures of surface air temperature and precipitation.

Measure 6a: Assess and Model Carbon Sources and Sinks Throughout the United States				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Establish five new pilot atmospheric profiling sites and four new oceanic carbon tracks.	Reduce uncertainty of atmospheric estimates of U.S. carbon balance to +/- 50%.
Actual			Identified five pilot carbon profiling sites and four new oceanic carbon tracks.	Established five pilot atmospheric profiling sites. Established one oceanic carbon track; identified two additional oceanic carbon tracks.
Met/Not Met			Not Met	Not Met

Explanation of Measure

Carbon dioxide is the most important of the greenhouse gases that are undergoing change 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). These reservoirs of carbon are known as carbon “sinks.” However, the variation in the uptake from year to year is very large and not understood. A large portion of the variability is believed to be related to the terrestrial biosphere in the Northern Hemisphere, and quite likely North America itself. NOAA needs to understand 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. This can only be done by making regional-scale measurements of the vertical profile of carbon dioxide across the United States, which, combined with improved transport models, can be used to determine carbon dioxide sources and sinks on a regional (about 600 mile) scale. This will provide a powerful tool to gauge the effectiveness of carbon management and enhanced sequestration efforts.

This performance measure will reduce the uncertainties in climate projections and depends on major advances in understanding and modeling radiative forcings (atmospheric concentrations and radiative roles of greenhouse gases and aerosols) and climate feedback mechanisms. In addition, these data will provide the advanced climate-modeling community with the capability to project future climate under a range of potential scenarios.

This measure also ensures a long-term climate observing system that provides an observational foundation to evaluate climate variability and change, and provides the mechanism to support policy and management decisions related to climate variability and change at national and regional scales.

FY 2003 Performance

Reducing the uncertainty of atmospheric estimates of the U.S. carbon balance to +/- 50 percent is a long-term target and not expected to be achieved until after the full network of 36 stations has been established and monitored. The current goal for achieving this target is FY 2007.

Establishment of the five pilot atmospheric profiling sites, planned for FY 2002, was delayed until FY 2003 due to receipt of funds late in the fiscal year. These five sites are not yet operational.

One oceanic carbon track is in operation from Los Angeles to New Zealand. Two others have been identified: (1) from New Zealand to South America, and (2) from New York to Cape Town.

Measure 6b: Assess and Model Carbon Sources and Sinks Globally				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Establish three new global background sites as part of the Global Flask Network. ¹	Complete a working prototype of a coupled carbon-climate model.
Actual			Established three new global background sites as part of the Global Flask Network. ¹	Completed a model that can look at effects of climate change on particular carbon sinks with feedback to the atmosphere.
Met/Not Met			Met	Met

¹ The Global Flask Network is an observational network of monitoring stations with headquarters in Boulder, Colorado.

Explanation of Measure

The research community is moving toward monthly mean maps, but it is hampered by data that are not at the appropriate temporal resolution. In addition, carbon models are only partially coupled to computer models that account for a changing ocean, atmosphere, and land.

Preliminary work suggests that feedbacks between the land and ocean and the atmospheric carbon dioxide concentration can be strong and result in release of carbon to the atmosphere from the stored pools on land and in the ocean.

Activities planned to assess and model carbon sources and sinks in both the North American and global programs are similar but vary in scale with the North American network having a finer spatial scale. These activities consist of increasing the observing network by establishing new sampling sites, and completing and improving computer models to simulate atmospheric transport of carbon. Both cases will result in more accurate estimates of the atmospheric carbon balance.

The carbon atmospheric observing system over North America has been designed to develop regional (about 600 mile) scale estimates of carbon dioxide sources and sinks, especially within the United States. It requires vertical profiling over terrestrial ecosystems using aircraft and tall towers.

The global atmospheric observing system is designed to determine carbon dioxide sources and sinks for global continental-scale regions and involves additional surface measurements at background (clean air) sites such as coastal regions. The current lack of data results in large variations in carbon source-sink estimates at this scale.

FY 2003 Performance

The NOAA Geophysical Fluid Dynamics Laboratory (GFDL) is currently running atmospheric models coupled to prognostic carbon/land surface models, and is evaluating the results of these simulations. The coupling is fully two-way, in that changes in vegetation can affect evapotranspiration and atmospheric circulation. This is a huge step forward for the laboratory. The laboratory is planning to do runs with this model and a mixed layer ocean, which will be used to calculate “permitted emissions,” accounting for changes in the biosphere resulting from changes in carbon dioxide. This meets the target; in this model, changes in climate affect the carbon budget of the terrestrial biosphere, and changes in the carbon budget can affect the atmosphere.

The GFDL also has a prototype ocean biosphere model coupled to an ice-ocean physical model. This model is being tuned and evaluated. This model will also be used to evaluate the ability of the oceans to take up anthropogenic carbon dioxide.

The ultimate goal of this work is a fully coupled atmosphere-ocean-sea ice-biosphere model, which will involve combining the two components that have already been developed. This has not yet been done in part because NOAA is only in the process of settling on a coupled model.

Measure 6c: Determine the Actual Long-term Changes in Temperature and Precipitation Over the United States

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Capture more than 60% of true contiguous U.S. temperature trend and capture more than 25% of true contiguous U.S. precipitation trend.	Capture more than 70% of true contiguous U.S. temperature trend and capture more than 40% of true contiguous U.S. precipitation trend.
Actual			Captured more than 85% of true contiguous U.S. temperature trend and captured more than 55% of true contiguous U.S. precipitation trend.	Captured 95% of true contiguous U.S. national annual temperature trend and captured 84% of true contiguous U.S. national annual precipitation trend.
Met/Not Met			Met	Met

Explanation of Measure

This measure is designed to address the significant shortcomings in past and present observing systems by capturing at least 96 percent of the true contiguous U.S. national annual temperature trend and at least 94 percent of the true contiguous U.S. national annual precipitation trend by FY 2006.

Inadequacies in the present observing system increase the level of uncertainty when government and business decisionmakers consider long-range strategic policies and plans. USCRN, a benchmark climate-observing network, will provide the nation with long-term (50–100 years) high quality climate observations and records with minimal time-dependent biases affecting the interpretation of decadal to centennial climate variability and change. The fully deployed network will ensure that NOAA can measure more than 90 percent of the variance in monthly trends of surface air temperature and precipitation at the national level. NOAA will deploy instrument suites in a combination of single and nearby paired sites.

Deployment of USCRN is continuing, with stations added over the next several years. However, due to funding limitations, the full implementation has been scaled back to ensure that funds are allocated to maintain the operational performance of the network and that the quality of the data are the highest possible, given the current state of technologies. While national trends will still be captured, as noted in the performance measure, the smaller sized network will not be able to achieve the level of monitoring and evaluation of climate variations and trends at the regional scale.

FY 2003 Performance

The intended target for this performance measure was achieved in FY 2003. A total of 43 stations were operational across the contiguous United States and two in Alaska by the end of fiscal year 2003. These stations collectively account for approximately 95 percent of the explained variance in the true contiguous U.S. national annual surface air temperature time series and 84 percent in the true contiguous U.S. national annual precipitation time series. This exceeds the FY 2003 targets of 70 percent and 40 percent, respectively.

Program Evaluation

NOAA's programs are routinely evaluated by a variety of outside reviewers. The NOAA Science Advisory Board, made up of private sector, university, and other federal agency scientists, provides input on climate and air quality research. NOAA's Office of Global Programs, funded in OAR's Climate and Global Change research line item, receives review from international science agencies, universities, and private sector scientists, as well as the National Research Council and the National Science Foundation. The NOAA Research Laboratories are reviewed on a regular basis. The Sea Grant Colleges are visited at least every two years by a review panel.

Performance Goal 7: Promote Safe Navigation

Corresponding Strategic Goal

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

Rationale for Performance Goal

NOAA serves commercial and recreational mariners by providing these customers with nautical charts, tides and currents data, and geographic positioning data for safe navigation. Geodetic services are vital to the mapping and surveying industry nationwide because they provide integrity to geographic coordinates obtained from global positioning system (GPS) signals for accurate positioning in support of numerous applications, including land surveying, navigation, mapping, and infrastructure development such as 911 emergency response and scientific applications. Shoreline data and real-time tides and currents information also serve the coastal resource management and oil spill and disaster response communities. NOAA continues to explore innovative ways to modernize its services in a cost-efficient manner to meet customer needs.

FY 2003 Performance

Several offices within NOAA contributed to the Promote Safe Navigation Goal in FY 2003. NOAA produced 120 new ENC's for the year, and now maintains a suite of 335 ENC's. Built to international standards, NOAA ENC's are an accurate and detailed chart database that can be displayed on electronic charting systems aboard ships. In partnership with local sponsors, NOAA dedicated one new PORTS® (Physical Oceanographic Real-Time System)—in Delaware Bay—bringing the total number of PORTS® to ten. PORTS® supports safe and cost-efficient navigation by providing shipmasters and pilots with accurate real-time information required to avoid groundings and collisions. NOAA's second real-time nowcast/forecast model system for water levels and currents was implemented for the Port of New York and New Jersey. NYOFS was created by NOAA/NOS to provide the maritime community with improved predictions of water level in the New York Harbor. NYOFS provides hourly nowcasts and four-times-daily forecasts of total water level and current velocity in the Harbor to be used by the commercial and recreational maritime community. NYOFS nowcasts and forecasts will provide an increased margin of safety and maximize the efficiency of maritime commerce throughout the harbor. In the aftermath of Hurricane Isabel, NOAA responded to requests from the U.S Coast Guard and Army Corps of Engineers by conducting side-scan sonar surveys designed to detect submerged obstructions in intercoastal waterways and ports. The aim was to determine whether storm-related shoaling reduced water depth or caused other threats. Verifying that the bottom was clear of obstructions ensured timely resumption of safe navigation. NOAA also delivered over 1,000 digital images of the damage caused by Isabel to FEMA and the state of North Carolina within 24 hours of landfall. These images supported the damage assessment and reconstruction efforts conducted by several local, state, and federal agencies.

**Measure 7a: Reduce the Hydrographic Survey Backlog Within Navigationally Significant Areas
(in Square Nautical Miles [SNM] Surveyed Per Year)**

	FY 2000	FY 2001	FY 2002	FY 2003
Target	1,550	1,505	1,602	2,100
Actual	1,557	2,963	1,514	1,762
Met/Not Met	Met	Met	Not Met	Not Met

Explanation of Measure

This measure replaces the measure “Reduce the Hydrographic Survey Backlog (Square Nautical Miles) for Critical Navigation Areas (Cumulative Percentage),” reflecting the recommendation made by OIG Audit Report No. FSD-14998-3-001 dated February 2003.

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 ENC’s 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 our coastal waters rely on charts based on sounding data that are more than 50 years old in many places. In 1994, NOAA identified approximately 537,000 snm of the U.S. Exclusive Economic Zone as navigationally significant and in need of resurvey. Since that time, 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 (8 percent) of the entire navigationally significant area used by large commercial vessels and recreational boaters. The square nautical miles reported in the table above reflect data collected within all areas designated as navigationally significant. NOAA’s surveying activities balance in-house resources with contracts and use the latest full bottom coverage sounding technologies to survey the nation’s coastal areas for navigation. NOAA’s hydrographic fleet supporting in-house surveying capabilities consist of the NOAA Ship *Rude*, the *Rainer*, and the *Thomas Jefferson*, which replaced the NOAA Ship *Whiting* on July 8, 2003. These assets are supplemented by contracts with the private sector for hydrographic survey data collection. Weather, mechanical failure, and level of surveying difficulty are variables for both NOAA and its contractors, and therefore variances from the targets of +/- 50 snm are to be expected in a normal field season.

FY 2003 Performance

This measure has been revised to reflect the recommendations made by OIG. The new measure is now reported in terms of square nautical miles surveyed per year. Also in response to the OIG recommendations, NOAA has adopted a new method of calculating survey areas. The new method is more precise, but requires additional time to gather the necessary data. As of October 2003, the numbers reported are accurate to within +/- five percent.

NOAA's in-house and contract resources collected a total of 1,762 snm in FY 2003. Of this total, 1,686 fall into the critical backlog category. The remaining 76 snm are in other navigationally significant areas. NOAA's FY 2003 target included the performance of a vessel time charter, which was expected to come online as a new survey asset in FY 2003. Complications with contracting process delayed activation of the time charter until sometime in FY 2004. The rapid assimilation of the NOAA Ship *Thomas Jefferson*, which required significant effort to transfer equipment and personnel from the NOAA Ship *Whiting*, also decreased the expected production in the short term. As a result, NOAA fell short of its performance goal in FY 2003.

In addition to the miles reported in the table above, NOAA vessels surveyed approximately 708 snm of other areas, which are not included within navigationally significant waters. The NOAA Ship *Thomas Jefferson* also verified 1,216 snm (265 navigationally significant; 951 other) of survey data collected by the U.S. Geological Survey. While not planned for by NOAA's Hydrographic Survey Program, or collected with NOAA assets, this data has been verified by the NOAA Ship *Thomas Jefferson*, and has been certified using new quantitative methods to ensure it as meeting NOAA's nautical charting standards.

Measure 7b: Percentage of National Spatial Reference System (NSRS) Completed (Cumulative)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	64%	75%	78%	84% ²
Actual	71%	75%	83% ¹	84%
Met/Not Met	Met	Met	Met	Met

¹ This figure was reported as 81 percent in the FY 2002 Performance and Accountability Report (PAR). As a result of the Office of Inspector General (OIG) Audit Report No. FSD-14998-3-001 dated February 2003, the FY 2002 Actual reported previously has been revised to 83 percent in this document.

² This figure was reported as 82 percent in the FY 2004 Annual Performance Plan (APP).

Explanation of Measure

This measure was added in FY 2000 to replace the Physical Oceanographic Real Time System measure, which was discontinued due to lack of funding increases in 1999 and 2000. The National Spatial Reference System (NSRS) performance measure is effective because it integrates the different components of the geodesy program (spatial earth measurements) into a product more useful to customers rather than measuring individual components of horizontal and vertical positioning.

In order to meet U.S. navigation and other positioning needs, NOAA is enhancing the NSRS to provide the higher accuracy and accessibility needed for use with the space-based GPS, whose satellites transmit signals that allow determination of position, height, velocity, and time. NSRS, a system of reference stations and monuments across the United States, provides integrity to geographic coordinates obtained from GPS satellite signals for accurate positioning in support of numerous applications, including land surveying, navigation, mapping, and infrastructure development, such as 911 emergency response and scientific applications. New uses for GPS are being found every day, and many of them involve precision heights.

NSRS has evolved over time in response to technological changes, growth in geodetic networks, and changes in ownership/responsibility. The primary technological change was the introduction of GPS and subsequently, the use of GPS for measuring accurate heights.

FY 2003 Performance

In FY 2003 NOAA added 112 new stations to the National Continuously Operating Reference Station (CORS) network, a record annual increase. Ninety-seven percent of the coterminous United States is now within 200 km of a National CORS station. Accurate heights were connected to the North American Vertical Datum of 1988 for 124 National Water Level Observation Network (NWLON) sites, bringing this element of the system to 70 percent completion. This is one element of the vertical component of the NSRS.

The percentage completion of NSRS is equal to the sum of the percentages complete of the horizontal, vertical, and CORS components divided by three or:

$$((\% \text{ of Horizontal}) + (\% \text{ of Vertical}) + (\% \text{ of CORS}))/3 = ((100\%) + (56\%) + (97\%))/3 = 84\%$$

Discontinued Measure in FY 2003

Reduce the Hydrographic Survey Backlog (Square Nautical Miles [SNM]) for Critical Navigation Areas (Cumulative)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	24.3%	27.8%	35.0%	38.3%
Actual	24.3%	31.2%	34.3%	Discontinued
Met/Not Met	Met	Met	Not Met	

Explanation of Measure

Based on a recommendation made by OIG Audit Report No. FSD-14998-3-001 dated February 2003, NOAA replaced this measure with “Reduce the Hydrographic Survey Backlog Within Navigationally Significant Areas (in square nautical miles surveyed per year).”

Program Evaluation

NOAA’s goal to promote safe navigation is evaluated at a variety of levels, from peer reviews of products, papers, and projects, to internal and external reviews of entire programs and quarterly reviews of NOAA’s overall performance in navigation products and services. Constituent input is an important part of the evaluation process and is solicited regularly through constituent workshops.

From 1992 to 1996, a number of National Research Council Marine Board studies examined the nautical charting program and its transition into the digital era. NOAA incorporated study recommendations on areas such as reducing the survey backlog, implementing new digital production techniques, and delivering new electronic chart products to the program. The Hydrographic Services Improvements Act of 1998 provided Congress and NOAA an opportunity to evaluate NOAA’s capabilities for acquisition and dissemination of hydrographic data, develop standards and formats for hydrographic services, and contract for the acquisition of hydrographic data. NOAA now contracts out over 50 percent of its annual critical area

hydrographic survey requirements while maintaining federal competence and expertise with existing and developing surveying technologies. A 2001 KPMG Consulting cost analysis of survey platform options supported NOAA's concept of a time charter for continuous survey operations. Pending FY 2003 appropriations, NOAA plans to contract for a time charter to test its effectiveness in real-world applications.

In 1998, Congress authorized the Height Modernization study to evaluate the technical, financial, legal, and economic aspects of modernizing the national height system with GPS. The study demonstrated the significant benefits to the United States in terms of dollars and lives saved associated with GPS technology, and it led to current development of the vertical component of the NSRS. In 1999 NOAA completed an assessment of its tidal currents program to develop guidelines for future current surveys to update U.S. reference stations for the Tidal Current Tables. Finally, the September 1999 Report to Congress that assessed the U.S. Marine Transportation System (MTS) further articulated the need for coordinated federal leadership to achieve the MTS vision of becoming the world's most technologically advanced, safe, efficient, globally competitive, and environmentally responsible system for moving goods and people. NOAA's navigation safety support functions underwent substantial review to identify opportunities for greater integration among federal agencies.

OIG regularly conducts reviews of NOAA programs relating to performance and on occasion provides recommendations. A recent OIG review related to this goal focused on hydrographic survey. The recommendation is reflected in this report.

For this performance goal, the Nautical Charting Program of NOS is being reviewed using OMB's PART. The NOAA Nautical Charting Program is responsible for charting U.S. and territorial waters to the limits of the U.S. Exclusive Economic Zone, an area of 3.4 million sq. nm. The program provides the necessary chart tools to all mariners in U.S. waters for safe navigation. The NOAA nautical charts support the U.S. MTS and the U.S. economy in moving goods efficiently through U.S. coastal waters, ports, and waterways. This program is still under review.

As a result of PART, NOAA's mapping and charting program is developing a new long-term outcome measure. Specifically, NOAA has initiated a project with the U.S. Merchant Marine Academy to analyze U.S. Coast Guard accident data for navigation-related events to determine a baseline and targets for accident reduction via improved utility of NOAA navigational products and services.

NOAA Data Validation and Verification

NOAA's Office of Finance Administration/Budget Office coordinates an annual review of the performance data to ensure that it is complete and accurate. During this process, significant deviations from projected targets, if any, are discussed with the appropriate NOAA line office so that changes or corrections can be made to help meet NOAA's performance goals. The actual validation process is conducted by individual NOAA line offices. The verification aspects depend on individual line office. For oceans and fisheries-related measures, stock assessments and reviews (internal, and/or peer) are common. For weather-related measures, the verification process is, among other things, through comparison of predicted weather to the actual event. For the climate-related measures, verification is through, among other things, quality control of data. Satellite data are compared with on site data to help validate data accuracy.

The NOAA Data Validation and Verification table can be found starting on the following page.

NOAA Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 1a: Reduce number of overfished major stocks of fish from 46 to 35 by FY 2007</p> <p>Measure 1b: Reduce the number of major stocks with an "unknown" stock status to no more than 73 by 2007</p> <p>Measure 1c: Increase the percentage of rebuild plans to rebuild overfished major stocks to sustainable levels</p>	<p>NOAA's National Marine Fisheries Service (NMFS) report to Congress, <i>Status of Fisheries of the United States</i>.</p>	Annual	NOAA/NMFS Office of Sustainable Fisheries.	Stock assessments and peer reviews (internal and outside the agency).	None	None
<p>Measure 2a: Number of acres of coastal habitat restored (cumulative)</p>	<p>Primary source is the NOAA Habitat Restoration Program and its core components.</p>	Annual	The NOAA Habitat Restoration Program and its core component parts follow a formal quality assessment and quality control system to ensure that data standards are met. All information meets Data Quality Act standards.	None	None	None
<p>Measure 2b: Reduced introductions and effects of invasive species in a total of six regions within the United States</p>	<p>Office of Oceanic and Atmospheric Research (OAR).</p>	Annual	OAR will collect data, conduct assessments, and store data.	Original research data verified through peer review; OAR obtains quality-controlled data from other sources to ensure criteria are being met for inclusion in performance calculations.	Reaching these targets depends on activities of other federal and state agencies with management responsibilities in this area.	None

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 2c: Percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts</p>	National Ocean Service (NOS), other federal and state agencies.	Annual	NOS will collect information, conduct assessments, and store data.	All data used in coastal hazard risk assessments are quality controlled; risk assessment models are tested for accuracy and coverage (amount of shoreline covered). Shoreline in the states of NC, SC, AL, RI, OH, and parts of OR and HI were counted under earlier projects, and could potentially be double-counted if a coastal risk atlas is generated for those states.	This measure tracks development and implementation of coastal hazard risk atlases 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.	None
<p>Measure 3a: Reduce by 10 (from a FY 2000 baseline of 27) by FY 2007, the number of threatened species at risk of extinction</p>	NMFS	Annual	NMFS's Office of Protected Resources.	Audits and internal peer review within NOAA and external peer review by regional fishery councils, the National Science Foundation, the National Academy of Science, and other organizations.	None	None
<p>Measure 3b: Increase the number of commercial fisheries that have insignificant marine mammal mortality</p>						
<p>Measure 3c: Reduce by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction</p>						

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 4a: Lead time (minutes), accuracy (%), and false alarm rate (FAR) (%) for severe weather warnings for tornadoes</p>	National Weather Service (NWS) field offices.	Monthly	NWS headquarters and the Office of Climate, Water, and Weather Services (OCWWS).	<p>Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.</p>	<p>There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.</p>	<p>Review the storm data from individual events to pinpoint the causes and take corrective actions.</p>
<p>Measure 4b: Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods</p>	NWS field offices.	Monthly	NWS headquarters and OCWWS.	<p>Verification is the process of comparing the predicted weather to the actual event. The process begins with the collection of warnings from every NWS office across the nation. The severe weather event program includes extensive quality control procedures to ensure the highest reliability of each report. The data in each report are entered into a database that contains severe weather warnings where the warnings and events are matched and appropriate statistics are calculated and made available to all echelons of the NWS.</p>	<p>There are limitations of scientific verification in assessing data. The fundamental purpose of scientific verification is to objectively assess program performance through the use of standard statistical analysis. However, a number of factors unique to the atmospheric sciences must be considered to ensure proper interpretation of objectively derived statistics. The primary factor to consider is the natural variation of this performance measure related to annual fluctuations in meteorological conditions associated with severe weather.</p>	<p>NOAA will continue to collect data while reporting additional measures in the future.</p>

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 4c: Accuracy of hurricane track forecasts (48 hours)</p>	NWS/Tropical Prediction Center (TPC).	Annual	TPC	Hurricane storm verification is performed for hurricanes, tropical storms, and tropical depressions regardless of whether these systems are over land or water. The 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.	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 improved use of the Weather Service Radar (WSR-88D), new satellites, improved forecast models, new and continued research activities of the U.S. Weather Research Program (USWRP), and investments in critical observing systems.	NOAA will report on the tracking of forecasts at 24-, 48-, and 72-hour intervals.
<p>Measure 4d: Accuracy (percent) (threat score) of day-1 precipitation forecasts</p>	The Hydrometeorological Prediction Center (HPC).	Annual	World Weather Building.	HPC has produced the Quantitative Precipitation Forecast since the early 1960s and has kept verification statistics related to the Quantitative Precipitation Forecast program since that time. All data are examined for accuracy and quality control procedures are applied.	The NWS routinely prepares and distributes to internal and external customers predictions of heavy rainfall. HPC has the responsibility to prepare both graphical and text products depicting the areas threatened by heavy precipitation in the contiguous United States. There will be a significant amount of variability, and the improvements may not be achieved exactly as predicted. 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, investments in critical observing systems, and continued support of the Advanced Weather Interactive Processing System (AWIPS).	NOAA will implement planned weather model improvements along with ongoing research projects.

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
<p>Measure 4e: Lead time (hours) and accuracy (%) of winter storm warnings</p>	NWS field offices.	Daily	NWS headquarters and OCWWS.	<p>Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction in Camp Springs, Maryland, where the data are stored as computer files. The NWS headquarters' Office of Science and Technology. Following additional quality control the data are stored on an Office of Science and Technology workstation and used to generate semi-annual statistics on forecast accuracy.</p>	<p>Documentation for heavy snowfall is printed annually. Due to the relatively few number of cases each year, the projections assume a three-year average (current plus two previous years, all equally weighted). Due to the large volume of data gathered and computed, a document for lead time and accuracy of winter storm warnings 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 USWFP, investments in critical observing systems, and continued support of AWIPS.</p>	<p>Introduce high-resolution regional models.</p>
<p>Measure 4f: Accuracy (%) and FAR (%) of forecasts of ceiling and visibility (aviation forecasts)</p>	NWS field offices.	Daily	NWS headquarters and OCWWS.	<p>Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction in Camp Springs, Maryland, where the data are stored as computer files. The NWS headquarters' Office of Science and Technology. Following additional quality control the data are stored on an Office of Science and Technology workstation and used to generate semi-annual statistics on forecast accuracy.</p>	<p>Due to the large 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 WSR-88D, new satellites, improved forecast models, new and continued research activities of the USWFP, investments in critical observing systems, and implementation of AWIPS.</p>	<p>NOAA will improve and expand its training program and work with the National Aeronautics and Space Administration and the Federal Aviation Administration to develop new software tools and forecast techniques.</p>

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 4g: Accuracy (%) of forecast for winds and waves (marine forecasts)	NWS field offices.	Daily	The NWS and the National Centers for Environmental Prediction's Ocean Modeling Branch.	Verification is the process of comparing the predicted weather with the actual event. The process begins with the collection of forecasts and observations from each NWS office across the nation. The quality-controlled, collated data are transmitted to the National Centers for Environmental Prediction, where they are stored as computer files. The data files are retrieved by the NWS and the National Centers for Environmental Prediction's Ocean Modeling Branch. Following additional quality control the data are used to generate quarterly statistics on forecast accuracy.	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 investments in critical observing systems, and implementation of AWIPS.	NOAA will deploy enhanced versions of AWIPS (Build 5), implement new wave forecast models, and improve communication and dissemination techniques to marine users.
Measure 5a: U.S. temperature — skill score	Forecast data, observations from U.S. Weather Forecast Offices, and from a cooperative network maintained by volunteers across the nation.	Annual	NWS's National Centers for Environmental Prediction.	NOAA performs quality assurance analysis of the data (for example, error checking, elimination of duplicates, and interstation comparison) both at the national and U.S. Weather Forecast Office level.	Given the difficulty of making advance 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. Forecasts will likely be better in El Niño years than in non-El Niño years.	None
Measure 5b: New climate observations introduced	Observations from data buoys, ships, satellites, and so on.	Annual	OAR laboratories, National Environmental Satellite, Data, and Information Service (NESDIS), and NOAA National Climatic Data Center (NCDC)	NOAA performs quality assurance analysis and data processing.	Percentages of observing platforms operational at a given time and analyses of data quality and errors; observations received in time to be incorporated in operational climate analyses and forecasts.	None

NOAA Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 6a: Assess and model carbon sources and sinks throughout the United States	Observations from atmospheric profiling sites in North America and shipboard ocean carbon sampling.	Annual	Climate Monitoring and Diagnostics Laboratory	Quality assurance and calibration against known standards performed by NOAA.	Number of profiling/ocean sites and our ability to incorporate these data into advanced carbon models.	None
Measure 6b: Assess and model carbon sources and sinks globally	Flask samples taken from a global network and analyzed by NOAA.	Annual	Climate Monitoring and Diagnostics Laboratory	Quality assurance and calibration against known standards performed by NOAA.	Number of flask sites and our ability to incorporate these data into advanced carbon models.	None
Measure 6c: Determine the Actual Long-term Changes in Temperature and Precipitation Over the United States	NCDC	Annual	NCDC	Monte Carlo simulations based on operation stations.	None	None
Measure 7a: Reduce the hydrographic survey backlog within navigationally significant areas (in square nautical miles [sqnm] surveyed per year)	Progress reports on data collected from hydrographic survey platforms.	Annual	NOS will store data and publish nautical charts.	NOS applies established verification and validation methods.	Progress in reducing the backlog is measured against a baseline value of 43,000 sqnm as determined in 1994. Weather can affect scheduled surveys.	None
Measure 7b: Percentage of National Spatial Reference System (NSRS) completed (cumulative)	NOS and the National Geodetic Survey define and manage NSRS, the foundation for the nation's spatial data infrastructure.	Ongoing, annual reporting.	Automated database at NOS.	NOS applies standard verification and validation methods.	Weather conditions, security, employment, and funding issues can affect field operations. The National Geodetic Survey also works cooperatively with state organizations; accommodating partners can also impact activities to some extent.	None

MANAGEMENT INTEGRATION GOAL

Strengthen management at all levels





Departmental Management

Management Integration Goal: Strengthen Management at all Levels

Mission Statement

The Department of Commerce promotes job creation and improved living standards for all Americans by creating an infrastructure that supports economic growth, technological competitiveness, and sustainable development.

Departmental Management (DM) includes the Immediate Offices of the Secretary and Deputy Secretary, Office of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), Office of the Chief Information Officer (CIO), and Office of General Counsel as well as other departmental offices. DM supports the management infrastructure needed to carry out the Department's mission.

While certain of its activities involve the public, e.g., contract management and small business utilization, DM's principal interaction is with entities within the Department. Its activities benefit the public by contributing to the efficiency with which the operating units administer their programs and the Department's overall mission is carried out. DM provides executive direction and coordination for program activities as well as centralized services to the bureaus. It also oversees promulgation and implementation of departmental and government-wide policies and initiatives.

President's Management Agenda (PMA)

DM, with its responsibility for implementing Commerce-wide initiatives, exercises day-to-day oversight of these efforts. In FY 2003, DM continued to align plans and activities with the overarching principles reflected in the PMA. In this way, DM expects to expand initial successes in carrying out these management reforms to long-term accomplishment of the President's goals, including those established in his management agenda.

Performance Goal 1, "Ensure Effective Resource Stewardship in Support of the Department's Programs," includes measures that track DM's success in improving many administrative functions, including financial management and competitive sourcing under the Federal Activities Inventory Reform (FAIR) Act. Performance Goal 2, "Strategic Management of Human Capital," is devoted to enhancing management of the Department's human capital; and Performance Goal 3, "Acquire and Manage the Technology Resources to Support Program Goals," tracks the Department's efforts to improve management of its information technology (IT) resources and expand its use of e-government. The development of this FY 2003 Performance and Accountability Report (PAR) and the FY 2005 Annual Performance Plan (APP), which accompanies the FY 2005 budget submission to Congress, reflects DM's effort to integrate budget and performance.

A detailed description of the results that Commerce has achieved in implementing the PMA and the status of the President's five crosscutting initiatives is provided earlier in this report in the "Management Discussion and Analysis" section. The quantitative results for FY 2003 activities are presented on the following page.

Priorities/Management Challenges

By implementing broad reforms such as those in the PMA, DM works to minimize the burden associated with administrative functions that are common to all the Department's program areas while at the same time maintaining appropriate controls and accountability.

DM directs particular effort toward improving administrative functions by carrying out the government-wide initiatives under the PMA, i.e., enhancing financial management, competitive sourcing, and strategic management of human capital; expanding e-government; and integrating budget and performance. Quarterly, the Office of Management and Budget (OMB) assesses each agency's progress in achieving the goals of the PMA using a "traffic light" scoring system; two ratings are assigned for each of the five initiatives.

- "Progress" ratings reflect the agency's adherence to the milestones and deliverables. A green progress rating means that implementation is proceeding as planned; yellow means that there has been some slippage in planned activities, and adjustments are needed; and red means that the initiative is in serious jeopardy.
- "Status" ratings reflect the extent to which the agency has met the standards for overall success. Green means that all standards have been met, yellow means mixed results, and red means that serious flaws exist.

In the last quarter of FY 2003, Commerce maintained green progress ratings for strategic management of human capital, improved financial performance, and expanded e-government and budget and performance integration. The Department was assigned a yellow progress rating in competitive sourcing. During FY 2004, DM will re-emphasize the targets established in the PMA-related performance measures, especially in the areas where progress was rated yellow, in order to ultimately achieve green status ratings in all five initiatives.

During fiscal year 2003, the Department successfully completed substantial implementation of a single integrated financial management system, the Commerce Administrative Management System (CAMS) in all participating bureaus except for NIST. With implementation of CAMS completed in the first quarter of FY2004 the Department will be able to meet, for the first time, the requirements of the CFO Act, and Office of Management and Budget (OMB) Circular A-127. With implementation, the Department will eliminate lack of an integrated financial system as a material weakness under the Federal Managers' Financial Integrity Act, and will be in compliance with the Federal Financial Management Improvement Act (FFMIA).

Information security remains a reportable condition for financial statement purposes, and continues to be a management priority. During FY 2003, the Department and its bureaus assessed all automated systems and undertook corrective actions to improve IT security, focusing primarily on performing certification and accreditation of systems. For example, the CIO inspected system certification and accreditation packages for 100 percent of the Department's critical and classified national security systems. During FY 2004, the Department will ensure the implementation of effective certification and accreditation practices for all Department information technology systems, critical and non-critical; will test system management, operational, and technical controls; and will fully implement the departmental IT security policies and minimum implementation standards that were established in FY 2003.

Because the threat of terrorism is an abiding concern, the Department continues to focus on policy and program initiatives that enhance our ability to respond to threats to personnel, assets, and operations nationwide. In FY 2003, a comprehensive internal review of the organizational structure and overall program effectiveness in the Office of Security (OSY) led to the implementation of a new structure that fosters closer relationships with and information sharing between OSY headquarters and field personnel. In FY 2004 and 2005, a comprehensive continuity of operations plan (COOP) compliance and oversight program will be developed and tested.

The Secretary, as the Department's chief executive officer; the Deputy Secretary, as the chief operating officer; and departmental offices also exercise managerial oversight and provide policy direction for the program activities carried out by the bureaus. Many of the specific programmatic challenges benefiting from the Secretary and Deputy Secretary's guidance are highlighted in the "Management Discussion and Analysis" chapter, which appears earlier in this report, and discussed in the bureau-specific chapters that follow.

Performance Results

In DM's FY 2002 PAR submission, 22 measures were reported. Two of those measures have been discontinued and are not addressed in this report. One measure targeted the use of the Internet to publicize opportunities to contract with the Department. As of FY 2002, online procurement was the only option available for publicizing these opportunities, eliminating the need to track the measure further. The other discontinued measure was the reduction of energy consumption. In FY 2002, the Department achieved the long-term, government-wide goal of 35 percent reduction in usage and received a Presidential award for leadership in energy management. DM believes that energy consumption no longer requires monitoring and will no longer report on this measure.

In FY 2003, DM met or exceeded the targets for 15 out of the remaining 20 measures, or 75 percent of its objectives. In the five instances in which targets were not met, DM has examined the causes and identified appropriate action. Details are discussed under each Performance Goal.

DM met or exceeded targets for five out of the eight measures being tracked under Performance Goal 1. In addition to the success reflected by these quantitative measures, there are qualitative indicators of DM's progress, which are discussed below.

DM received an unqualified opinion on the Department's consolidated financial statements for the fifth consecutive year, and is making significant progress in reducing the number of audit findings. With the exception of NIST (completed in the first quarter of FY2004) implementation of CAMS was completed and specific steps undertaken to correct the IT security weaknesses that were identified.

The Department's acquisition reform initiatives have led to greater emphasis on acquisition planning, contracting strategies, and management of resulting contracts. DM has addressed concerns in these areas by expanding overall risk management and oversight provisions early in the acquisition phase. For example, the Department created a formal Acquisition Review Board to examine all major departmental acquisitions. Increased scrutiny from Congress, OMB, and Office of Inspector General (OIG) regarding the use of purchase cards prompted DM to devise a purchase card improvement plan to insure the ethical and prudent use of purchase cards by departmental cardholders. Mandatory refresher training is provided for all cardholders and approving officials, and an inter-departmental team has been formed to evaluate future options for the Department's purchase, travel, and fleet card programs. DM continues to encourage the professionalism and emphasize the career development of the Department's contracting workforce. Accordingly, Contracting Officer Technical Representative (COTR) certification requirements have been revised to stress accountability, performance measurement, and performance management. A COTR assessment was completed and the results were incorporated into a draft COTR policy revision. A consistent Commerce COTR definition was developed, and COTR performance plans were aligned with assigned contract management duties.

Finally, DM continued to make progress in ensuring the overall security and safety of its workforce, facilities, and programs. The Department-wide COOP was updated and tested, and plans for 16 departmental components were reviewed. Safety education and awareness training activities were implemented, and safety reports, brochures, and a Web site were made available.

Significant progress has been made in the area of strategic human capital management, as tracked under Performance Goal 2. Targets for five out of six measures were met. Results of Office of Personnel Management's (OPM) FY 2002 Federal Human Capital Survey confirmed that the Department had met many of the conditions necessary to be characterized as a high performing organization. Commerce met or exceeded the government norms with respect to strategic alignment of mission and objectives, leadership, employee satisfaction, performance culture, and job satisfaction. At various times throughout the year, the Department was benchmarked by other federal agencies with respect to strategic human capital management, succession planning, and performance management. During FY 2003, the Department's Senior Executive Service (SES) Candidate Development Program was announced and needs assessments for targeted employee groups were completed. Over 1,200 e-learning courses were made available through the Department's online Learning Management System (LMS), and employee performance plans were linked with strategic goals and APP measures.

The Department has continued to strengthen acquisition and management of the IT technology resources needed to support Commerce's program goals. During FY 2003, operating units continued to improve IT management overall, including those activities covered by Performance Goal 3. Special emphasis was placed on ensuring the confidentiality, availability, and integrity of the Department's IT resources. Additionally, Commerce has invested human and capital resources in the e-government initiatives that support the PMA. Overall, five and one-half of the six targets were met and substantial progress was achieved in the other half of one target area. The targets for FY 2004 have not been changed and remain ambitious; DM will, as described below in the discussion of Performance Goal 3b, work closely with the bureaus throughout the year to ensure that the targets are met.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

The Department re-examined the performance measures used to monitor its progress in providing policy oversight and administrative support services, which represent the bulk of DM activity. Changes were made to better reflect DM's most significant activities and to correspond more precisely with the government-wide management initiatives established in the PMA. The measures summarized below reflect that effort.

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce							
Department's Programs							
Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Clean audit opinion obtained on Commerce consolidated financial statements	100%	100%	Yes	Yes	Yes	X	
Deploy Commerce-wide integrated financial management system	System deployed in four bureaus.	System deployed in eight bureaus.	System deployed in 10 bureaus.	Deploy system in 13 bureaus; complete department-wide deployment.	System fully deployed in 10 bureaus.		X ¹
Implement competitive sourcing	Inventory submitted on 6/30/00.	Inventory submitted on 6/29/01.	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003.	Convert or complete competitions on 10% of commercial FTE ² positions.	Combined target for FY 2002/2003 was 1203 FTEs ² . Completed 534 FTEs ² , or 6.6% of new target of 800 FTEs ² .		X
Funds obligated through performance-based contracting	N/A	25% of total procurement funds.	31% of total procurement funds.	30% of total procurement funds.	24% of \$605M		X
Small purchases made using credit cards	88% of actions below \$25,000	92% of actions below \$25,000	95% of actions below \$25,000	90% of actions below \$25,000	97% of actions below \$25,000	X	
Percentage of total obligations awarded as contracts to small businesses	34%	50%	51%	40%	45% as of October 2003; final results not available from Federal Procurement Data System (FPDS) until second quarter FY 2004.	X	
Ensure a secure workplace for all Commerce employees	Conducted 10 studies to verify proper maintenance of safes for classified materials.	Conducted 32 studies of classified computer systems.	Department continuity of operations plan (COOP) established; 47 risk assessments completed.	Conduct 12 compliance reviews of security programs and classified systems.	Reviewed COOP Plans for 16 Commerce components including the Office of the Secretary (OS), Office of Inspector General (OIG), and U.S. Patent and Trademark Office (USPTO). Also, conducted compliance reviews of more than 450 security containers and 550 sensitive documents. In addition, conducted 40 risk assessment surveys.	X	

(continued)

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs (cont.)

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Ensure a safe workplace for all Commerce employees	N/A	N/A	Safety Action Plan developed, reinvigorated the Commerce Safety Council to communicate safety issues, appointed a new designated agency safety and health official to spearhead safety efforts, established performance element for Senior Executives, and developed Web-based safety awareness training program.	Employee education and awareness programs are in place.	Employee education and awareness training activities were implemented, including safety awareness training at the Senior Executive Service (SES) and supervisory levels and evacuchair training. Implemented safety Web site, published safety reports, and distributed safety brochures.	X	

Performance Goal 2: Strategic Management of Human Capital

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Strategic competencies—ensure competency in leadership and in mission-critical occupations	Plan developed and tools identified.	Automated tools used by three pilot test offices.	Completed final workforce restructuring plan in June 2002. Mission-critical competencies identified. Candidate Development Program implementation plan developed which provides for the identification of gaps.	Develop succession plans and staffing or retention targets for mission-critical occupations.	Implemented succession planning strategies identified staffing and retention targets for twenty mission-critical occupations, announced SES Candidate Development Program and received 204 applications.	X	
Strategic competencies—ensure comprehensive training and development strategies	New	New	General and supervisory training policies implemented.	Institute annual training needs assessment program.	The Department completed needs assessments for targeted employee groups. Successfully implemented over 1,200 e-learning courses in the Learning Management System (LMS).	X	
Strategic Competencies—ensure diverse candidate recruitment	Finalized memoranda of understanding with nine Hispanic serving institutions and marketed 121 resumes with Department managers.	Sponsored 19 recruitment activities and marketed more than 352 resumes with Department managers.	Completed refining resume data base, participated in 25 recruitment activities, implemented awareness campaign with Department managers.	Assess effectiveness of recruitment activities and determine hiring baseline.	Completed a survey of effectiveness and utilization of recruitment activities. Determined Department's hiring baseline, including analysis by race and national origin and occupation.	X	
Efficiency and effectiveness of hiring systems using the Commerce Opportunities Online (COOL) System	COOL Phase II created and fill time identified at 44 days.	COOL Phase III created and fill time of 38 days.	Incomplete data	Reduce fill time to 29 days and assess quality of candidates processed by the system.	Fill time has been reduced to 21 days. The Department completed an online assessment of the 304 managers who used COOL.	X	

(continued)

Performance Goal 2: Strategic Management of Human Capital (cont.)

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Increase the alignment of performance management with mission accomplishment	Combined performance management and awards handbook completed.	Tracking system for aligning ratings with mission accomplishment or overall recognition designed.	All SES were placed on new performance management system in June. The system links management of the President's Management Agenda (PMA), individual and organizational performance and results.	For each bureau general schedule or equivalent performance system, ensure each system explicitly links employee performance plans with strategic goals and annual performance plan (APP) measures.	Commerce GS and equivalent performance management systems are linked through the use of performance metrics tied to the APP.	X	
Implement a telecommuting program	Three pilot programs established.	13.5% of Total workforce currently telecommuting.	18.9% of total workforce participates in regular or episodic teleworking.	75% of eligible workforce is involved in program.	38.7% of eligible workforce participated in regular or episodic telework as of Q4, FY 2003.		X

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Transactions converted to electronic format	16 (13% of 123 total)	28 (23% of 123 total)	67 (54% of 123 total)	90 (42% of 214 total)	107 (50% of 214 total)	X	
Information Technology (IT) planning and investment review program maturity (scale of 0-5) ³	1	2	41% at 3 or higher	55% at 3 or higher 20% at 4 or higher	73% at 3 or higher 5% at 4 or higher		X
Information Technology (IT) architecture program maturity (scale of 0-5) ³	1	1.5	82% at 2 or higher 59% at 3 or higher	90% at 2 or higher 66% at 3 or higher	91% at 2 or higher 77% at 3 or higher	X	
Information Technology (IT) security program maturity (scale of 0-5) ³	<1	100% at 1 or higher 60% at 2 or higher	70% at 2 or higher 48% at 3 or higher 26% at 4 or higher	90% at 2 or higher 70% at 3 or higher	100% at 2 or higher 79% at 3 or higher; 7% at 4 or higher	X	
Percentage of Information Technology (IT) system security plans completed	21%	61%	98%	100%	100%	X	
Percentage of unsuccessful intrusion attempts	N/A	85% (1,380 of 1,620 Intrusion Attempts)		85% (2,678 of 3,160 pro- jected intrusion attempts)	85% (560 of 661 intrusion attempts)	X	

¹ The system was fully deployed in 13 bureaus in October 2003.

² Full time equivalent.

³ Maturity models are industry-accepted standards to assess progress toward achieving IT goals. See the description provided below in the discussion of Performance Goal 3.

Resource Requirements Summary

(Dollars in millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Executive Direction	14.0	18.0	20.0	19.0
Departmental Staff Services	15.0	13.0	18.0	19.5
Advances and Reimbursements	2.0	5.0	5.0	2.2
Total Funding	31.0	36.0	43.0	40.7
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	149	129	138	143

Performance Goal 2: Strategic Management of Human Capital

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Executive Direction	0.0	0.0	0.0	0.0
Departmental Staff Services	2.0	3.0	4.0	4.1
Total Funding	2.0	3.0	4.0	4.1
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	17	24	23	22

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Executive Direction	0.0	0.0	0.0	0.0
Departmental Staff Services	2.0	7.0	7.0	7.9
Total Funding	2.0	7.0	7.0	7.9
IT Funding ¹	2.0	7.0	7.0	7.9
FTE	19	18	21	19

Grand Total	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Executive Direction	14.0	18.0	20.0	19.0
Departmental Staff Services	19.0	23.0	29.0	31.5
Advances and Reimbursements	2.0	5.0	5.0	2.2
Total Funding	35.0	46.0	54.0	52.7
Direct	33.0	41.0	49.0	50.5
Reimbursable ²	2.0	5.0	5.0	2.2
IT Funding ¹	2.0	7.0	7.0	7.9
FTE	185	171	182	184

¹ IT funding included in total funding.

² Reimbursable funding reflects external sources only.

Note: Beginning in FY 2002, the summary reflects a consistent distribution of overhead costs among performance goals. Funds for the Working Capital Fund and the Franchise Fund are appropriated to bureaus, and they do not appear in these DM totals.

Skill Summary:

Departmental Management staff possess expertise in the following areas: accounting, financial management, human resources management, acquisition management, management and organizational analysis, information systems and technology, facilities management, security, and law.

FY 2003 Performance Goals

Performance Goal 1: Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels.

Rationale for Performance Goal

The Department of Commerce must have the capacity to do business as successfully as possible with the public and its partner agencies, both as a \$5 billion, worldwide enterprise and as an integrated set of individual programs. This requires that DM identify, adopt, and maintain the business practices needed to successfully operate any such organization; use its resources wisely; and effectively implement the laws that affect the Department. Because this performance goal inherently encompasses a wide range of administrative and operational tasks, the measures used to assess DM's progress are by necessity highly diverse.

FY 2003 Performance

Under Performance Goal 1, "Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs," six out of eight targets were met, indicating significant forward movement in a wide range of administrative areas.

Note: Measure 1b, which tracks deployment of the Commerce-wide integrated financial system, was not included in the FY 2004-2008 APP because the system was substantially deployed by the end of FY 2003 and was discontinued as a goal. However, these results are reported under measure 1b, below. For this reason, the measure numbers under Performance Goal 1 in this report do not match those in the APP.

Measure 1a: Clean Audit Opinion Obtained on Commerce Consolidated Financial Statements				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	100%	100%	Yes	Yes
Actual	100%	100%	Yes	Yes
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

The Department continues to give high priority to improving financial management by strengthening the integrity of financial operations and ensuring the accuracy of its financial records. Key laws such as the CFO Act, Government Management Reform Act, FFMI, and Government Performance and Results Act of 1993 (GPRA) establish the standards for financial operations. Timely and reliable financial information is necessary to give stakeholders and decisionmakers confidence in the way Commerce manages its resources, and it is key to ensuring full accountability to U.S. taxpayers for the expenditure of federal funds.

The method used to measure DM's success in this effort has been modified slightly but its objective remains the same. Prior to FY 2002, DM measured its progress in this area as the percentage of funding covered by a clean audit. DM is now assessing its ability to manage its financial resources based on whether the Department as a whole receives a clean audit opinion on its consolidated financial statements. This all-or-none approach emphasizes the importance of achieving overall success.

FY 2003 Performance

For the fifth consecutive year, the Department of Commerce received an unqualified opinion on its consolidated financial statements.

Measure 1b: Deploy Commerce-wide Integrated Financial Management System

	FY 2000	FY 2001	FY 2002	FY 2003
Target ¹	4	8	10	13
Actual	4	8	10	10
Met/Not Met	Met	Met	Met	Not Met ²

¹ Office of Computer Services Franchise Fund was previously considered to be, for this purpose, an independent bureau. It is now considered to be a part of the Office of the Secretary (OS). Targets and performance levels have been modified to reflect this adjustment.

² The system was fully deployed in 13 bureaus in October 2003.

Explanation of Measure

This measure tracks the Department's progress in implementing the requirements of the CFO Act, the joint financial management improvement program, and other standards for an integrated financial system. A modern, Department-wide financial management system is essential to strong financial management. Deployment of CAMS ensures fiscal accountability and provides program managers with the timely, accurate financial data needed for sound decision-making. Since the system was substantially deployed across the Department at the end of FY 2003 and fully deployed in October 2003, this measure will be discontinued for FY 2004.

FY 2003 Performance

CAMS replaced non-compliant financial systems within the Department. CAMS was implemented at 10 departmental entities by the end of FY 2003 and implemented to 13 entities in October 2003 (first quarter, FY 2004). CAMS 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. CAMS includes a Core Financial System interfaced with administrative systems for small purchases, bankcards, a data warehouse and time reporting/labor cost distribution module, collectively called Core CAMS.

Measure 1c: Implement Competitive Sourcing				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	Complete inventory of commercial FTE ¹ positions due by 6/30/00.	Complete inventory of commercial FTE ¹ positions due by 6/30/01.	Convert or complete competitions on 5% of commercial FTE ¹ positions.	Convert or complete competitions on 10% of commercial FTE ¹ positions.
Actual	Inventory submitted on 6/30/00.	Inventory submitted on 6/29/01.	1% completed and management plan in place to accomplish cumulative goal for FY 2002/2003.	Combined target for FY 2002/2003 was 1203 FTEs ¹ . Completed 534 FTEs ¹ , or 6.6% of new target of 800 FTEs ¹ .
Met/Not Met	Met	Met	Not Met	Not Met

¹ FTE – Full-time equivalent.

Explanation of Measure

The FAIR Act requires all federal agencies to provide the OMB with a timely inventory of the activities performed by government employees that could be carried out by commercial sources. The Department has developed an annual reporting process that meets this requirement. In FY 2001 and FY 2002, goals were established by OMB for conducting competitions of these commercial activities between government’s most efficient organizations and private sector providers in order to best use the taxpayer’s dollars. In June 2003, OMB worked with Commerce to establish new and more realistic goals based on support of the missions of the Department.

FY 2003 Performance

In the OMB-led “Where We Would Be Proud to Be” project of June 2003, Commerce adopted a goal of completing or initiating competitions for 10 percent of the commercial activities on the FY 2000 FAIR Act inventory. This goal is somewhat lower than the previous (15 percent) goal; the adjustment was made in response to the experience of the bureaus in pursuing the competitive sourcing goals established in FY 2002-2003. Meeting the competitive sourcing goal for FY 2003 has been subject to a number of unanticipated impediments, including congressional interest in NIST competitive sourcing actions (affecting 308 full time equivalent [FTE]), challenges to NOAA’s FAIR Act inventory (affecting 157 FTE), and international legal restrictions involving International Trade Administration (ITA) actions (affecting 480 FTE).

Commerce is in the process of completing management documents for competitive sourcing based on guidance contained in the revised OMB Circular No. A-76, “Performance of Commercial Activities,” which was issued in May 2003. The Commerce executive briefing for competitive sourcing is being updated prior to presentation to departmental leaders.

The Commerce Plan for meeting the President’s long-term goal of competing 50 percent of the commercial activities in the Department is in development and will be provided to OMB by the end of the year.

Measure 1d: Funds Obligated through Performance-based Contracting

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	10%	25%	30%
Actual		25% of \$1.624B	31% of \$795M	24% of \$605M
Met/Not Met		Met	Met	Not Met

Explanation of Measure

Performance-based contracting is 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. The government also defines the standards against which contractor performance will be measured and incentives that may be used. The Procurement Executives Council had established an ultimate government-wide goal for federal agencies to award 50 percent of eligible service contracts as performance-based contracts (in 10 percent increments) by FY 2005. The interim government-wide goals were 20, 30, 40, and 50 percent for FY 2002, FY 2003, FY 2004, and FY 2005, respectively.

In April 2002, OMB’s Office of Federal Procurement Policy (OFPP) convened an Interagency Task Force on Performance-Based Service Acquisitions (PBSA) to study PBSA by agencies. The study was completed in July 2003. As a result of its findings, the task force is recommending to OFPP that agencies be allowed to set their own interim goals, while still being required to reach 50 percent of eligible service contracting dollars by FY 2005. Pending a detailed review of the task force report, the Department will retain its 10 percent incremental target.

FY 2003 Performance

The FY 2003 target of 30 percent of eligible service contract dollars was not met, primarily due to the large value of non-performance-based service contracting (PBSC) obligations by NOAA. This is consistent with the findings of the OMB Interagency Task Force that agencies were having difficulties meeting goals for an annual 10-percentage point increase in PBSC performance. The task force recommended discontinuing the use of government-wide incremental goals while retaining the long-term FY 2005 goal of 50 percent. Notwithstanding the drop in the rate of PBSC obligations this fiscal year, the Department remains confident that it will achieve the ultimate objective of 50 percent by FY 2005.

Measure 1e: Small Purchases Made Using Credit Cards

	FY 2000	FY 2001	FY 2002	FY 2003
Target	75% of actions below \$25,000	75% of actions below \$25,000	90% of actions below \$25,000	90% of actions below \$25,000
Actual	88% of actions below \$25,000	92% of actions below \$25,000	95% actions below \$25,000	97% of actions below \$25,000
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

In FY 2000, the Procurement Executives Council adopted a new government-wide acquisition performance measurement program, which included establishing a target for using government-issued credit cards for transactions below the small purchase threshold. The government-wide target is 75 percent of all transactions under \$25,000. This measure was pilot-tested in FY 2000. The first year of full implementation was FY 2001.

During the last two years, beginning in FY 2002, the government’s use of purchase cards for small purchases has been subjected to significant scrutiny from Congress and OMB. Recognizing the heightened congressional and public concerns, the Department has implemented more guidelines, controls, and conditions for their use. Notwithstanding these increased controls, we retained our FY 2003, 2004, and 2005 goals of 90 percent of transactions below \$25,000.

FY 2003 Performance

During FY 2003, Commerce processed 341,750 acquisitions of \$25,000 or less. Of these, the Department processed 330,900 transactions, or 97 percent, using purchase cards. Commerce continues to exceed the government target of 75 percent because it has found this approach minimizes the lead time involved in obtaining needed products, requires less burdensome administrative handling, and reduces the administrative cost of acquiring goods and services.

Measure 1f: Increase Percentage of Total Obligations Awarded as Contracts to Small Businesses				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	40%	40%	35%	40%
Actual	34%	50%	51%	45% as of October 2003; final results not available from the Federal Procurement Data System (FPDS) until second quarter FY 2004.
Met / Not Met	Not Met	Met	Met	Met

Explanation of Measure

This measure monitors the Department’s ability to increase opportunities for small businesses to participate in Commerce acquisitions. Historically, this has included small, 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 percent of awards made in 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 additional categories, beginning with FY 2002, Commerce 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.

FY 2003 Performance

In FY 2003, SBA established a government-wide small business goal of 23 percent of total contract awards. The Commerce-specific target established by SBA was 35 percent. The time line for producing the PAR precludes the Department from providing final FY 2003 results for this measure since complete data are not available. The Department is in the process of switching to a new automated system for tracking these data, and final results will be available in mid-to-late second quarter, FY 2004. Therefore, the Department is reporting data as of October 10, 2003. However, because of the Department’s strong commitment to maximizing small business participation in its procurement program, it anticipates that it will exceed the FY 2003 target, as it has in the two preceding fiscal years. The data available at the time this report was prepared indicated that FY 2003 small-business-obligated dollars amount to approximately 45 percent of total contract obligations.

Measure 1g: Ensure a Secure Workplace for All Commerce Employees

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Inspect all safes and other security containers at 10 field facilities.	Conduct inspections of 10 classified computer systems.	Establish Department-wide Continuity of Operations Plan (COOP); conduct 10 compliance reviews of security programs and classified systems.	Conduct 12 compliance reviews of security programs and classified systems.
Actual	All security containers at 10 field facilities inspected.	32 inspections of classified computer systems. conducted.	Commerce COOP established; 47 risk assessments completed.	Reviewed COOP plans reviewed for 16 Commerce components, including the Office of the Secretary (OS), Inspector General (OIG), and U.S. Patent and Trademark Office (USPTO). Also, conducted compliance reviews of more than 450 security containers and 550 sensitive documents. In addition, conducted 40 risk assessment surveys.
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

The Department of Commerce ensures security for headquarters and field staff, visitors, facilities, resources, and information. The Department’s aim is not only reducing risks, but also simultaneously increasing overall performance effectiveness and customer satisfaction.

To provide the best overall services possible, the Department recently initiated a comprehensive internal review of its security element. Based upon this review, the Department has been aggressively enhancing nationwide programmatic security services. One such enhancement has been the implementation of a revised organizational structure for the security element. The new organizational structure fosters closer relationships with and information sharing between headquarters and field personnel. It also allows for more efficient and effective policy and program services, which ultimately aid in the Department’s overall ability to identify and respond to threats to nationwide departmental personnel, assets, and operations. Another such enhancement was the creation of five major security-related programs, which together serve to mitigate the threat to Commerce employees and assets by reducing the terrorism and espionage threats and increasing emergency management effectiveness.

Additionally, the Department has identified and continues to work on several strategies to improve our performance. Some of these strategies include:

- Identifying and implementing countermeasures aimed at reducing the vulnerability to high-threat facilities;
- Conducting awareness and prevention briefings to increase customer knowledge of general threats; and
- Enhancing liaison relationships with other federal, state, and local government entities involved in emergency management capacities.

Over time, these and other departmental efforts will be measured through a GPRA-compliant, outcome-based performance measure focused on documenting the nationwide reduction of the threat to Commerce employees and assets. The Department is committed to quickly establishing a performance baseline. It is from this baseline that we will measure the effectiveness with which future programmatic efforts reduce the overall threat risk to the Department.

Originally, it was anticipated that this measure would be revised to show a new baseline and out-year targets beginning with the FY 2005 APP. However, this information will now be presented in the FY 2006 APP to allow additional time for the collection and validation of data used in the development of the performance baseline. In the interim, the Department will continue to collect data and report on previously identified measures. Accordingly, the Department will maintain its compliance reviews of security programs and continue performing security risk assessment surveys, completing a minimum of 40 such assessments during the reporting period. Additionally, we will continue to strengthen our COOP planning and emergency preparedness efforts; specifically reporting on progress made in overseeing the testing and evaluation of the departmental and bureau-level COOP plans.

During these times of change, the Department will continue to remain attentive to key issues that will help us effectively fulfill our mission and focus our key management personnel on the service offerings necessary to make the Department of Commerce a more secure work environment for all.

FY 2003 Performance

As part of the government-wide effort to ensure the security and continuity of operations across government, DM continued to increase the emphasis on protecting the Commerce workforce, facilities, and classified systems. DM worked with the bureaus to update and test a Commerce-wide COOP plan and reviewed plans for 16 departmental components including the OS, OIG, and the U.S. Patent and Trademark Office (USPTO). Additionally, DM also conducted 40 anti-terrorism risk assessments and reviewed security procedures for more than 450 security containers and 550 sensitive documents to evaluate the security of Commerce operations. Managers of the affected areas have been advised of the outcome of these reviews and instructed to take any corrective action determined to be appropriate.

Measure 1h: Ensure a Safe Workplace for All Commerce Employees

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Safety infrastructure, accountability systems, and supervisory training programs are in place.	Employee education and awareness programs are in place.
Actual			Safety action plan developed, reinvigorated the Commerce Safety Council to communicate safety issues, appointed a new designated agency safety and health official to spearhead safety efforts, established performance element for Senior Executives, and developed Web-based safety awareness training program.	Employee education and awareness training activities were implemented, including safety awareness training at the Senior Executive Service (SES) and supervisory levels and evacuchair training. Implemented safety Web site, published safety reports, and distributed safety brochures.
Met/Not Met			Met	Met

Explanation of Measure

The Department is using this measure to highlight its effort to reinvigorate its safety program to ensure that employees have a safe environment in which to carry out their responsibilities.

FY 2003 Performance

The Department met its FY 2003 targets for providing safety education and awareness programs. A special safety-training module for SES employees was developed, recorded on CD-ROM discs, and disseminated. This training module, which includes an introduction by Deputy Secretary Bodman, itemizes critical safety and health responsibilities of the Department's senior managers and provides guidance on how to carry out these responsibilities. Extensive safety and health guidance on a wide range of topics is provided monthly to all Commerce employees via broadcast e-mails. In addition, the Office of Human Resources Management (OHRM) continues to produce and post material on the Department's Web site about current safety issues, such as SARS, handling of irradiated mail, and other such issues. The monthly Safety Report, which is posted on the Department's Intranet, provides accident data, information regarding Department-wide safety issues, new developments in safety and health initiatives, and other important information about the Department's safety program. Special safety awareness training programs have been developed and are presented on request for managers in the Hoover Building. Additionally, training in cardiopulmonary resuscitation and the use of evacuation chairs for disabled employees was provided for employees in the Hoover Building.

In FY 2003, the Department instituted an aggressive response procedure to follow up with corrective action for all reported accident cases. There has been a notable reduction from FY 2002 to FY 2003 in total case incidence rates in OS, Bureau of Economic Analysis (BEA), Bureau of Industry and Security, Economic Development Administration, ITA, National Telecommunications and Information Administration, and USPTO. The National Technical Information Service maintained a record of zero incidents to date in FY 2003.¹

¹ Safety data reported through July 2003, Department of Commerce Safety Office

Program Evaluation

Commerce uses reviews and reports generated by OIG, OMB, General Accounting Office (GAO), other congressional organizations, government-wide task forces, and other objective sources to evaluate Performance Goal 1 activities. For example, DM works closely with OMB to implement the five government-wide management initiatives established in the PMA and is rated quarterly on its success in implementing them. In addition, many of the laws pertaining to these activities have separate reporting requirements, which highlight both strengths and weaknesses of Commerce's administrative functions. The Department uses the results of these efforts, as needed, to assess achievement of performance targets.

Performance Goal 2: Strategic Management of Human Capital

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels.

Rationale for Performance Goal

By 2007, some 71 percent of the Department’s Senior Executive Service and equivalents, and 39 percent of the senior staff (grades 13 through 15) will become eligible for retirement. Separation projections are high among economists, fish biologists, mathematical statisticians, statisticians, patent examiners, and electrical engineers. Should these projections materialize, there would be a critical drain on our institutional memory, on our capacity to provide mature leadership to the next generation of employees, and, thus, on our ability to serve the public. Strategic management of the Department’s human resources will enable us to address these anticipated challenges.

FY 2003 Performance

Considerable progress has been made to address DM’s human capital challenges. Improving from last year, five of the six targets were met under Performance Goal 2, Strategic Management of Human Capital. Measure 2f, Implement a Telecommuting Program was not met. However, with the signing of the Department’s telework policy in January 2003, implementation activities such as town hall meetings and training have begun at the bureau level. Thus far, five bureau telework program plans have been approved. Some 17.7 percent of eligible employees were involved in regular or episodic telework for the first quarter under the new plan. For those organizations currently using WebTA, the Department will modify the system to track telework participation. All other bureaus will provide manual reporting until they transition to WebTA.

Measure 2a: Strategic Competencies—Ensure Competency in Leadership and in Mission-Critical Occupations				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	Develop workforce analysis plan and research and automate tools.	Automated tools used by three pilot test offices.	Complete comprehensive Department-wide workforce restructuring plan that addresses competency gaps in all bureaus.	Develop succession plans and staffing or retention targets for mission critical occupations.
Actual	Plan developed and tools identified.	Automated tools used by three pilot test offices.	Completed final workforce restructuring plan in June 2002. Mission critical competencies identified. Candidate Development Program implementation plan developed which provides for the identification of gaps .	Implemented succession planning strategies, identified staffing and retention targets for twenty mission-critical occupations, announced Senior Executive Service (SES Candidate Development Program and received 204 applications.
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Previous downsizing efforts, hiring freezes, and curtailed investment in human capital have resulted in a workforce that is not “appropriately constituted to meet the current and emerging needs of government and the nation’s citizens,” according to a government-wide GAO report entitled “High-Risk Series: An Update.” President Bush identified the issue of “de-layering management levels to streamline organizations” as one of his five key government-wide management reforms. Ensuring that employees are available at the proper time and with the correct competencies is essential to achieving mission objectives. This measure ensures that the Department conducts a strategic review of workforce needs, identifies appropriate competencies, and implements plans to provide a sufficient number of employees with these competencies.

FY 2003 Performance

In response to the high number of projected SES retirements, Commerce revitalized the Candidate Development Program to address succession needs. A new program manager was hired to implement the program. Extensive analysis of mission critical occupations was conducted to identify the impact of retirements on key positions, as well as address knowledge management issues and competency development. Some 204 applications were received for this inaugural class. Additional training and management development activities were implemented throughout the year to strengthen and improve the management pipeline.

Measure 2b: Strategic Competencies—Ensure Comprehensive Training and Development Strategies				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	Analyze and update training and development policies to enhance competencies.	Institute annual training needs assessment program.
Actual			General and supervisory training policies implemented.	The Department completed needs assessments for targeted employee groups. Successfully implemented over 1,200 e-learning courses in the Learning Management System (LMS).
Met/Not Met			Met	Met

Explanation of Measure

This measure reflects the urgency of the need for skilled, knowledgeable, and high-performing employees to meet the current and emerging requirements of the Federal Government and the American people. The Department of Commerce supports continual learning and improvement in an organizational culture that promotes knowledge sharing and fosters a climate of openness.

FY 2003 Performance

With the identification of required competencies and training needs, implementation of the LMS began in FY 2003. The LMS implementation is proceeding ahead of schedule, having already been accomplished in OS, USPTO, and NOAA. In FY 2004, implementation of the LMS will continue Department-wide, and a training and development tracking system will be accomplished in FY 2004 as part of this effort.

Measure 2c: Strategic Competencies—Ensure Diverse Candidate Recruitment

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Finalize memoranda of understanding with 5 Hispanic-serving institutions, and market student resumes.	Develop and implement resume database, sponsor 9 recruitment activities, and market 140 resumes.	Refine resume database, sponsor 20 recruitment activities, market 350 resumes, and implement a marketing and awareness campaign for Department managers.	Assess effectiveness of recruitment activities and determine hiring baseline.
Actual	Finalized memorandum of understanding with 9 Hispanic-serving institutions and marketed 121 resumes with Department managers.	Resume database developed and implemented, 19 recruitment activities sponsored, and more than 352 resumes marketed.	Completed refining resume data base, participated in 25 recruitment activities, implemented awareness campaign with Department managers.	Completed a survey of effectiveness and utilization of recruitment activities. Determined Department's hiring baseline, including analysis by race/national origin and occupation.
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Only 3 percent of the Commerce workforce is of Hispanic origin, which is low compared with their representation (11 percent) in the civilian labor force. Considering the impending retirements of many of the Department's workers and DM's goal to become an employer of first choice, DM needs to develop a steady supply of high-quality, minority candidates to ensure representative recruitment pools. DM has entered into formal memoranda of understanding with nine colleges and universities—Hispanic-serving institutions—that call for information sharing about education, training, employment, and research opportunities at the Department of Commerce, and about university activities that meet the requirements of the Department's mission-related careers.

FY 2003 Performance

The Department's efforts to improve Hispanic hiring included: hiring 41 interns through a grant to the Hispanic Association for Colleges and Universities, intensified relationships with six Hispanic-serving institutions and historically Black colleges and universities, establishment and training of a diverse team of corporate recruiters, establishment of a speakers bureau of technical and scientific experts, and restructured job fair activity and Commerce Career Days.

In FY 2003, the Department also focused on assessing the effectiveness of recruitment activities at the initial stages of the recruitment process, i.e., the identification of our sources and applicants, and their relevance to strategies outlined in Commerce's recruitment and retention plan. In reviewing over 15,000 responses to a survey of Commerce Opportunities Online (COOL) users, we assessed the utilization and effectiveness of five primary recruitment tools: Internet postings, on-site college recruitment, career and job fairs, newsprint advertising, and publicity through friends or relatives. The assessment identified approaches that have succeeded and others that need to be modified.

Examination of the Department’s hiring baseline indicated that the Department’s total permanent employment declined slightly from 36,428 employees to 35,458 during the period between October 1, 2002, and September 5, 2003. The decline occurred across all race and national origin groups except Asian employees, who increased slightly in number due to more Asian men being employed. The number of women decreased, as did their percentage of workforce; there were fewer White, Hispanic, Asian, and African American women. Minorities, collectively, declined in number but increased as a percentage of employment because of proportionately greater losses of White males and females. Asian men were the only group to increase in number and percentage of the workforce.

Measure 2d: Efficiency and Effectiveness of Hiring Systems Using the Commerce Opportunities Online (COOL) System

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Create COOL Phase II and identify average fill time.	Create COOL Phase III and reduce fill time to 34 days.	Create COOL Phase IV and reduce fill time to 32 days.	Reduce fill time to 29 days and assess quality of candidates produced by the system.
Actual	COOL Phase II created and fill time identified at 44 days.	COOL Phase III created and fill time of 38 days.	Incomplete data	Fill time has been reduced to 21 days. The Department completed an online assessment of the 304 managers who used COOL.
Met/Not Met	Met	Not Met	Not Met	Met

Explanation of Measure

To ensure that employees with the proper competencies are in place as quickly as possible, the Department has developed and implemented an automated hiring solution to improve the timeliness of hiring. In the past, Commerce managers expressed displeasure with the lengthy hiring process, as well as the number and quality of candidates referred for consideration. In 1999, the Department designed and pilot-tested a Web-based recruitment and referral system, COOL Phase I. In April 2000, Commerce replaced the Phase I pilot with an enhanced version COOL Phase II and deployed it within a number of the Department’s bureaus. In October 2000, the Department deployed COOL Phase III, which helps with filling vacancies with nonstatus, external candidates. In FY 2002, Commerce deployed COOL Phase IV, with the objective of reducing the vacancy fill time to 32 days.

FY 2003 Performance

DM defines fill-time as the total time it takes to complete the various phases of the hiring process, that is, from the date the human resources office receives a recruitment request to the date a list of eligible candidates is referred for the manager’s consideration. DM relies directly on data that are captured at each of those phases to calculate fill-time. Through full participation of bureaus in inputting data to the Staffing Timeliness Measures system, in FY 2003 DM computed a fill-time of 21 days, exceeding the target of 29 days. DM also conducted surveys of applicants and managers on the effectiveness of the system and quality of applicants.

Measure 2e: Increase the Alignment of Performance Management with Mission Accomplishment

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Develop Web-based combined performance management and awards handbook.	Design tracking system for aligning ratings with mission accomplishment and overall recognition.	Implement a new Senior Executive Services (SES) performance management system that explicitly links SES performance with strategic goals and annual performance plan (APP) measures.	For each bureau general schedule or equivalent performance system, ensure each system explicitly links employee performance plans with strategic goals and APP measures.
Actual	Combined performance management and awards handbook completed.	Tracking system for aligning ratings with mission accomplishment and overall recognition designed.	All SES were placed on new performance management system in June. The system links management of the President's Management Agenda (PMA), individual and organizational performance and results.	Commerce GS or equivalent performance management systems are linked through the use of performance metrics tied to the APP.
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

A key aspect of ensuring that human capital is strategically aligned to organizational accomplishment is to ensure that alignment exists between an organization's strategic and operating plans and individual performance plans for employees. GAO's "High-Risk Series, An Update," published in January 2001, stated that agencies should foster an organizational climate that promotes high performance and accountability, and that the alignment of individual performance standards with organizational performance measures is a critical aspect of sound human capital management. President Bush has reaffirmed this concept, stating his commitment to improving the linkages between individual performance and organizational mission accomplishment. In FY 2002, Commerce implemented new SES performance management regulations. An SES performance management system was designed to comply with these regulations. The system ensured that a definitive linkage was created, tested, documented, and tracked so that performance management becomes integral to mission accomplishment.

FY 2003 Performance

In FY 2003, starting with OS, the Department aligned supervisory performance plans and metrics to mirror the measures reflected in SES performance plans. The Department will cascade this system, which links management of human capital, performance results, and organizational objectives to the individual performance of 60 percent of the supervisors during FY 2004.

The Department has completed the first phase of the Commerce Performance and Awards System, an automated tool that links individual performance and rewards as a driver for organizational performance and results tied to strategic plans. In FY 2003, management training was provided to support a pilot of 125 employees in the OHRM and two other organizations. This system will enhance the performance management experience for both the manager and the employee, providing up-to-date information on both performance and awards and ensuring a consistent distribution of information.

Measure 2f: Implement a Telecommuting Program

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Provide advice to managers in establishing pilot programs.	25% of eligible workforce is involved in program.	50% of eligible workforce is involved in the program.	75% of eligible workforce is involved in program.
Actual	Three pilot programs established.	13.5% of total workforce currently telecommuting.	18.9% of total workforce participate in regular or episodic teleworking.	38.7% of eligible workforce participated in regular or episodic telework as of Q4, FY 2003.
Met/Not Met	Met	Not Met	Not Met	Not Met

Explanation of Measure

Public Law 106-346 supports implementation of telecommuting programs throughout the Federal Government and requires agencies to establish telecommuting policies. The law also requires the Office of Personnel Management to provide for the application of the law to 25 percent of the eligible federal workforce by April 23, 2001, and to an additional 25 percent each year, thereafter.

FY 2003 Performance

Development of the policy for the Department’s telework program was a significant undertaking, culminating in the issuance of the DOC telecommuting policy in FY 2003. In developing its policy, the Department took extreme care to assure that issues of information technology security stemming from remote access into the Department’s systems were fully addressed. Similarly, liability for employee safety and security while working either at home or in remote locations was thoroughly considered and appropriately addressed. The resulting policy is comprehensive and its implementation has provided a stimulus for bureau plans to be finalized. Publication of the latest telework participation definitions in the telecommuting policy will permit further development of the automated system that will track program participation. These circumstances are expected to greatly enhance the Department’s progress towards reaching the goals for workforce participation in the program. We expect to be able to move into full telework implementation in FY 2004.

Program Evaluation

The Department of Commerce uses reviews and reports of OIG, OMB, OPM, GAO, other congressional organizations, government-wide task force studies that produce (or rely on) objective review criteria, and other sources in conducting evaluations of the activities listed under Performance Goal 2. In addition, many of the laws cited in this section have specific reporting requirements. During FY 2003, Commerce continued to work closely with the OPM and OMB on improving human capital management, assessments, training and knowledge management, and accountability programs. As of the end of FY 2003, Commerce had maintained a green “progress” rating in human capital, signifying that DM continues to make significant forward movement in changing its human resources management practices and positioning itself to achieve meaningful results that will allow DM to improve its “status” rating.

Performance Goal 3: Acquire and Manage the Technology Resources to Support Program Goals

Corresponding Strategic Goal

Management Integration Goal: Strengthen management at all levels.

Rationale for Performance Goal

As the U.S. 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 and private sectors, other levels of government, and other federal agencies. This requires that DM develop and implement new approaches to electronic communication and that Commerce's existing systems perform at the highest levels. Specific areas identified for measurement and reporting include: (1) converting paper transactions to electronic form; (2) improving departmental IT planning and investment review processes; (3) expanding the role of IT architecture in evaluating new and existing systems; (4) improving the IT security program; (5) ensuring confidentiality, integrity, and availability of systems and data; and (6) protecting systems from intrusions.

FY 2003 Performance

During FY 2003, Commerce continued to focus on improving all aspects of IT management. Because of their criticality at this time, confidentiality, availability, and integrity of the Department's IT resources were especially emphasized. Additionally, Commerce has invested human and capital resources in the electronic government initiatives in support of the PMA. These activities affected the Department's ability to fully meet the aggressive goals established under this Performance Goal for FY 2003. Five and a half out of the six targets were met. Substantial progress was made in the remaining one-half area.

Measure 3a: Transactions Converted to Electronic Format				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	16 (13% of 123 transactions)	25 (20% of 123 transactions)	43 (35% of 123 transactions)	90 (42% of 214 transactions)
Actual	16 (13% of 123 transactions)	28 (23% of 123 transactions)	67 (54% of 123 transactions)	107 (50% of 214 transactions)
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

The Government Paperwork Elimination Act (GPEA) determined the framework upon which e-government must be built. Under the GPEA, agencies must provide for the optional use and acceptance of electronic documents and signatures and electronic record keeping, when practicable, by October 2003. At present, the Department provides information to customers, stakeholders, and partners using electronic mechanisms to the extent practicable, considering the cyclical nature of many

Department collections. The first GPEA plan was submitted to OMB in October 2000. At that time, the Department identified 235 transactions that were carried out between Department of Commerce offices and operating units, and the public. Of those, 123 were appropriate for conversion to an electronic option; this number served as DM's baseline through 2002. Starting in 2003, the new baseline is 214 transactions due to revised instructions from OMB, including a broader set of electronic transactions and focusing on and including transactions related to the Administration's 25 e-government initiatives. Though the formal GPEA deadline is October 2003, some transactions will be made electronic after 2003 as a particular transaction comes due, e.g., a survey that is processed only once every five years. Since DM continues to make good progress with its GPEA efforts, it has increased the goals for FY 2004 and 2005.

As the Department strives to achieve its e-government goals, it is working to make processes, not just forms, electronic. Making processes electronic typically involves business process reengineering and is inherently more complex than making it possible to fill out a form electronically. The Department CIO is closely monitoring the operating units' GPEA transaction completions in 2003 and beyond through a monthly reporting process and a mid-year review of progress.

FY 2003 Performance

In FY 2003, 40 additional transactions were made available online, making the total to date 107 transactions, which exceeds the FY 2003 target of 90. Of all Commerce transactions, 34 percent support and advance the 25 e-government initiatives in which Commerce participates. Also, 77 percent of all Commerce information collection requests have been affected by GPEA. Examples include the adoption of electronic reporting at the Census Bureau for the Economic Census; development of a Web-based fish permit capability by NOAA's National Marine Fisheries Service; and establishment of the Export.gov portal, the Commerce-led government-wide initiative that offers a wide range of information to potential exporters and is being expanded to include forms and services.

Measure 3b: Information Technology (IT) Planning and Investment Review Program Maturity (Scale of 0-5)				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	2	50% at 3 or higher	55% at 3 or higher 20% at 4 or higher
Actual	1	2	41% at 3 or higher	73% at 3 or higher 5% at 4 or higher
Met/Not Met		Met	Not Met	Not Met

Explanation of Measure

The Commerce IT planning process requires that each operating unit develop strategic and operational IT plans. The purpose of the strategic IT plan is to focus attention on the high-level, strategic application of IT to departmental missions. Operating units then develop operational IT plans to show the detailed actions and resources necessary to achieve strategic plan goals. These plans form the foundation for analysis of specific IT investments.

To assist operating unit CIOs to continually improve their IT processes and to achieve a level of comparability across operating units, the Office of the CIO has provided them with maturity models, an approach accepted industry-wide to objectively assess the progress of IT and related initiatives in achieving program goals. The Software Engineering Institute at Carnegie Mellon University developed the concept of maturity models. A maturity model places proven practices into a structure that helps an

organization assess its organizational maturity and process capability, establish priorities for improvement, and guide the implementation of these improvements. The Software Engineering Institute’s software maturity model has become the de facto standard in the IT industry for assessing and improving software processes. An organization’s processes are deemed to be at a specific level when all established criteria for that level have been met. There are no partial or incremental steps between the levels.

Commerce uses maturity models to measure progress in three areas critical to managing IT resources: IT planning and investment review, IT architecture, and IT security. Definitions of each level (0-5) of the models are as follows:

Level	Information Technology (IT) Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: informal IT planning program.	Initial: informal it architecture process underway.	Documented policy.
2	IT planning program in development.	IT architecture process in development.	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: continual improvement of the IT planning program.	Optimizing: continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2003 Performance

The FY 2003 target was recognized as an aggressive goal when it was established. It had two stretch targets: (1) to have 55 percent of the bureaus operating at level 3 of the IT Planning and Investment Review maturity model, having a fully defined IT planning program in place, and (2) to challenge at least 20 percent of the operating units to move from level 3 to level 4 in the course of one year. The first target was exceeded, with 77 percent of the bureaus operating at level 3. The second target was not achieved, but progress was made in pressing the operating units to achieve at this very high level. One bureau, BEA, was able to achieve a level 4, which equates to 5 percent at a level 4. Fully managed planning and investment review programs at the bureau level require that senior management recognize the importance of the contribution of IT to the organization. IT plans and investment reviews must be used actively to conduct business, and the organization’s personnel must understand the plans and work toward meeting plan goals. To bring this about, significant cultural and procedural changes are required throughout the units’ planning, budgeting, and program execution processes. Because these requirements sometimes extend beyond the purview of the CIO, this level of maturity can be difficult to achieve. The Department’s CIO, with the help of the Department’s CFO, will continue working with each bureau, establishing specific objectives and monitoring their progress throughout the year, to help ensure that FY 2004 targets are met.

Measure 3c: Information Technology (IT) Architecture Program Maturity (Scale of 0-5)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	2	75% at 2 or higher 50% at 3 or higher	90% at 2 or higher 66% at 3 or higher
Actual	1	1.5	82% at 2 or higher 59% at 3 or higher	91% at 2 or higher 77% at 3 or higher
Met/Not Met		Not Met	Met	Met

Explanation of Measure

The IT architecture serves as the blueprint that guides how IT resources work together as a cohesive whole to support the Department’s mission. This mechanism helps the Department in efficiently utilizing its IT funding by recognizing the potential usefulness of IT systems to similar business practices across operating units, which results in eliminating duplication, improving information-sharing abilities, enhancing Commerce’s ability to respond to changing business needs, and reducing costs because of economies of scale.

An Enterprise IT Architecture Advisory Group, composed of members from across the Department, has established IT architecture guidelines, evaluation criteria, and a maturity scale. A high-level enterprise architecture serves as the overarching driver for Commerce’s architecture efforts. Each Commerce operating unit has developed its own IT architecture in line with the departmental architecture, and is following the guidelines and criteria prepared by the Advisory Group. Together, these plans form Commerce’s Federated Enterprise IT Architecture, which includes linkages to OMB’s Federal Enterprise Architecture.

The maturity models:

Level	Information Technology (IT) Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: informal IT planning program.	Initial: informal IT architecture process underway.	Documented policy.
2	IT planning program in development.	IT architecture process in development	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: continual improvement of the IT planning program.	Optimizing: continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2003 Performance

The FY 2003 performance goal for IT architecture was achieved. During FY 2003, Commerce made significant progress in the area of IT architecture. By the end of FY 2002, 82 percent of the operating units had achieved level 2, with 59 percent also achieving level 3. We have increased the performance to 91 percent at level 2 and 77 percent at level 3 in FY 2003. Level 3 requires that the operating unit have a defined IT architecture process, detailed written procedures, and a technical reference model that lays out the technical components of the architecture. The target was exceeded primarily through the maturing of the process and the participation of all operating units in sharing techniques, lessons learned, and standardization of the process through the Commerce Enterprise IT Architecture Advisory Group.

Measure 3d: Information Technology (IT) Security Program Maturity (Scale of 0-5)

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	50% at 1 or higher	80% at 2 or higher	90% at 2 or higher 70% at 3 or higher
Actual	More than 1	100% at 1 or higher 60% at 2 or higher	70% at 2 or higher 48% at 3 or higher 26% at 4 or higher	100% at 2 or higher 79% at 3 or higher 7% at 4 or higher
Met/Not Met		Met	Not Met	Met

Explanation of Measure

The IT security program implements policies, standards, and procedures to ensure an adequate level of protection for IT systems, whether maintained in-house or commercially. Commerce’s IT security program includes the preparation of risk assessments, security plans, contingency plans, and certification and accreditation of IT systems to ensure the confidentiality, availability, and integrity of the Department’s IT resources.

The maturity models:

Level	Information Technology (IT) Planning and Investment Review	IT Architecture	IT Security
0	No IT planning program.	No IT architecture.	No IT security program.
1	Initial: informal IT planning program.	Initial: informal IT architecture process underway.	Documented policy.
2	IT planning program in development.	IT architecture process in development.	Documented procedures.
3	Defined IT planning program.	Defined IT architecture including detailed written procedures and technical reference model.	Implemented procedures and controls.
4	Managed IT planning program.	Managed and measured IT architecture process.	Tested and reviewed procedures and controls.
5	Optimizing: continual improvement of the IT planning program.	Optimizing: continual improvement of the IT architecture process.	Fully integrated procedures and controls.

FY 2003 Performance

In response to the Federal Information Security Management Act, the Department identified specific corrective actions to raise IT security maturity to a level 3, primarily focused on improving the foundation for IT security programs—policies, procedures, and effective implementation. The establishment of a rigorous program policy for IT security in January 2003 and increased scrutiny by the Department of the quality of operating unit IT security planning and management practices has resulted in more accurate maturity level assessments than in previous years. In FY 2003, the Department CIO required that all critical and classified national security systems complete certification and accreditation in accordance with the National Information Assurance Certification and Accreditation Process (NIACAP) by the end of the fiscal year. In addition, the IT Security program manager required in FY 2002 that operating units use the results of NIST 800-26 system self-assessments to develop corrective action plans that address all critical elements below a level 3 maturity, and the Department CIO required that operating units complete all corrective actions by September 30, 2003. As a result, the Department has met the targets for this performance measure. The FY 2004 and 2005 targets are set at levels to encourage and require continued improvement throughout the Department in the area of IT security.

Measure 3e: Percentage of Information Technology (IT) System Security Plans Completed				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	100%	100%
Actual	21%	61%	98%	100%
Met/Not Met			Not Met	Met

Explanation of Measure

IT security plans are the foundation for ensuring the confidentiality, availability, and integrity of IT systems. As such, they are key to management’s understanding of the risks to information and IT systems, and the measures needed to mitigate these risks. Plans should be updated every three years or when significant changes are made to the systems. The objective is to remain at the 100 percent level. Additional related measures are being formulated for the next reporting period.

FY 2003 Performance

Completing IT security plans for all systems across the Department to achieve 100 percent coverage was an area of special emphasis during FY 2003. Operating units provided monthly reports on progress in this area, and IT security compliance reviews examined the reported results at selected operating units. Although the data show that an additional 2 percent of Commerce’s systems now have up-to-date IT security plans, many IT security plans were also updated during the year. IT security plans are a key component of the certification and accreditation process, so this achievement enables the Department to move forward with achieving certification and accreditation of its systems.

The Department’s focus in FY 2003 has been to ensure all systems are certified and accredited in accordance with the NIACAP, beginning with the national critical, mission-critical, and classified systems, most of which were certified and accredited by the end of FY 2003. The focus in FY 2004 will be on continuing to improve the quality of the certification and accreditation processes and packages, and extending coverage to the business essential systems.

Measure 3f: Percentage of Unsuccessful Intrusion Attempts

	FY 2000	FY 2001	FY 2002	FY 2003
Target	New	New	85% (2,150 of 2,530 projected intrusion attempts)	85% (2,678 of 3,160 projected intrusion attempts)
Actual		86% (1,380 of 1,620 intrusion attempts)	87% (1,441 of 1,655 intrusion attempts)	85% (560 of 661 intrusion attempts)
Met/Not Met			Met	Met

Explanation of Measure

Intrusion detection software (IDS) that protects one of NOAA's many campuses and facilities shows that continual probes from outside systems are looking for vulnerabilities that can be exploited to gain access to NOAA systems. Statistics that NOAA has kept over the last few years show that the threat is increasing every year. Successful compromises put the Department at serious risk, affecting the confidentiality, availability, and integrity of IT systems. While intrusion attempts cannot all be thwarted, those that are successful compromises must be minimized, that is, the number of unsuccessful attempts must increase as the overall number of attempted intrusions increases.

FY 2003 Performance

The FY 2003 target was met. There was a dramatic fall-off in the number of reported intrusion attempts. This decrease in attempts, the Department believes, is attributable to better edge or peripheral filtering and controls. NOAA has refined ingress and egress controls at all Internet connection points by further limiting port and protocol access. Also adding to the decline in attempts was the implementation of the National Weather Service (NWS) Network. The network consolidated and standardized most NWS Internet connectivity through the NOAA Network Operations Center to take advantage of the refinements in periphery control, while removing many independent ISP service providers. Our IDS studies indicate there has been no real or perceived drop in intruder activities external to our networks, and industry still warns of increasing threats.

Program Evaluation

The Department uses reviews and reports generated by OIG, OMB, GAO, other congressional organizations, government-wide task force studies, and other objective sources to evaluate Performance Goal 3 activities. In addition, many of the laws pertaining to IT management have separate reporting requirements, which highlight both strengths and weaknesses in Commerce's IT programs. The Department uses the results of these efforts as needed to assess achievement of performance targets. Although the operating units assess and report their progress on each of the measures, the Department's Office of the CIO is requiring that operating units develop corrective action plans to achieve performance targets, to provide regular reports on their progress, and to undergo independent reviews to verify accuracy of reporting. With CIOs established and in place at all the operating units, the structure will be in place to strengthen the management of IT at all levels.

No DM programs have been evaluated in the PART process.

DM Data Validation and Verification

To a great extent, DM measures depend on input provided by many sources—typically, Commerce’s bureaus—and a combination of techniques is used to validate and verify the data received.

For example, financial performance at all levels is subject to review by Department auditors. Data input by the bureaus relating to acquisition activities, e.g., performance-based contracts and small business awards, is screened at the Department level during the reporting cycle.

Several of the measures relating to IT management under Performance Goal 3 involve the use of maturity models to evaluate the adequacy of the programs in place to manage IT planning, architecture, and security. These models represent an industry-wide accepted approach for objectively assessing the IT functions. The Office of the CIO works closely with bureaus to ensure that the criteria for each level are met as bureaus progress through the five-step models.

As DM moves forward to other, less concrete objectives, e.g., developing competencies in leadership and mission critical occupations and improving the effectiveness and efficiency of our hiring systems, it is continuing to refine its reporting structure.

The DM Data Validation and Verification table can be found starting on the following page.

DM Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Clean audit opinion obtained on Commerce consolidated financial statements	Consolidated financial statements and Office of Inspector General (OIG) audits.	Annual	Bureau or departmental financial systems.	OIG Audits	None	Continue to maintain clean audits.
Measure 1b: Deploy Commerce-wide integrated financial management system	Bureau reports	Ongoing monitoring and quarterly reporting.	N/A	OIG Audits	N/A	Continue to maintain Federal Financial Management Improvement Act of 1996 (FFMIA) compliance.
Measure 1c: Implement competitive sourcing	Federal Activities Inventory Reform (FAIR) Act inventory and Competitive Sourcing Management Plan.	Annual	DM chronology files.	Executive Secretariat	None	Request updates quarterly.
Measure 1d: Funds obligated through performance-based contracting	Commerce procurement data system.	Annual	Commerce procurement data system.	Supervisory audit	None	None
Measure 1e: Small purchases made using credit cards	Commerce bankcard center.	Annual	Commerce bankcard center.	Procurement Council process.	None	Continue to gather and review data.
Measure 1f: Increase percentage of total obligations awarded as contracts to small businesses	Small Business Administration (SBA), the Department of Commerce's Office of Small and Disadvantaged Business Utilization (OSDBU), General Services Administration (GSA).	Annual	OSDBU and GSA federal procurement data system (FPDS).	OSDBU and GSA FPDS.	None	Continue outreach efforts.
Measure 1g: Ensure a secure workplace for all Commerce employees	Site visits	Annual	Computer systems	Compliance reviews	Technology decentralizes data.	Continue to monitor and evaluate.

DM Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1h: Ensure a safe workplace for all Commerce employees	Office of Human Resources Management (OHRM).	Annual	OHRM	Reporting to senior managers.	None	Continue to monitor and evaluate.
Measure 2a: Strategic competencies—ensure competency in leadership and in mission-critical occupations	National Finance Center/ Department of Commerce's Human Resources Data System (HRDS), bureaus' workforce restructuring plans, recruitment and retention plans that focus on mission-critical competencies, and leadership succession plans (recruitment, retention, and development).	Semi-annual in some cases, annual in others.	OHRM payroll and personnel system and succession plans.	Availability of plans, data accuracy as documented by the National Finance Center, leadership recruitment and retention rates, turnover data, availability and quality of succession plans, and review of bureau progress on succession plans.	HRDS does not provide historical data.	Measure trends over time and ensure that plans are in place and implemented.
Measure 2b: Strategic competencies—ensure comprehensive training and development strategies	Department plan for strategic employee training and development.	Annual	OHRM and bureaus.	Review of manual records and availability of updated policies that support mission-critical employee competency development.	Manual review required.	Refine system and continue to monitor.
Measure 2c: Strategic competencies—ensure diverse candidate recruitment	Inventory transmittal letters.	Annual	Office chronology files.	Executive Secretariat	None	Measure trends over time.
Measure 2d: Efficiency and effectiveness of hiring systems using the Commerce Opportunities Online (COOL) System	Staffing timeliness measurement system.	Semi-annual	Staffing timeliness measurement system.	Staffing timeliness studies.	Some manual sorting required.	Refine system, provide training, and oversee issuance of certificates to managers.

DM Data Validation and Verification (cont.)

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 2e: Increase the alignment of performance management with mission accomplishment	HRDS, Department of Commerce strategic plan, bureau operating plans, and performance management plans for employees.	Annual	HRDS database, performance management system.	Performance management completion rate and performance against goals and targets.	Some manual record-keeping.	Implement new performance management policy and complete analyses.
Measure 2f: Implement a telecommuting program	Management data on number of employees participating.	Quarterly	OHRM database, created via reports from the bureaus.	Review of bureau records.	Manual information gathering.	Develop Department-wide telecommuting plan, track number of participants, and determine if the program is supporting mission accomplishment.
Measure 3a: Transactions converted to electronic format	Bureau Information Technology (IT) offices.	Annual	Bureau databases and DM Chief Information Officer (CIO) consolidated database.	Departmental and outside reviews.	None	Review transactions to assess need for transition to electronic process and provide for electronic signature.
Measure 3b: Information technology (IT) planning and investment review program maturity (scale of 0-5)	Bureau IT offices.	Annual	Bureau IT offices.	Departmental and outside reviews.	None	Review bureau processes to assess need for corrective action.
Measure 3c: Information technology (IT) architecture program maturity (scale of 0-5)						
Measure 3d: Information technology (IT) security program maturity (scale of 0-5)						
Measure 3e: Percentage of Information Technology (IT) system security plans completed	Bureau IT offices.	Annual	Bureau files and DM CIO files.	Departmental and outside reviews.	None	Review plans for completeness and conformance to National Institute of Standards and Technology (NIST) SP 800-18.
Measure 3f: Percentage of unsuccessful intrusion attempts	National Oceanic and Atmospheric Administration (NOAA)	Annual	NOAA files	Departmental and outside reviews.	None	Review statistics for completeness and accuracy.



Office of Inspector General

Mission Statement

The Office of Inspector General (OIG) has the mission of providing a unique, independent voice to the Secretary and other senior Commerce managers, as well as to Congress, in combating fraud, waste, abuse, and mismanagement and in improving the efficiency, effectiveness, and economy of Department operations. The office has authority to inquire into all programmatic and administrative activities of the Department, including individuals or organizations performing under contracts and grants, and other financial assistance agreements.

OIG's work is primarily conducted through audits (performance and financial), inspections, program and systems evaluations, and investigations. OIG presents the findings of its audits, inspections, and evaluations to Commerce operating officials and agency heads for their review and comment before OIG releases the information in a final report. Investigations are referred to the Department of Justice (DOJ) for prosecution if evidence of criminal wrongdoing is found or civil recoveries are possible. Investigative findings may also be referred to the appropriate agency official for administrative action.

OIG is headquartered in Washington, D.C. Its Office of Audits (OA) has personnel at several sites in the metropolitan Washington, D.C., area, plus regional offices in Atlanta, Denver, and Seattle. The Office of Investigations (OI) has field offices in Atlanta, Denver, Silver Spring, and Washington, D.C.

OIG accomplishes its mission through five principal activities:

Executive Direction

Includes the Immediate Office of the Inspector General (IG) and the Office of Counsel. The IG provides overall leadership and policy direction, including reviews of proposed and existing departmental legislation and regulations. The Office of Counsel provides legal assistance and review on the work of auditors, inspectors, and investigators.

Audits

OA performs audits of internal Department operations (performance audits and financial statements audits) and external activities funded by or through the Department (contracts as well as grants and other forms of financial assistance). OA also follows up on recommendations made in its reports by (1) evaluating agency responses and proposed actions, (2) resolving disputes between OIG auditors and management officials, and (3) identifying cases in which recommendations have been ignored or circumvented and suggesting alternative corrective actions.

OA's performance audits are of two types: (1) economy and efficiency audits and (2) program audits. Economy and efficiency audits examine whether the subject entity is acquiring, protecting, and using its resources economically and efficiently, determine the causes of any identified deficiencies, and assess whether the entity has complied with laws and regulations. Program audits determine a program's effectiveness as well as the extent to which it is achieving legislatively intended benefits and complying with applicable laws and regulations.

OA's financial statements audits assess the accuracy and reliability of financial information provided by Department entities. They determine whether (1) reported information presents fairly the entity's financial position and results of operations, (2) the entity has a sound internal control structure, and (3) the entity has complied with laws and regulations.

OA reviews external entities that have received contracts, grants, cooperative agreements, and loan guarantees from the Department. These audits check compliance with laws, regulations, and award terms; adequacy of accounting systems and internal controls; allowability of costs; and project outcomes.

OA also reviews audit reports of recipients of Commerce financial assistance that are prepared by state and local governments or by independent public accountants in accordance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133.

Inspections and Evaluations

These activities are handled by two OIG components: the Office of Inspections and Program Evaluations (OIPE) and the Office of Systems Evaluation (OSE). OIPE conducts inspections of departmental programs and operations, and performs evaluations of specific program, policy, or management issues. OSE performs evaluations that exclusively focus on information technology (IT).

OIPE maintains a diverse technical and analytical staff with the skills necessary to critically assess program performance, analyze policy and management issues and operations, and perform other important oversight functions. Staff members include economists, procurement experts, management and program analysts, auditors and evaluators, and persons with expertise in international business and business development.

OIPE's inspections (1) provide agency managers with timely information about operations, including current and foreseeable problems; and (2) detect and prevent fraud, waste, and mismanagement while encouraging effective and efficient operations. The office also prepares crosscutting reports on management and program issues that pertain to multiple sites or entities.

Because of their in-depth nature, OIPE's program evaluations usually require substantially more time to complete than inspections, and offer recommendations to address major program or management concerns. These reviews sometimes address government-wide or multi-agency issues, programs, or operations, and are thus conducted cooperatively with other OIGs.

OSE's focus on IT includes its oversight responsibility for the Department's many mission-critical systems. OSE's systems evaluations review IT acquisition, development, operations, and all related aspects—such as information security—for Commerce computer hardware, communications systems, environmental satellites, and other major systems. Work is carried out by a staff of computer scientists, engineers, mathematicians, evaluators, and contracting specialists who have extensive experience with the technical, management, and contractual issues relating to these systems. The objectives of OSE's evaluations are to ensure that IT investments are well managed and maintain an appropriate balance between achieving technical requirements and managing cost, schedule, and other risks.

Investigations

OI investigates alleged or suspected fraud, waste, abuse, or mismanagement by Department of Commerce employees, contractors, recipients of financial assistance, and others involved in the Department's programs and operations. Such wrongdoing may result in criminal and/or civil prosecution, as well as administrative sanctions for violations of Department regulations and employee standards of conduct.

To support its fraud investigations, OI conducts a variety of proactive activities, including outreach to educate Department employees about fraud and its indicators and to assure the various operating components within Commerce that OIG shares their commitment to excellence in program operation and administration. Investigating e-crime in the world of electronic information processing and the Internet requires specialized training and equipment. OI is thus preparing its criminal investigators to address any threats posed to the Department by those engaged in hacking, system intrusion, or manipulation of electronic data.

OI investigates matters referred to the Department's operating units for inquiry and administrative action when the unit's inquiry discloses potential criminal and/or civil violations. OI also conducts background checks on potential financial assistance recipients to determine whether there are any legal or other issues that would preclude them as candidates for grants, loans, and cooperative agreements.

Compliance and Administration

The Office of Compliance and Administration (OCAD) conducts OIG's quality assurance and internal control program and provides the full range of administrative support to all OIG units.

OCAD's administrative services include development, coordination, and implementation of all policies and activities involving OIG budget formulation and execution; human resources management, policy, and operations; acquisitions; management information and computer support; security; and publications, including the IG's *Semiannual Report to Congress*.

On the departmental level, OCAD provides technical assistance to the Department to ensure its compliance with the Federal Managers' Financial Integrity Act (FMFIA); evaluates Commerce's compliance with OMB Circular A-123; and monitors its identification of material weaknesses and subsequent actions to correct them.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

In FY 2003, OIG reduced its goals from three to one and reduced its measures from nine to four, to streamline performance reporting in the FY 2005 budget submission. The change in goals and measures does not match the FY 2004 Annual Performance Plan because OIG reviewed its goals and measures and made these changes so that OIG could focus on fewer but more meaningful and significant performance measures. The measures summarized below reflect that effort.

Performance Goal 1: 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

Measure	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Target	FY 2003 Actual	FY 2003 Met	FY 2003 Not Met
Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Modified	Modified	Modified	51%	58%	Met	
Percentage of OIG recommendations accepted by departmental and bureau management	96%	95%	95%	90%	97%	Met	
Dollar value of financial benefits identified by OIG	Modified	Modified	Modified	\$20,000,000	\$43,323,124	Met	
Percentage of criminal and civil matters accepted for prosecution	Modified	Modified	Modified	50%	50%	Met	

Resource Requirements Summary

(Dollars in Thousands. Funding amounts reflect total obligations.)

Information Technology (IT)

Full-Time Equivalent (FTE)

Performance Goal 1: 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

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Direct	20.4	19.9	20.1	20.5
Reimbursable ²	0.0	0.0	0.8	1.7
Total Funding	20.4	19.9	20.9	22.2
IT Funding ¹	0.0	0.0	0.0	0.0
FTE	156	139	136	140

¹ IT funding included in Total Funding.

² Reimbursable funding included in Total Funding.

The following chart is a crosswalk from current measures to previous measures.

New Measure	Status	Old Measure Explanation/Discussion
Measure 1a: Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Modified	OIG combined the following two measures to form this new expanded measure: Measure 1a: Percentage of management challenges and other areas in published work plan addressed through OIG work products and Measure 1b: Number of strategic contacts with key stakeholders and other targeted activities conducted to ensure that OIG's work continues to place appropriate emphasis on critical Department of Commerce programs and operations.
Measure 1b: Percentage of OIG recommendations accepted by departmental and bureau management	Modified	OIG modified the following measure: (1) Measure 1c: Percentage of OIG recommendations acted upon by management.
Measure 1c: Dollar value of financial benefits identified by OIG	Modified	OIG combined and modified the following two measures: Measure 2c: Percentage of recommended funds to be put to better use agreed to by Commerce management and Measure 2d: Percentage of questioned costs disallowed.
Measure 1d: Percentage of criminal and civil matters accepted for prosecution	Modified	OIG modified the following measure: Measure 2e: Number of investigative actions and issues resolved.

NOTE: The following measures were deleted to enable OIG to focus on the key few measures that best reflect organizational performance:

Old Measure 1a: Number of Annual Planning Surveys of the Department's Operating Units.

Old Measure 2a: Percentage of Work Products Issued Within Planned Time Periods.

Old Measure 3a: Level of Quantifiable Effort of OIG Professional Staff Who Participated in Briefings, Meetings, Conferences, and Other Forums to Exchange Information With Stakeholders.

Old Measure 3b: Percentage of Publicly Releasable Reports Posted to the Web site Within 30 Working Days After Issuance.

Old Measure 3c: Percentage of Feedback from Key Stakeholders that Indicates OIG Keeps Them Adequately Informed of Its Plans and Activities.

FY 2003 Performance Goals

Performance Goal 1: 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

Corresponding Strategic Goal

Management Integration Goal: Achieve organizational and management excellence.

Rationale for Performance Goal

Commerce's diverse mission and critical programs and operations are administered in a dynamic environment—one that is greatly influenced by ever-changing conditions. As the Department works to accomplish its mission, OIG provides a unique, independent voice to the Secretary and other senior Commerce 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. This work is primarily accomplished through audits, inspections, evaluations, and investigations and a variety of activities geared toward averting problems. Moreover, 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.

FY 2003 Performance

In FY 2003, OIG met or exceeded its targets on all performance measures for Performance Goal 1. Most significantly, OIG identified more than \$43 million in financial benefits through its audit and investigative work in support of Commerce programs and operations. By reviewing 58 percent of the critical Commerce issues identified in the OIG three-year work plan, OIG demonstrated its ability to target limited resources to those Commerce programs and operations most in need of OIG oversight. Commerce management agreed with 97 percent of OIG recommendations. This high level of agreement with OIG recommendations serves as evidence of their usefulness and practicality and a strong indicator that improvements will be realized. By conducting quality investigative work that resulted in a high level of acceptance for prosecution, OIG provided Commerce with a strong deterrence to waste, fraud, and abuse, and the incentive to develop effective management controls to prevent and detect future problems. Details of these benefits are discussed under each of the following four performance measures.

Measure 1a: Percentage of Commerce's Management Challenges, Stakeholder Concerns and Other Critical Issues Addressed by OIG Work Products

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	51%
Actual				58%
Met/Not Met				Met

Explanation of Measure

To conduct work that promotes improvements to Commerce programs and operations requires that major issue areas be identified based on knowledge of Commerce programs and operations and input from Commerce management and other stakeholders. Work must then be planned so that coverage can be scheduled based on available resources. This measure gauges the extent to which OIG's work provides coverage of the major issues facing Commerce.

FY 2003 Performance

The *OIG Work Plan* was developed for the three-year period of FY 2002–2004. Given the breadth of the issues identified, OIG's limited resources, and the fact that the plan covers three years, it is difficult to work in more than half the areas represented in the plan in a single year. Accomplishing work in 58 percent of the identified issue areas in FY 2003 was a significant feat.

As a result, Commerce benefited from OIG directing its limited resources to review critical programs and operations that offered the greatest potential return on OIG's resource investment. Major areas reviewed included information security policies, management, and oversight Department-wide; departmental consolidated financial statements and financial management controls; the National Marine Fisheries Service's management of its environmental stewardship responsibilities; the National Institute of Standards and Technology's laboratories' fees for research conducted for other federal agencies; the National Technical Information Service's mission and financial viability; the International Trade Administration's efforts to promote U.S. exports; the U.S. Patent and Trademark Office's transition to a performance-oriented organization; acquisition reform and management; review of Commerce bankcard program; and human capital management.

Measure 1b: Percentage of OIG Recommendations Accepted by Departmental and Bureau Management

	FY 2000	FY 2001	FY 2002	FY 2003
Target	90%	90%	90%	90%
Actual	96%	95%	95%	97%
Met/Not Met	Met	Met	Met	Met

Explanation of Measure

Many of the improvements to Commerce operations and programs come through recommendations made in various OIG work products. A measure of OIG's effectiveness is the extent to which it offers useful, practical recommendations for improvements. A measure of the usefulness and practicality of OIG's recommendations is the extent to which they are accepted by Commerce management.

FY 2003 Performance

Acceptance of OIG recommendations by departmental and bureau management is critical if OIG's work is to promote improvements to Commerce programs. The sustained high rate of acceptance by management provides a very good measure of OIG's ability to improve Commerce programs.

One of the ways OIG helps improve department programs and operations is through the recommendations OIG makes to departmental management. A high level of acceptance of OIG recommendations indicates that they found OIG recommendations useful and practical. Management agreement also increases the chance that OIG recommendations will be fully implemented and that improvements will be achieved.

Measure 1c: Dollar Value of Financial Benefits Identified by OIG				
	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	\$20,000,000
Actual				\$43,323,124
Met/Not Met				Met

Explanation of Measure

A key measure of the value of OIG's work is its dollar return on investment. Financial benefits include: (1) questioned costs; (2) funds put to better use; and (3) administrative, civil, and criminal recoveries.

FY 2003 Performance

The dollar value of financial benefits identified by OIG reflects its ability to target limited resources in ways that yield significant results. The financial benefits consist of \$28,975,047 in funds to be put to better use, \$14,197,642 in questioned costs, and \$150,435 in investigative recoveries. The \$43 million plus in financial benefits is more than double the established goal and is more than double the amount of OIG's FY 2003 appropriation of \$20.5 million.

The target was set at \$20 million based on the annual average dollar value of financial benefits resulting from OIG work. The large increase in the dollar value of financial benefits achieved this year resulted mainly from financial-related audits of financial assistance awards made by the Economic Development Administration and National Institute of Standards and Technology. Since agreement on questioned costs and funds to be put to better use require agreement from management and recipients, it is at this time uncertain that the OIG can maintain such a high rate of dollar value of financial benefits.

Measure 1d: Percentage of Criminal and Civil Matters Accepted for Prosecution

	FY 2000	FY 2001	FY 2002	FY 2003
Target	Modified	Modified	Modified	50%
Actual				50%
Met/Not Met				Met

Explanation of Measure

OIG investigates allegations of criminal, civil, and serious administrative misconduct within the Department of Commerce and its programs. OI investigations that appear to substantiate allegations of criminal and civil misconduct are presented to the DOJ for prosecutorial determination. Because DOJ only accepts cases which it feels have a high likelihood of successful prosecution, the percentage of referred cases that are accepted is a good measure of the quality of OIG's investigative work.

FY 2003 Performance

Although the FY 2003 target for criminal and civil matters accepted for prosecution was set at 50 percent, the level was reached the very first year OIG adopted this measure. OI strives to apply the talents of its agents to investigate allegations and determine their veracity, and to provide information to DOJ that will assist the agency in determining whether civil or criminal prosecution is in the best interest of the government. That OI is able to achieve a 50 percent acceptance rate for prosecution is a good measure of the quality of OI investigative work, because it reflects a high quality of investigative casework by OI employees. The ability to develop an investigation to the point that it results in acceptance provides the agency with a strong deterrent to waste, fraud, and abuse and provides the agency with the incentive to develop strong management controls to prevent and detect future problems.

OIG Data Validation and Verification

OIG to the greatest extent possible relies on data collected for and presented in its *Semiannual Report to Congress*. This ensures that the same rigorous combination of techniques used to validate and verify the data for presentation in the *Semiannual Report to Congress* are applied to the collection of performance measures.

The OIG Data Validation and Verification table can be found on the following page.

OIG Data Validation and Verification

Performance Measure	Data Source	Frequency	Data Storage	Verification	Data Limitations	Actions to be Taken
Measure 1a: Percentage of Commerce's management challenges, stakeholder concerns and other critical issues addressed by OIG work products	Published <i>OIG Work Plan</i> .	Annual	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1b: Percentage of OIG recommendations accepted by departmental and bureau management	OIG audit and inspection process.	As conducted	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1c: Dollar value of financial benefit identified by OIG	OIG audit and inspection process.	As conducted	OIG Files	OIG Review	None	Continue collecting the measure.
Measure 1d: Percentage of criminal and civil matters accepted for prosecution	Investigative case data system.	Updated as investigations are completed.	Office of Investigations (OI) Database.	Investigative review process.	None	Continue collecting the measure.

FISCAL YEAR 2003 FINANCIAL REPORT

DEPARTMENT OF COMMERCE



UNITED

STATES OF AMERICA

FINANCIAL MANAGEMENT AND ANALYSIS



Financial Management and Analysis

Introduction

The Office of Financial Management (OFM) within the Department of Commerce formulates and prescribes Department-wide financial management and accounting policies, procedures, and controls. OFM also develops and maintains a Departmental financial system Commerce Administrative Management System (CAMS), and provides assistance in the implementation of these measures.

OFM Mission

To provide financial information, services, and systems of a quality unparalleled in Government to meet the needs of the Department of Commerce's program managers and administrators.

OFM Vision

- Program managers must also be knowledgeable, responsible, and accountable fiscal managers;
- Accurate and timely financial data must be readily available to management and stakeholders; and
- Financial management must be conducted through a Department-wide financial management system that directly supports work and resource planning and program performance measurement.

Initiatives and Priorities

We are creating a financial management environment that complies with federal laws and regulations and that will provide our executives with timely, accurate financial and performance information. As part of this process, we are pursuing the following major initiatives:

- Improve financial accountability;
- Improve financial management systems;
- Improve administration of federal grant programs; and
- Develop human resources in the financial management community.

Improve Financial Accountability

Under the Secretary's leadership, we are continuing to give the highest priority to providing accurate financial data to our internal and external customers, and to our accountability for all assets. This is evidenced in part, by the Department's receipt of unqualified audit opinions for several years and the decrease in internal control weaknesses cited in our audits.

The Department received a “red” rating on the financial management section of the President’s Management Agenda. The rating was mainly due to the Department’s lack of a single integrated financial management system and a repeat material internal control weakness. However, during every quarter of FY 2003, we received a “green” rating from the Office of Management and Budget (OMB) for our planning and progress in this area. The Department plans to obtain a green status for FY 2004 with the resolution of the internal control material weakness in FY 2003, along with the implementation of a single integrated financial management system in the first quarter of FY 2004.

In FY 2003, we aggressively moved toward improving the Department’s overall financial management. This was evidenced by the following:

- The Department received an unqualified opinion on the FY 2003 consolidated financial statements.
- The Department submitted accelerated quarterly financial statements to OMB by the prescribed deadlines, and submitted the Performance and Accountability Report to OMB a month earlier than the prescribed deadline of January 30, 2004.
- As of October 2003, CAMS was implemented at the National Institute of Standards and Technology (NIST), the National Telecommunications and Information Administration (NTIA), and the Technology Administration (TA), completing the CAMS implementation phase.
- With CAMS being fully implemented, along with the improvement of automated budget controls, and the downgrading of the information technology (IT) general controls weakness to a reportable condition, the Department was able to resolve its remaining material weakness.

In addition, the Department concentrated on the President’s Management Agenda initiative to reduce erroneous payments. The Improper Payments Information Act of 2002 (Public Law 107-300) requires that, beginning in FY 2004, agencies are to review annually all programs they administer and identify those which may be susceptible to significant erroneous payments. For all programs where the risk of erroneous payments is significant, agencies shall estimate the annual amount of erroneous payments, and report the estimates to the President and Congress with a progress report on actions to reduce erroneous payments.

The Department has not identified any significant problems with erroneous payments; however, we recognize the importance of maintaining adequate internal controls to ensure proper payments, and our commitment to the continuous improvement in the disbursement management process remains very strong.

To determine the nature and extent of possible improper payments, and to assess the level of internal controls and the overall risk of erroneous payments within the Department, a comprehensive questionnaire on erroneous payments was issued to the Department’s payment offices. The payment office responses were analyzed and a consolidated risk assessment was completed.

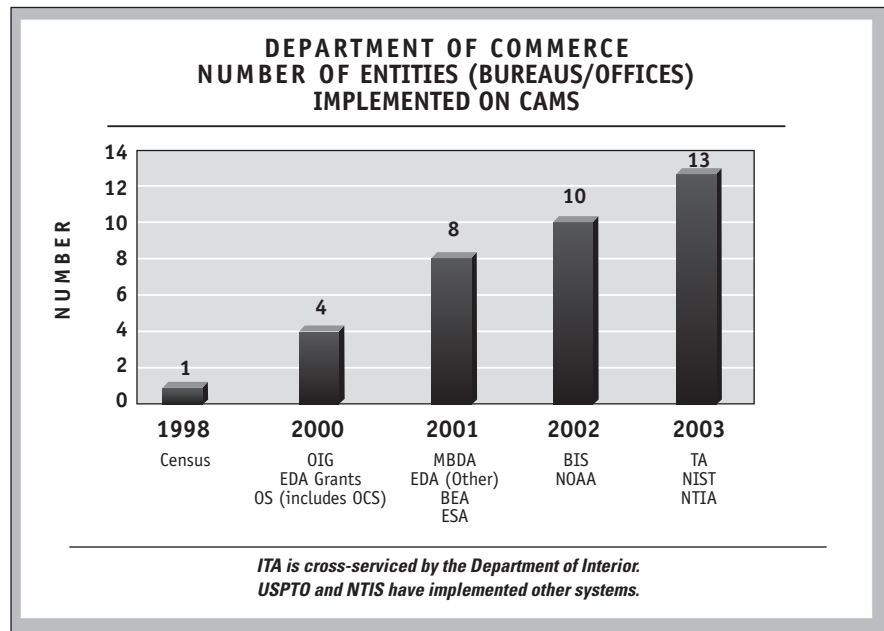
The results of our assessments demonstrate that overall, the Department has strong internal controls over the disbursement process, the amounts of erroneous payments in the Department are immaterial, and the risk of erroneous payments is low. However, we believe we can enhance our current process and will work with each of our payment offices to identify and implement additional procedures to prevent and detect erroneous payments. Procedures will include quarterly reporting to the Department on erroneous payments, identifying the nature and magnitude of the erroneous payment along with any necessary control enhancements. Also, we plan to complete the implementation of the recovery audit requirements for contracts by OMB’s December 31, 2004 deadline.

For FY 2003 and beyond, we will continue our efforts to ensure the integrity of our financial information and explore new ways to enhance our current processes. We will submit accelerated quarterly financial statement information to OMB and prepare for the submission of the FY 2004 Performance and Accountability Report by the mandated November 15, 2004 deadline. Monitoring the progress of correcting internal control weaknesses and identifying other areas for improvement will remain a high priority.

Improve Financial Management Systems

The lack of an integrated financial system was reported as a material weakness in the Department’s Fiscal Year 2002 Federal Managers’ Financial Integrity Act letter and in the Independent Auditors’ Report. The Department fully implemented a detailed Federal Financial Management Improvement Act Remediation Plan and audit action plans to resolve this weakness. The implementation of CAMS was a key factor in meeting the needs of a single integrated system. CAMS has replaced most financial systems within the Department. Bureaus that were previously on compliant systems continue to use those systems with some entities planning on converting to CAMS at a future point in time. The financial information from these systems and CAMS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting.

We have completed implementation of CAMS. As of October 2003, CAMS was implemented at all 13 departmental entities that previously operated non-compliant financial management systems, including NIST, that provides cross-services to NTIA and TA. The graph to the right depicts progress and successes of the CAMS implementation schedule by the bureaus.



The Department evaluated and implemented a Corporate Database to produce consolidated financial reports. The Corporate Database provides an integrated solution to financial statements and Federal Agency Centralized Trial Balance System I (FACTS I) Adjusted Trial Balance reporting at the Department, bureau, and Treasury Appropriation/Fund Group level, and also provides the ability to perform data analysis.

During FY 2003, the Corporate Database was utilized to produce the quarterly financial statements that were submitted to OMB by the mandated deadline. Also, the database was updated to produce the Department’s Statement of Financing, footnotes, FACTS I notes, financial analysis reports, and other additional information required for the government-wide financial statements.

Although the Department has an integrated financial system with the completed implementation of CAMS and the Corporate Database, there is a need to look forward to ensure the financial system will provide reliable, timely, and accurate financial data to management.

The Department, with the assistance of an independent contractor, has examined the organization, staffing, and funding necessary and has developed a plan to ensure CAMS can achieve and maintain Joint Financial Management Improvement Program compliance during its useful life.

Improve Administration of Federal Grant Programs

The Department ensures policy consistency across grant programs through its Office of Acquisition Management (OAM) under the Department's Chief Financial Officer and Assistant Secretary for Administration. OAM is charged with developing, issuing, and overseeing implementation of policies and procedures for the administration of the Department financial assistance programs, including grants, cooperative agreements, loans, and loan guarantees. OAM also works closely with the Office of the General Counsel, Office of the Inspector General (OIG), and the Grants Officers to develop, implement, and coordinate policies relating to financial assistance matters.

The Department's Grants and Cooperative Agreements Manual, issued in February 2002, provides agency-wide guidance on grants administration and provides a uniform set of minimum procedures for soliciting, reviewing, awarding, managing, and closing out grants.

The Department is in the final stages of implementing the Automated Standard Application for Payments (ASAP), which is an all-electronic payment and information system developed jointly by the Financial Management Service at the Department of Treasury and the Federal Reserve Bank of Richmond. ASAP is a system through which grantee organizations receiving federal funds can draw from accounts preauthorized by federal agencies. The bureaus have signed Memorandum of Understandings with Treasury and are at various stages of enrolling grant recipients to the ASAP system. Additionally, the CAMS and ASAP interface has been completed and certified by Treasury and the Federal Reserve Bank system.

In addition, OMB has designated the Department of Commerce as a partner Grants.gov agency. Grants.gov is a government-wide electronic portal that will include grant opportunity announcement (E-FIND) and electronic application (E-APPLY) capabilities. The Department's grants administration and program officials are working with information technology staff to review and prepare existing grants systems for successful integration with Grants.gov solutions.

Develop Human Resources

All of the Department's bureaus have established Chief Financial Officer (CFO) positions or similar positions of financial leadership. The Department has both a CFO Council and Finance Officer's Council that meet monthly to discuss common financial management issues and problems, including human resources, budget, procurement, and information technology systems, as well as financial accountability issues. Conferences of bureau finance officials are held as necessary, to ensure complete understanding and agreement with Departmental financial management objectives and approaches. OFM also participates in meetings of the government-wide CFO Council and of the Federal Financial Managers Council to address issues that cut across agencies. OFM works closely with bureau finance officers to assist in the proper implementation of Departmental standards and guidance. When specific issues arise, OFM conducts thorough studies and consults with the central agencies, the Federal Accounting Standards Advisory Board, the OIG, and similar organizations to develop the best possible financial management standards.

The Department's continuing professional education program enhances workforce development. This program requires a minimum of 40 hours of training and development activities per year for each financial management professional. In addition, the Department provides internships 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 FY 2003, the Department continued its partnership with the National Academy Foundation (NAF), and employed finance and technology interns from the NAF Internship Program.

Financial Management Indicators

OMB prescribes the use of quantitative indicators to monitor improvements in financial management. The table below shows our performance during FY 2003 against the target performance established by OMB and Treasury.

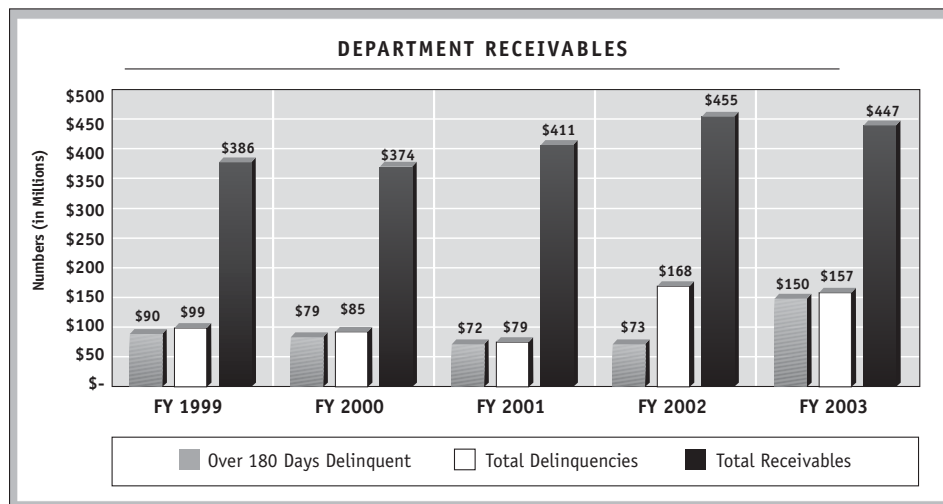
Financial Performance Measures		
Financial Performance Measure	FY 2003 Performance	FY 2003 Target
Percentage of timely vendor payments	94%	95%
Percentage of payroll by electronic transfer	99%	74%
Percentage of Treasury agency location codes fully reconciled	100%	100%
Timely reports to central agencies	100%	95%
Audit opinion on FY 2003 financial statements	Unqualified	Unqualified
Material weaknesses as reported by OIG	0	0

Debt Management

Receivables and Debt Management

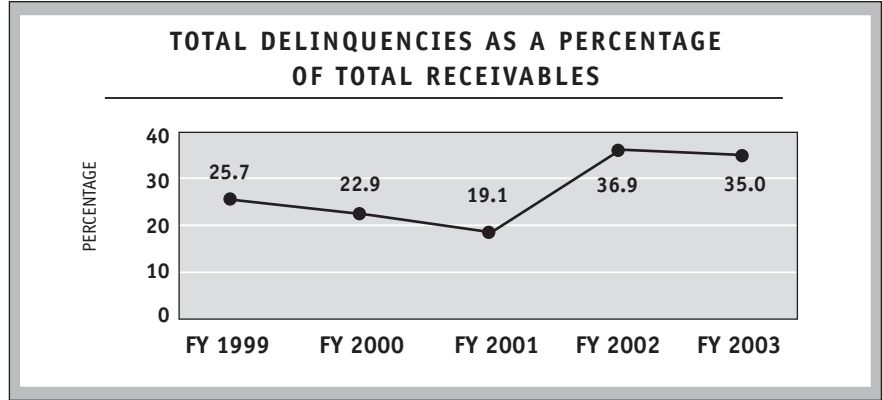
The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish 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.

Total Department receivables increased from \$455 million in FY 2002 to \$447 million in FY 2003, 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 the gross value of receivables and delinquent debt due from the public. Delinquent debt over



180 days has increased from \$73 million in FY 2002 to \$150 million in FY 2003. This increase was due primarily to a \$92 million guaranteed loan default that moved into the 180 days delinquency category. Total delinquencies, as a percentage of total receivables for the Department, decreased slightly from 36.9 percent in FY 2002 to 35.0 percent in FY 2003.

The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for 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. In FY 1998, the Department of Commerce signed a letter of agreement with Treasury for cross-servicing of debt more than 180 days delinquent. Almost \$16 million in delinquent debt has since been referred to Treasury for cross-servicing.



During FY 2001, the issuance of the revised, "Federal Claims Collection Standards" and the revised OMB Circular No. 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 our debt.

Payment Practices

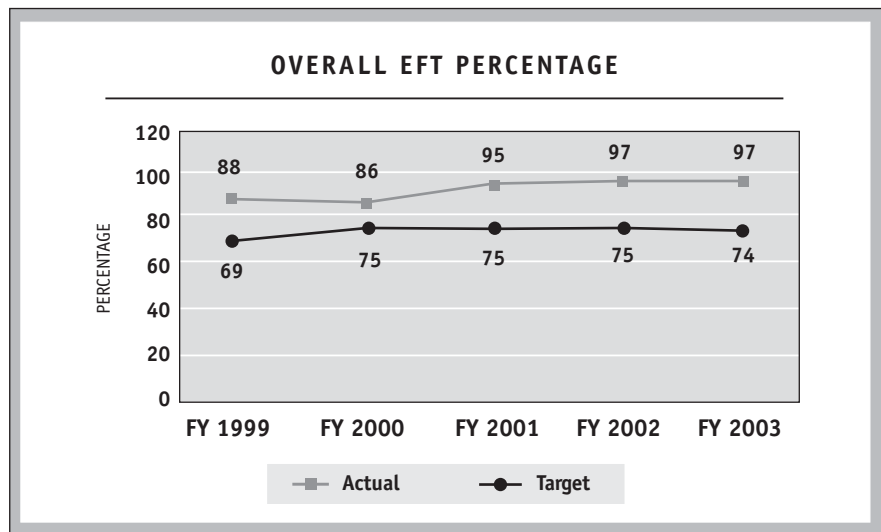
Electronic Funds Transfer (EFT)

During FY 2003, we continued our efforts to maximize the use of payment mechanisms compliant with Electronic Funds Transfer (EFT) as required by the Debt Collection Improvement Act of 1996. Our achievements in this area are illustrated in the table below:

Payment Category	FY 2003 EFT Percentage	FY 2002 EFT Percentage	FY 2003 Total Volume (Actual Count)	FY 2002 Total Volume (Actual Count)
Retirement Benefits	99%	99%	4,400	4,343
Salary	99%	98%	1,128,938	1,187,122
Vendor & Misc. ¹	94%	93%	507,696	664,280
TOTAL	97%	97%	1,641,034	1,855,745

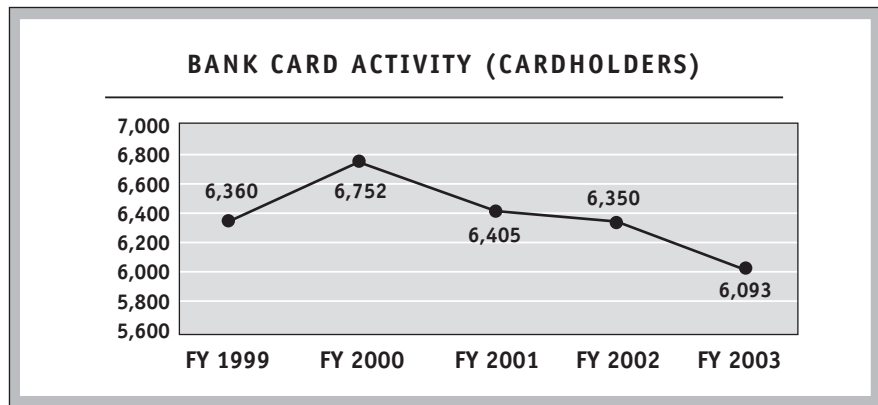
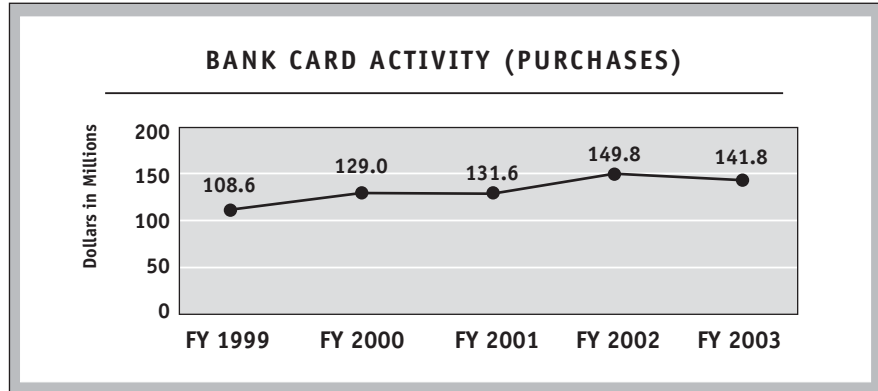
¹ Includes purchase card transactions.

The Department's overall EFT percentage remained steady at 97 percent in FY 2003. We substantially exceeded Treasury's government-wide goal of 74 percent for FY 2003. The Department continued to progress with one percent increase in the EFT percentage for both vendor and miscellaneous payments, and salary payments.



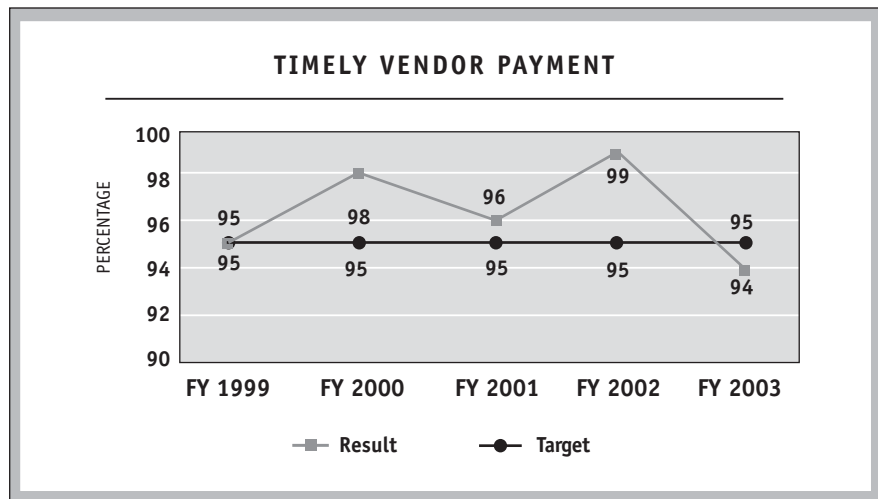
Bankcard

We are committed to the use of bank cards as a means of streamlining Departmental procurements. However, due to the conclusion of the Decennial Census disbursement activity in FY 2002, Departmental usage of the card declined slightly from 6,350 cardholders in FY 2002 to 6,093 in FY 2003. Concurrently, the amount of purchases declined from \$149.8 million in FY 2002 to \$141.8 million in FY 2003. The Department has continued to monitor the internal controls surrounding these purchases to ensure that all such purchases are legal and proper. As of September 30, 2003, the Department had an overall zero percent bankcard delinquency rate, compared to the government-wide one percent delinquency rate.



Prompt Payment

The Department made approximately 94 percent of all payments on time in FY 2003, compared to 99 percent reported in FY 2002. The number of invoices with late-payment interest penalties increased from 9,020 in FY 2002 to 15,144 in FY 2003. Our overall performance of 94 percent in FY 2003 is just slightly lower than the government-wide goal of 95 percent. The change in the prompt payment measure is mainly due to one bureau's conversion to an integrated financial system during the year. As a result, some



payments were delayed during the conversion period from the old to new system. We will continue to monitor our bureaus' payment performance to maintain our timely vendor payment percentage.

Financial Review

This is the eighth annual submission of the Department’s financial statements made in accordance with the requirements of the Chief Financial Officers Act as of 1990 amended by the Government Management Reform Act of 1994. These statements have been compiled according to the guidance issued by OMB. In order to comply with OMB Bulletin No. 01-09, and to fully disclose the Department’s financial position and results, we have prepared consolidated financial statements. The independent auditor, contracted by OIG, is responsible for auditing the Department’s consolidated financial statements.

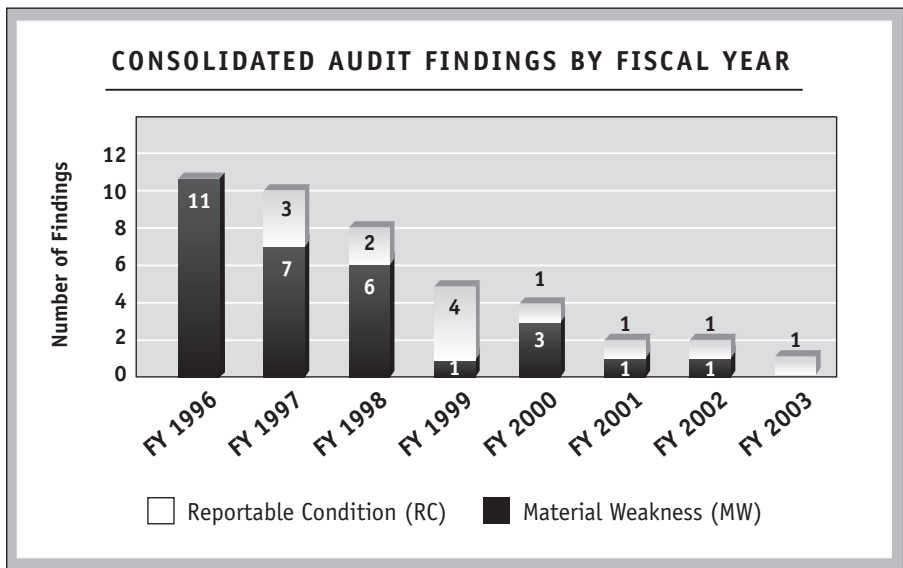
Unqualified Financial Statement Audits

The Department is committed to strong financial management, and has made much progress in this area. We have received unqualified opinions on our consolidated financial statements since FY 1999. This achievement results from our commitment to strong management control and accountability of our financial resources, a commitment that we are extending into the future as we seek to further improve management of our financial resources. Significant progress was also made in reducing internal control weaknesses. The Department currently has no material weakness, and one reportable condition related to improvements needed in financial management systems. The table and chart at the right illustrate our progression toward full attainment of unqualified audit opinions and our progress in correcting the material weaknesses and reportable conditions identified at the Department level.

Summary of Audit Opinions

Type of Opinion	FY 1998 Number of Reporting Entities	FY 1999 Number of Reporting Entities	FY 2000 Number of Reporting Entities	FY 2001 Number of Reporting Entities	FY 2002 Number of Financial Audits	FY 2003 Number of Financial Audits
Unqualified	11	14	9 ¹	4 ¹	3 ¹	3
Unqualified/Balance Sheet Only	2	0	0	0	0	0
Disclaimer	1	0	0	0	0	0
Not Audited	1	1	0	0	0	0

¹ Decrease in number of reporting entities due to entities being combined for audit.



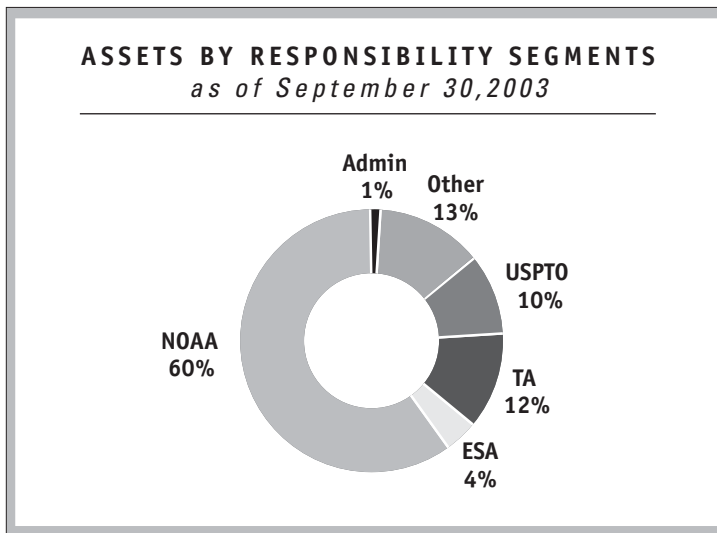
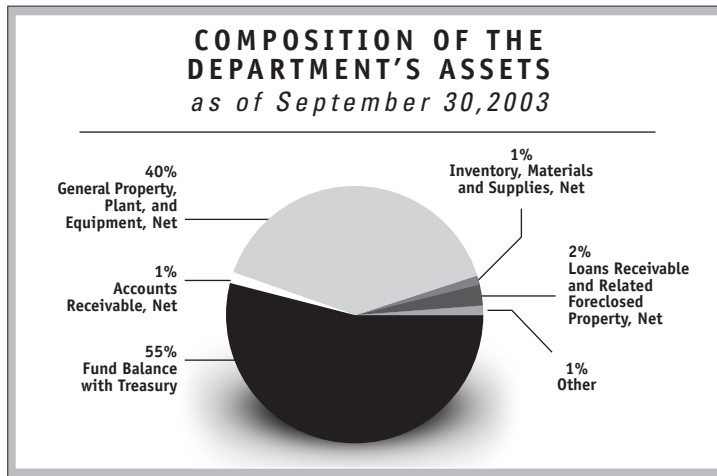
Analysis of FY 2003 Financial Conditions and Results

(Dollars in Thousands)

Composition of Department of Commerce Assets and Assets by Responsibility Segments

The composition and distribution of the Department’s assets remained generally consistent from FY 2002 to FY 2003.

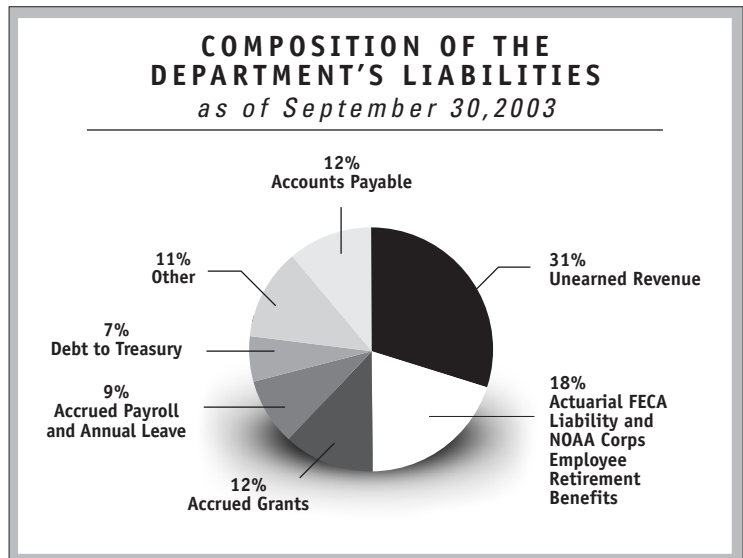
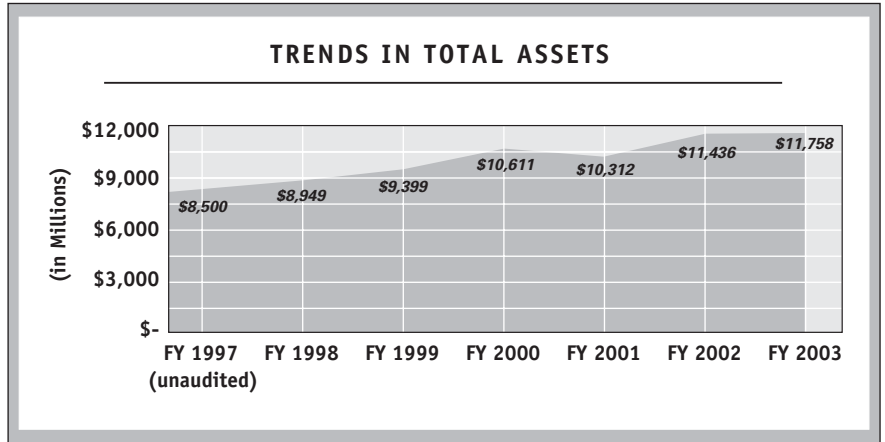
At September 30, 2003, Fund Balance with Treasury of \$6.50 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment, Net of Accumulated Depreciation (General PP&E) of \$4.67 billion includes \$1.25 billion of satellites and weather measuring and monitoring systems, \$2.51 billion of Construction-In-Progress, primarily of satellites and weather systems, and laboratories and other property, plant, and equipment totaling \$910 million. Loans Receivable and Related Foreclosed Property, Net of \$273 million primarily results from the National Oceanic and Atmospheric Administration’s (NOAA) direct loan programs.



Trends in Assets

Total Assets increased \$322 million or 3 percent, from \$11.44 billion at September 30, 2002 to \$11.76 billion at September 30, 2003. Fund Balance with Treasury increased \$189 million or 3 percent, from \$6.31 billion to \$6.50 billion, primarily due to higher Appropriations Received and higher Undelivered Orders (Unpaid) resulting from the delay of receipt of the increased appropriations, because of the continuing resolution in the first half of FY 2003.

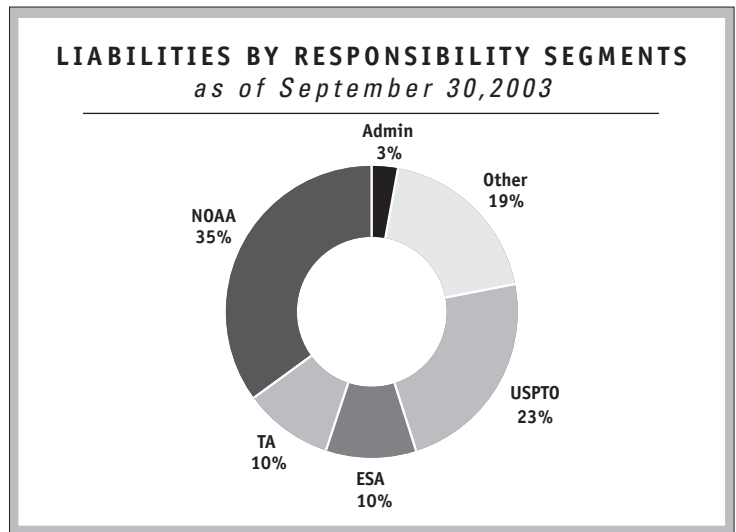
General PP&E increased \$126 million or 3 percent, from \$4.54 billion to \$4.67 billion, primarily due to the National Institute of Standard and Technology’s (NIST) construction of the Advanced Measurement Laboratory building and NOAA’s purchase, completed construction, and modernization of environmental satellites and weather measuring and monitoring systems. Advances and Prepayments decreased \$8 million or 15 percent, from \$53 million to \$45 million, primarily due to the U.S. Patent and Trademark Office’s (USPTO) reclassification of Leasehold Improvements to Construction-in-Progress from advance payments previously made to General Services Administration (GSA) for USPTO’s consolidated site under construction in Alexandria, Virginia.



Composition of Department of Commerce Liabilities and Liabilities by Responsibility Segment

The composition and distribution of the Department’s liabilities also remained generally consistent from FY 2002 to FY 2003.

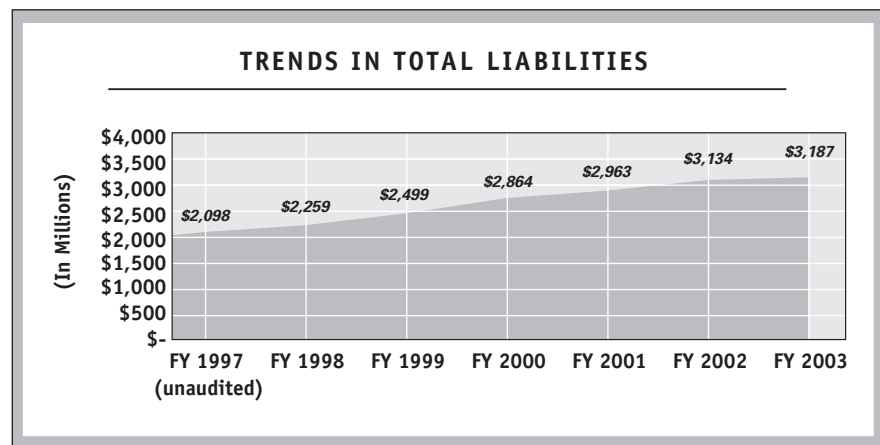
Unearned Revenue of \$999 million represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities of \$569 million is composed of the actuarial present value of projected benefits for



the NOAA Corps Retirement System (\$327 million) and the NOAA Corps Post-Retirement Health Benefits (\$42 million), and Actuarial FECA Liability (\$200 million), which represents the liability for future workers' compensation benefits. Accrued Grants of \$393 million, which relate to a diverse array of financial assistance programs and projects, include Economic Development Administration (EDA) accrued grants of \$266 million for their economic development and assistance funding to state and local governments. Other liabilities of \$356 million includes Liabilities for Loan Guarantees of \$51 million, Environmental and Disposal Liabilities of \$90 million, and Resources Payable to Treasury of \$75 million. Accounts Payable of \$368 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Accrued Payroll and Annual Leave include salaries and wages earned by employees, but not disbursed as of September 30. Debt to Treasury of \$212 million results from monies borrowed primarily for the Fisheries Finance Fund direct loans and the Emergency Steel Loan Guarantee Program.

Trends in Liabilities

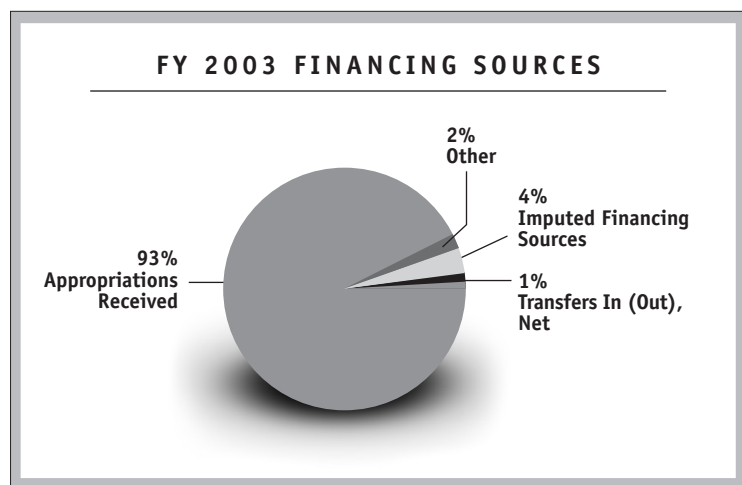
Total Liabilities increased \$53 million or 2 percent, from \$3.13 billion at September 30, 2002 to \$3.19 billion at September 30, 2003. Liabilities for Loan Guarantees increased \$29 million or 132 percent, from \$22 million to \$51 million, due to the initial subsidy cost for a guaranteed loan of the Emergency Steel Loan Guarantee Program. Accrued Grants increased \$42 million or 12 percent, from \$350 million to \$392 million, which is caused primarily by an



increase in EDA grants. Unearned Revenue increased \$61 million or 7 percent, from \$938 million to \$999 million, primarily due to increased unearned revenue from patent and trademark application and user fees that are pending action. Debt to Treasury decreased \$51 million or 19 percent, from \$263 million to \$212 million, in large part due to a repayment of \$50 million by the Emergency Steel Loan Guarantee Program. Environmental and Disposal Liabilities decreased \$31 million or 26 percent, from \$121 million to \$90 million, due to a decrease in the Pribilof Island cleanup liability.

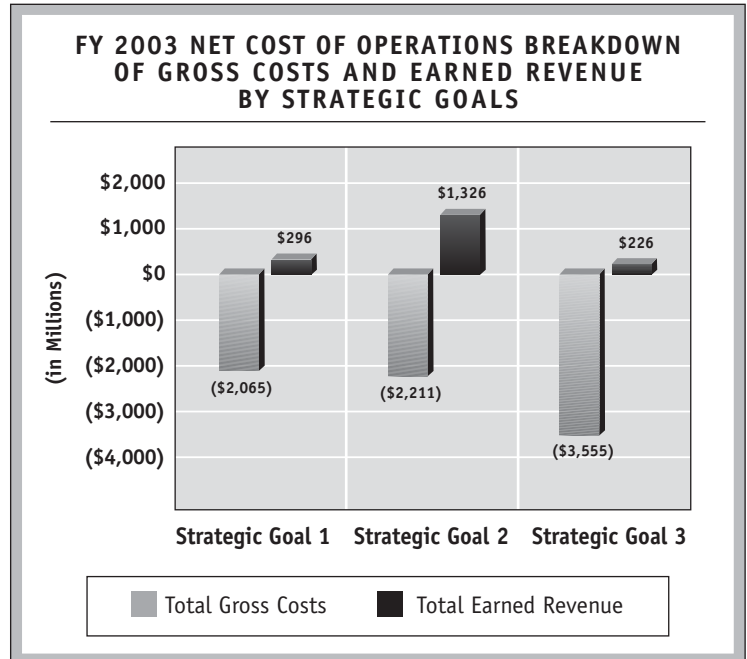
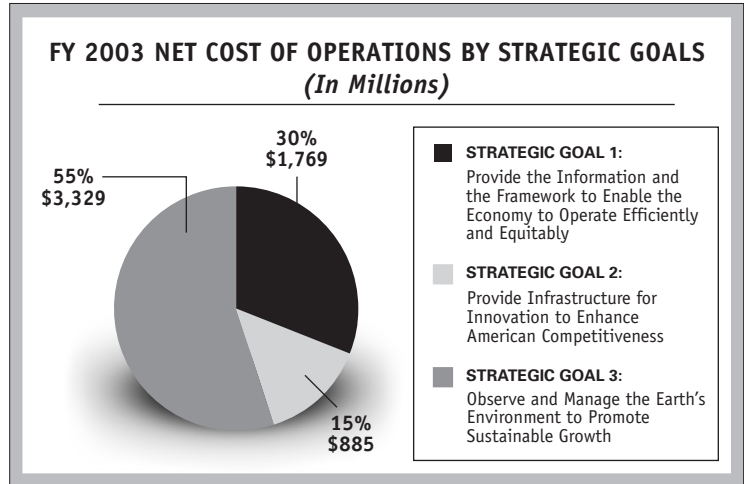
Trends in Financing Sources

Most of the Department's Financing Sources are obtained from Appropriations Received. Total Financing Sources for FY 2003, shown on the Consolidated Statement of Changes in Net Position, increased \$459 million or 8 percent, from \$5.79 billion for the year ended September 30, 2002 to 6.25 billion for the year ended September 30, 2003. The increase was largely due to an increase in Appropriations Received of \$279 million or 5 percent, from \$5.51 billion to \$5.79 billion.



Net Cost of Operations by Strategic Goal

In FY 2003, Net Cost of Operations amounted to \$5.98 billion, which consists of Gross Costs of \$7.8 billion less Earned Revenue of \$1.85 billion. Strategic Goal 1 includes Gross Costs of \$196 million related to the decennial census for the year 2000. Strategic Goal 2 includes Net Cost of Operations of \$69 million (Gross Costs of \$1.07 billion less Earned Revenue of \$1.00 billion) for USPTO’s patents program. Strategic Goal 2 also includes Net Cost of Operations of \$466 million (Gross Costs of \$541 million less Earned Revenue of \$75 million) for NIST’s Measurement and Standard’s Laboratories. These laboratories are the stewards of the U.S.’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 includes Net Cost of Operations of \$1.41 billion (Gross Costs of \$1.48 billion less Earned Revenue of \$69 million) related to NOAA’s goal to advance short-term warning forecasts, which includes improving tornado, winter storm, and flash flood warning lead time and accuracy, and improving hurricane track and precipitation forecasts.



Limitations of the Financial Statements

These financial statements have been prepared to report the financial position and results of operations of the Department of Commerce, 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 formats 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 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.

PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2003 and 2002 (In Thousands)**

	FY 2003	FY 2002
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 6,502,932	\$ 6,313,884
Accounts Receivable (Note 3)	80,860	54,487
Advances and Prepayments	25,967	39,402
Total Intragovernmental	6,609,759	6,407,773
Cash (Note 4)	14,174	10,502
Accounts Receivable, Net (Note 3)	57,554	55,598
Loans Receivable and Related Foreclosed Property, Net (Note 5)	272,675	292,113
Inventory, Materials, and Supplies, Net (Note 6)	101,376	98,934
General Property, Plant, and Equipment, Net (Note 7)	4,670,018	4,543,733
Advances and Prepayments	19,764	13,907
Other (Note 8)	12,712	13,178
TOTAL ASSETS	\$ 11,758,032	\$ 11,435,738
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 100,772	\$ 84,465
Debt to Treasury (Note 10)	211,700	262,513
Resources Payable to Treasury	75,221	54,382
Unearned Revenue	352,656	338,723
Other (Note 11)	55,996	56,476
Total Intragovernmental	796,345	796,559
Accounts Payable	267,214	279,835
Accrued Payroll and Annual Leave	290,976	270,624
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities (Note 12)	568,732	643,459
Accrued Grants	392,621	350,309
Environmental and Disposal Liabilities (Note 13)	89,861	121,189
Capital Lease Liabilities (Note 14)	22,744	32,665
Unearned Revenue	646,460	599,293
Other (Note 11)	111,767	40,250
TOTAL LIABILITIES	\$ 3,186,720	\$ 3,134,183
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION (Note 17)		
Unexpended Appropriations	\$ 4,181,364	\$ 3,978,998
Cumulative Results of Operations	4,389,948	4,322,557
TOTAL NET POSITION	\$ 8,571,312	\$ 8,301,555
TOTAL LIABILITIES AND NET POSITION	\$ 11,758,032	\$ 11,435,738

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2003 and 2002 (Note 18) (In Thousands)**

	FY 2003	FY 2002
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably		
Intragovernmental Gross Costs	\$ 479,032	\$ 449,601
Gross Costs With the Public	1,585,900	1,522,383
Total Gross Costs	2,064,932	1,971,984
Intragovernmental Earned Revenue	(285,079)	(239,555)
Earned Revenue From the Public	(11,011)	(36,873)
Total Earned Revenue	(296,090)	(276,428)
Net Program Costs	1,768,842	1,695,556
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness		
Intragovernmental Gross Costs	359,913	318,058
Gross Costs With the Public	1,850,717	1,657,783
Total Gross Costs	2,210,630	1,975,841
Intragovernmental Earned Revenue	(122,673)	(115,695)
Earned Revenue From the Public	(1,202,966)	(1,099,302)
Total Earned Revenue	(1,325,639)	(1,214,997)
Net Program Costs	884,991	760,844
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth		
Intragovernmental Gross Costs	441,064	485,909
Gross Costs With the Public	3,114,321	2,775,004
Total Gross Costs	3,555,385	3,260,913
Intragovernmental Earned Revenue	(164,169)	(181,080)
Earned Revenue From the Public	(61,927)	(47,042)
Total Earned Revenue	(226,096)	(228,122)
Net Program Costs	3,329,289	3,032,791
NET COST OF OPERATIONS	\$ 5,983,122	\$ 5,489,191

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, 2003 and 2002 (In Thousands)

	FY 2003		FY 2002	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances, as Previously Presented	\$ 4,322,557	\$ 3,978,998	\$ 4,199,702	\$ 3,796,886
Change in Accounting Principle (Note 17)	(135,918)	135,918	-	-
Beginning Balances, As Adjusted	\$ 4,186,639	\$ 4,114,916	\$ 4,199,702	\$ 3,796,886
Budgetary Financing Sources:				
Appropriations Received	-	5,790,547	-	5,511,071
Appropriations Transfers In/(Out), Net	-	4,387	-	27,420
Other Adjustments	(3,235)	(6,111)	-	(57,247)
Appropriations Used	5,722,375	(5,722,375)	5,299,132	(5,299,132)
Non-Exchange Revenue	13,035	-	17,583	-
Donations	859	-	928	-
Transfers In/(Out) Without Reimbursement, Net	78,640	-	82,152	-
Other Budgetary Financing Sources (Uses)	5,396	-	(555)	-
Other Financing Sources:				
Transfers In/(Out) Without Reimbursement, Net	51,585	-	(6,092)	-
Imputed Financing Sources From Costs Absorbed by Others	226,518	-	220,773	-
Other Financing Sources (Uses) (Note 12)	91,258	-	(1,875)	-
Total Financing Sources	6,186,431	66,448	5,612,046	182,112
Net Cost of Operations	(5,983,122)	-	(5,489,191)	-
ENDING BALANCES	\$ 4,389,948	\$ 4,181,364	\$ 4,322,557	\$ 3,978,998

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, 2003 and 2002 (Note 19) (In Thousands)**

	FY 2003		FY 2002	
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Budget Authority				
Appropriations Received	\$ 5,964,718	\$ -	\$ 5,813,215	\$ -
Borrowing Authority	-	155,977	-	221,878
Net Transfers	81,791	-	105,528	-
Unobligated Balance				
Beginning of Period	1,126,211	10,205	1,063,763	17,825
Adjustments to Unobligated Balance, Beginning of Period	535	-	(254)	-
Net Transfers, Actual	191	-	1,446	-
Spending Authority From Offsetting Collections				
Earned				
Collected	2,353,478	138,687	2,332,918	64,075
Receivables	6,197	-	(30,616)	(13,795)
Changes in Unfilled Customer Orders				
Advances Received	156,334	-	160,634	-
Without Advances	(44,777)	260	(9,843)	(308)
Total Spending Authority From Offsetting Collections	2,471,232	138,947	2,453,093	49,972
Recoveries of Prior Year Obligations	135,566	7,254	140,394	52,342
Temporarily Not Available Pursuant to Public Law	(178,514)	-	(306,513)	-
Permanently Not Available:				
Cancellation of Expired and No-Year Accounts	(24,182)	-	(27,764)	-
Enacted Rescissions	(7,858)	-	(30,517)	-
Capital Transfers and Redemption of Debt	(3,169)	(78,943)	(2,654)	(34,815)
Other Authority Withdrawn	-	(668)	(3,434)	(52,049)
Pursuant to Public Law	(36,350)	-	-	-
TOTAL BUDGETARY RESOURCES	\$ 9,530,171	\$ 232,772	\$ 9,206,303	\$ 255,153
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	\$ 6,286,198	\$ 169,124	\$ 5,932,061	\$ 147,675
Reimbursable	2,243,842	3,436	2,148,032	97,272
Total Obligations Incurred	8,530,040	172,560	8,080,093	244,947
Unobligated Balance				
Apportioned	795,131	1,805	847,838	7,450
Exempt from Apportionment	112,313	-	94,687	-
Unobligated Balance Not Available	92,687	58,407	183,685	2,756
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 9,530,171	\$ 232,772	\$ 9,206,303	\$ 255,153
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:				
Obligated Balance, Net, Beginning of Period (Unpaid)	\$ 4,487,716	\$ 180,411	\$ 4,242,729	\$ 100,515
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	172	-	(19,508)	-
Obligated Balance, Net, Beginning of Period, as Adjusted (Unpaid)	\$ 4,487,888	\$ 180,411	\$ 4,223,221	\$ 100,515
Obligated Balance Transferred, Net (Unpaid)	\$ (1,604)	\$ -	\$ -	\$ -
Obligated Balance, Net, End of Period (Unpaid):				
Accounts Receivable	\$ (214,686)	\$ (1)	\$ (208,421)	\$ (1)
Unfilled Customer Orders From Federal Sources (Unpaid)	(86,202)	(833)	(130,980)	(573)
Undelivered Orders (Unpaid)	4,113,941	299,975	3,902,128	180,974
Accounts Payable	932,180	-	924,989	11
Total Obligated Balance, Net, End of Period (Unpaid)	\$ 4,745,233	\$ 299,141	\$ 4,487,716	\$ 180,411
Outlays:				
Disbursements	\$ 8,174,105	\$ 46,315	\$ 7,715,664	\$ 126,813
Collections	(2,509,812)	(138,687)	(2,493,552)	(64,075)
Total Outlays	5,664,293	(92,372)	5,222,112	62,738
Less: Offsetting Receipts	(11,690)	-	(2,944)	-
NET OUTLAYS	\$ 5,652,603	\$ (92,372)	\$ 5,219,168	\$ 62,738

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Financing
For the Years Ended September 30, 2003 and 2002 (In Thousands)

Resources Used to Finance Activities:

	FY 2003	FY 2002
Budgetary Resources Obligated		
Obligations Incurred	\$ 8,702,600	\$ 8,325,040
Less: Spending Authority From Offsetting Collections and Recoveries	(2,752,999)	(2,695,801)
Obligations Net of Offsetting Collections and Recoveries	5,949,601	5,629,239
Less: Offsetting Receipts	(11,690)	(2,944)
Net Obligations	5,937,911	5,626,295
Other Resources		
Transfers In/(Out) Without Reimbursement, Net	51,585	(6,092)
Imputed Financing Sources From Costs Absorbed by Others	226,518	220,773
Other Financing Sources (Uses)	91,258	(1,875)
Net Other Resources Used to Finance Activities	369,361	212,806
Total Resources Used to Finance Activities	6,307,272	5,839,101

Resources Used to Finance Items Not Part of the Net Cost of Operations:

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	(342,722)	(312,902)
Resources that Fund Expenses Recognized in Prior Periods	(122,725)	(58,543)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations:		
Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowance for Subsidy Cost	129,730	60,978
Budgetary Financing Sources (Uses)	12,821	(1,919)
Resources that Finance the Acquisition of Assets	(819,274)	(989,993)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	111,817	150,443
Transfers In/(Out) Without Reimbursement, Net	(51,585)	-
Other Financing Sources (Uses)	(91,258)	1,875
Other	6,547	3
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,166,649)	(1,150,058)
Total Resources Used to Finance the Net Cost of Operations	5,140,623	4,689,043

Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:

Components Requiring or Generating Resources in Future Periods (Note 20)

Increase in Accrued Annual Leave	11,379	12,229
Increase in Environmental and Disposal Liabilities	-	41,981
Reestimates of Credit Subsidy Expense	(2,859)	60,031
Increase in NOAA Corps Employee Retirement Benefits Liabilities	14,700	41,472
Increase in Contingent Liabilities (included in Other Liabilities)	40,500	-
Other	(2,593)	3,973
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	61,127	159,686

Components Not Requiring or Generating Resources

Depreciation and Amortization	671,637	614,916
Expenses Related to Resources Recognized in Prior Periods	87,185	
Revaluation of Assets or Liabilities	2,966	13,553
Bad Debt Expense	8,171	(774)
Other	11,413	12,767
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	781,372	640,462

Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period **842,499** **800,148**

NET COST OF OPERATIONS **\$ 5,983,122** **\$ 5,489,191**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(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 thirteen bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, and Departmental Management. The Homeland Security Act of 2002 created the U.S. Department of Homeland Security (DHS). Pursuant to Section 201(g)(3) of Public Law 107-296, the Bureau of Industry and Security's (BIS) Critical Infrastructure Assurance Office was transferred from BIS to DHS effective March 1, 2003. Approximately \$7 million of budgetary authority was transferred to DHS. The FY 2003 transfers out are reported throughout the financial statements where applicable.

For the *Consolidating Statements of Net Cost* 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)
- Other Bureaus
 - Bureau of Industry and Security (BIS)
 - Economic Development Administration (EDA)
 - International Trade Administration (ITA)
 - Minority Business Development Agency (MBDA)
 - National Telecommunications and Information Administration (NTIA)

- Departmental Management (DM)
 - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)
 - Franchise Fund (FF)
 - Gifts and Bequests (G&B)
 - Office of the 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 generally accepted accounting principles (GAAP) in the U. S. and the form and content for entity financial statements specified by the U.S. Office of Management and Budget (OMB) in Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the U.S. Government.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenues, and costs have been classified according to the type of entity with whom the transactions are with. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

Certain FY 2002 amounts have been reclassified to conform to the FY 2003 presentation.

C *Elimination of Intra-Entity and Intra-Departmental Transactions and Balances*

Transactions and balances within a reporting entity (intra-entity transactions) have been eliminated from the financial statements. Transactions and balances among the Department's entities (intra-Departmental transactions) 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* and the *Consolidated Statements of Financing*. 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.

D *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 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.

E *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.

F *Advances and Prepayments*

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses or as advance payments for the cost of goods and services to be acquired. For grant awards, the grant recipient is required to periodically (monthly or quarterly) report the amount of cost incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

G *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.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.

Interest Receivable represents interest income earned on scheduled Loans Receivable and/or for the first 180 days outstanding on past-due loans. Interest Receivable pertaining to days in excess of 180 days outstanding on past-due loans that are determined to be uncollectible are not recorded in the Department's financial statements.

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 direct or guaranteed loans 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 and legal fees 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.

Loans Receivable are recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded as the Allowance for Subsidy Cost. 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.

H *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 collateral is not adequate. 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.

I *Inventory, Materials, and Supplies, Net*

Inventory, Materials, and Supplies 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 comprised 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, 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 improvements, whichever is shorter. Land and Construction-in-Progress are not depreciated.

Real Property: The 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 *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.

L *Liabilities*

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its Fisheries Finance and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, and Emergency Steel Loan Guarantee Program (ELGP-Steel). 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.

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 Payroll and Annual Leave; Accrued Benefits: These categories include salaries, wages, and benefits 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 Benefits are included in Intragovernmental Other Liabilities.

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 (Labor), 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 Labor for claims paid on behalf of the Department.

NOAA Corps Employee Retirement Benefits: 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 cost, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on Federal securities, annual basic pay increases, and annual inflation. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.P, *Employee Retirement 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 Labor 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 Labor 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.

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 draw-down requests may be received and fulfilled before grantees make the Department's program expenditures. When the Department has disbursed funds but grant recipients do not yet report 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.

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 \$40.7 million. The environmental liability is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liability for environmental cleanup costs at all NOAA-used facilities, including decommissioning of ships. The largest of NOAA's environmental liabilities, amounting to \$46.1 million at September 30, 2003, relates to clean-up of the Pribilof Island in Alaska, which contains waste from the Department of Defense's use during World War II. The Department, however, does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 thousand per project. Where an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. Where 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.

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.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which Congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund accounts, 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 the Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities when they are needed for disbursements.

Contingent Liabilities: 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 is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is disclosed in the Notes to the Financial Statements when

any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and when the chance of the future event or events occurring is remote.

M *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.

N *Net Position*

Net Position is the residual difference between assets and liabilities, and is comprised of Unexpended Appropriations and Cumulative Results of Operations.

Appropriations are recognized as capital when made available for apportionment by OMB. 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.

O *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 is 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 goods and services are received or benefits and grants are provided.

Exchange and Non-Exchange Revenue: The Department classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that are derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks; sale of weather data, nautical charts, and navigation information; and other sales of goods and services. These revenues are presented on the Department's *Consolidated Statements of Net Cost*, and serve to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenues are derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. These revenues are not considered to reduce the cost of the Department's operations, and, are 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 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.

P *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 in FY 2002 to make contributions to the plan equal to 8.51 percent of an employee's basic pay. In October 2002, the rate was reduced to 7.5 percent, and in January 2003, the rate was further reduced to 7 percent. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. Government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated service cost. For FERS-covered regular employees, the Department was required in FY 2002 and FY 2003 to make contributions of 10.7 percent of basic pay. Employees contributed 0.8 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 FY 2003, this plan was not fully funded by the Department and its employees. The Department has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the Department and its covered 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, 2003, included 246 active duty officers, 295 nondisability retiree annuitants, 22 disability retiree annuitants, and 49 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. The 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 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 1 percent of basic pay. FERS-covered employees are entitled, effective December 2003, to contribute up to 14 percent of basic pay to their TSP account, subject to the U.S. Internal Revenue Service (IRS) dollar amount limits, with the Department making matching contributions up to 4 percent of basic pay. Employees covered by CSRS are entitled to contribute up to 9 percent of basic pay to their TSP account, subject to the IRS dollar amount limits. The Department makes no matching contributions for CSRS-covered employees. Effective July 2003, 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 Imputed Financing Source.

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 Imputed Financing Source.

Q 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.

R 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 2003</u>	<u>FY 2002</u>
General Funds	\$ 5,631,787	\$ 5,577,135
Revolving Funds	506,715	388,287
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	48,192	38,097
Deposit Funds	79,897	68,896
Trust Funds	1,524	3,049
Other Fund Types	1,288	4,891
Total	<u>\$ 6,502,932</u>	<u>\$ 6,313,884</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2003</u>	<u>FY 2002</u>
Unobligated Balance:		
Available	\$ 877,006	\$ 1,130,937
Unavailable	806,498	721,570
Obligated Balance not yet Disbursed	4,819,428	4,461,377
Total	<u>\$ 6,502,932</u>	<u>\$ 6,313,884</u>

The Department's Deposit Funds are not available to finance operating activities. See Note 19, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2003.

NOTE 3. Accounts Receivable, Net

	<u>FY 2003</u>		
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	<u>\$ 80,860</u>	<u>\$ -</u>	<u>\$ 80,860</u>
With the Public	<u>\$ 73,582</u>	<u>\$ (16,028)</u>	<u>\$ 57,554</u>
	<u>FY 2002</u>		
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	<u>\$ 54,487</u>	<u>\$ -</u>	<u>\$ 54,487</u>
With the Public	<u>\$ 63,557</u>	<u>\$ (7,959)</u>	<u>\$ 55,598</u>

NOTE 4. Cash

	<u>FY 2003</u>	<u>FY 2002</u>
Cash Not Yet Deposited to Treasury	\$ 12,320	\$ 9,367
Imprest Funds	403	422
Other Cash	1,451	713
Total	<u>\$ 14,174</u>	<u>\$ 10,502</u>

Cash Not Yet Deposited to 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 environments that do not permit the use of electronic payments. Other Cash represents monies held in a trust account obtained through the foreclosure of a NOAA direct loan.

NOTE 5. Loans Receivable and Related Foreclosed Property, Net

The Department operates the following direct loan and loan guarantee programs:

Direct Loans:

NOAA	Fisheries Finance Direct Loans
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Fisheries Loan Fund
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Bering Sea Pollock Fishery Buyout
NOAA	Community Development Loans ¹
NOAA	Crab Buyback Loans ¹
NOAA	Pacific Groundfish Buyback Loans ¹
NOAA	New England Groundfish Buyback Loans ¹
EDA	Economic Development Revolving Fund
EDA	Drought Loan Portfolio

¹ No loans have been issued under these programs as of September 30, 2003

Loan Guarantee Programs:

NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)
EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program
ELGP-Steel	Emergency Steel Loan Guarantee Program

The net assets for the Department's loan programs consist of:

	<u>FY 2003</u>	<u>FY 2002</u>
Direct Loans Obligated Prior to FY 1992	\$ 64,727	\$ 75,767
Direct Loans Obligated After FY 1991	166,137	159,872
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	8,033	8,551
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	33,778	47,923
Total	<u>\$ 272,675</u>	<u>\$ 292,113</u>

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2003					
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
Drought Loan Portfolio	\$ 36,317	\$ 514	\$ (368)	\$ -	\$ 36,463
Economic Development Revolving Fund	16,956	173	(191)	-	16,938
CEIP	24,199	7,474	(20,347)	-	11,326
Fisheries Loan Fund	1,906	138	(2,044)	-	-
Total	<u>\$ 79,378</u>	<u>\$ 8,299</u>	<u>\$ (22,950)</u>	<u>\$ -</u>	<u>\$ 64,727</u>

FY 2002					
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
Drought Loan Portfolio	\$ 39,541	\$ 517	\$ (401)	\$ -	\$ 39,657
Economic Development Revolving Fund	24,020	346	(276)	-	24,090
CEIP	25,270	6,990	(20,240)	-	12,020
Fisheries Loan Fund	1,980	142	(2,122)	-	-
Total	<u>\$ 90,811</u>	<u>\$ 7,995</u>	<u>\$ (23,039)</u>	<u>\$ -</u>	<u>\$ 75,767</u>

Direct Loans Obligated After FY 1991 consist of:

Direct Loan Program	FY 2003			
	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	\$ 68,385	\$ 13	\$ 10,648	\$ 79,046
Fisheries Finance Direct Loans	62,410	884	6,689	69,983
Fisheries Finance IFQ Loans	<u>14,196</u>	<u>139</u>	<u>2,773</u>	<u>17,108</u>
Total	<u>\$ 144,991</u>	<u>\$ 1,036</u>	<u>\$ 20,110</u>	<u>\$ 166,137</u>

Direct Loan Program	FY 2002			
	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
Bering Sea Pollock Fishery Buyout	\$ 69,783	\$ -	\$ 12,671	\$ 82,454
Fisheries Finance Direct Loans	55,796	739	4,396	60,931
Fisheries Finance IFQ Loans	<u>13,460</u>	<u>120</u>	<u>2,907</u>	<u>16,487</u>
Total	<u>\$ 139,039</u>	<u>\$ 859</u>	<u>\$ 19,974</u>	<u>\$ 159,872</u>

Total Amount of Direct Loans Disbursed (Post-FY 1991):

Direct Loan Program	FY 2003	FY 2002
Fisheries Finance Direct Loans	\$ 19,294	\$ 9,619
Fisheries Finance IFQ Loans	<u>2,752</u>	<u>3,764</u>
Total	<u>\$ 22,046</u>	<u>\$ 13,383</u>

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2003

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance Direct Loans	\$ (3,187)	\$ 799	\$ (88)	\$ 41	\$ (2,435)
Fisheries Finance IFQ Loans	(397)	300	(42)	38	(101)
Total	<u>\$ (3,584)</u>	<u>\$ 1,099</u>	<u>\$ (130)</u>	<u>\$ 79</u>	<u>\$ (2,536)</u>

FY 2002

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance Direct Loans	\$ (800)	\$ 954	\$ (141)	\$ -	\$ 13
Fisheries Finance IFQ Loans	(505)	571	(22)	-	44
Total	<u>\$ (1,305)</u>	<u>\$ 1,525</u>	<u>\$ (163)</u>	<u>\$ -</u>	<u>\$ 57</u>

Modifications and Reestimates:

FY 2003

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	\$ -	\$ -	\$ (991)	\$ (991)
Fisheries Finance Direct Loans	-	(82)	(452)	(534)
Fisheries Finance IFQ Loans	-	(20)	93	73
Total	<u>\$ -</u>	<u>\$ (102)</u>	<u>\$ (1,350)</u>	<u>\$ (1,452)</u>

FY 2002

Direct Loan Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Bering Sea Pollock Fishery Buyout	\$ -	\$ -	\$ (3,582)	\$ (3,582)
Fisheries Finance Direct Loans	-	(26)	1,451	1,425
Fisheries Finance IFQ Loans	-	(82)	(1,510)	(1,592)
Total	<u>\$ -</u>	<u>\$ (108)</u>	<u>\$ (3,641)</u>	<u>\$ (3,749)</u>

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2003	FY 2002
Bering Sea Pollock Fishery Buyout	\$ (991)	\$ (3,582)
Fisheries Finance Direct Loans	(2,969)	1,438
Fisheries Finance IFQ Loans	(28)	(1,548)
Total	\$ (3,988)	\$ (3,692)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Year's Cohorts:

Direct Loan Program	FY 2003				
	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance Direct Loans	(13.75)%	0.53%	(0.07)%	1.40%	(11.89)%
Fisheries Finance IFQ Loans	(17.31)%	2.21%	(0.80)%	3.87%	(12.03)%
New England Groundfish Buyback	(31.89)%	31.52%	- %	- %	(0.37)%
Pacific Groundfish Buyback	(31.89)%	32.97%	- %	- %	1.08%

Direct Loan Program	FY 2002			
	Interest Differential	Defaults	Fees and Other Collections	Total
Fisheries Finance Direct Loans	(17.51)%	2.35%	(0.50)%	(15.66)%
Fisheries Finance IFQ Loans	(17.52)%	18.28%	(0.50)%	0.26%

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	<u>FY 2003</u>	<u>FY 2002</u>
Beginning Balance of the Allowance for Subsidy Cost	\$ 19,974	\$ 19,149
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	3,584	1,305
Default Costs (Net of Recoveries)	(1,099)	(1,525)
Fees and Other Collections	130	163
Other Subsidy Costs	(79)	-
Total of the above Subsidy Expense Components	<u>2,536</u>	<u>(57)</u>
Adjustments:		
Fees Received	(170)	(71)
Subsidy Allowance Amortization	(3,682)	(2,796)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	18,658	16,225
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	102	108
Technical/Default Reestimates	1,350	3,641
Total of the above Reestimate Components	<u>1,452</u>	<u>3,749</u>
Ending Balance of the Allowance for Subsidy Cost	<u>\$ 20,110</u>	<u>\$ 19,974</u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

	<u>FY 2003</u>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 19,769	\$ 15	\$ 55	\$ (15,806)	\$ 4,033
Economic Development Revolving Fund	<u>4,641</u>	<u>263</u>	<u>-</u>	<u>(904)</u>	<u>4,000</u>
Total	<u>\$ 24,410</u>	<u>\$ 278</u>	<u>\$ 55</u>	<u>\$ (16,710)</u>	<u>\$ 8,033</u>
	<u>FY 2002</u>				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 32,792	\$ 1,119	\$ -	\$ (29,615)	\$ 4,296
Economic Development Revolving Fund	<u>4,648</u>	<u>23</u>	<u>-</u>	<u>(416)</u>	<u>4,255</u>
Total	<u>\$ 37,440</u>	<u>\$ 1,142</u>	<u>\$ -</u>	<u>\$ (30,031)</u>	<u>\$ 8,551</u>

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2003					
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	\$ 12,695	\$ -	\$ 2,926	\$ (6,794)	\$ 8,827
Emergency Steel Loan Guarantee Program	92,097	-	-	(67,146)	24,951
Total	\$ 104,792	\$ -	\$ 2,926	\$ (73,940)	\$ 33,778

FY 2002					
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	\$ 12,771	\$ 18	\$ 2,956	\$ (6,561)	\$ 9,184
Emergency Steel Loan Guarantee Program	92,097	391	-	(53,749)	38,739
Total	\$ 104,868	\$ 409	\$ 2,956	\$ (60,310)	\$ 47,923

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2003 and 2002, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2003		FY 2002	
	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FVOG Program	\$ 56,614	\$ 56,614	\$ 68,737	\$ 68,737
Economic Development Revolving Fund	400	400	372	372
Emergency Oil and Gas Loan Guarantee Program	1,810	1,538	2,392	2,034
Emergency Steel Loan Guarantee Program	167,402	146,627	40,458	35,603
Total	\$ 226,226	\$ 205,179	\$ 111,959	\$ 106,746

New Loans Guaranteed, by year:

Loan Guarantee Program	FY 2003		FY 2002	
	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 Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ 164	\$ 140
Emergency Steel Loan Guarantee Program	144,501	127,160	40,458	35,603
Total	\$ 144,501	\$ 127,160	\$ 40,622	\$ 35,743

Liabilities for Loan Guarantees:

Loan Guarantee Program	FY 2003	FY 2002
	Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Present Value	Liabilities for Loan Guarantees for Post-FY 1991 Guarantees Present Value
FVOG Program	\$ 2,872	\$ 2,725
Emergency Oil and Gas Loan Guarantee Program	1,273	1,379
Emergency Steel Loan Guarantee Program	46,923	18,242
Total	\$ 51,068	\$ 22,346

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees:

Loan Guarantee Program	FY 2003			
	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Steel Loan Guarantee Program	\$ -	\$ 41,262	\$ (1,250)	\$ 40,012

Loan Guarantee Program	FY 2002			
	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ 638	\$ (7)	\$ 631
Emergency Steel Loan Guarantee Program	-	5,415	(211)	5,204
Total	\$ -	\$ 6,053	\$ (218)	\$ 5,835

Modifications and Reestimates:

Loan Guarantee Program	FY 2003			
	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 376	\$ 376
Emergency Oil and Gas Loan Guarantee Program	-	-	(153)	(153)
Emergency Steel Loan Guarantee Program	-	-	124	124
Total	\$ -	\$ -	\$ 347	\$ 347

Loan Guarantee Program	FY 2002			
	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
FVOG Program	\$ -	\$ -	\$ 5,076	\$ 5,076
Emergency Oil and Gas Loan Guarantee Program	-	(19)	(201)	(220)
Emergency Steel Loan Guarantee Program	-	3,025	50,151	53,176
Total	\$ -	\$ 3,006	\$ 55,026	\$ 58,032

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2003	FY 2002
FVOG Program	\$ 376	\$ 5,076
Emergency Oil and Gas Loan Guarantee Program	(153)	411
Emergency Steel Loan Guarantee Program	40,136	58,380
Total	\$ 40,359	\$ 63,867

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Year's Cohorts:

Loan Guarantee Program	FY 2003		
	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	- %	- %	- %
Emergency Steel Loan Guarantee Program	28.19%	(0.50)%	27.69%
Loan Guarantee Program	FY 2002		
	Defaults	Fees and Other Collections	Total
Emergency Oil and Gas Loan Guarantee Program	44.53%	(0.50)%	44.03%
Emergency Steel Loan Guarantee Program	11.56%	(0.50)%	11.06%

Schedule for Reconciling Liabilities for Loan Guarantees (Post-FY 1991 Loan Guarantees):

	<u>FY 2003</u>	<u>FY 2002</u>
Beginning Balance of the Liabilities for Loan Guarantees	\$ 22,346	\$ 17,332
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
Default Costs (Net of Recoveries)	41,262	6,053
Fees and Other Collections	(1,250)	(218)
Total of the above Subsidy Expense Components	<u>40,012</u>	<u>5,835</u>
Adjustments:		
Fees Received	1,545	343
Interest Accumulation on the Liabilities Balance	690	(523)
Ending Balance of the Liabilities Loan for Guarantees Before Reestimates	<u>64,593</u>	<u>22,987</u>
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	-	3,006
Technical/Default Reestimates	(127)	49,800
Total of the above Reestimate Components	<u>(127)</u>	<u>52,806</u>
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	(13,398)	(53,447)
Ending Balance of the Liabilities for Loan Guarantees	<u>\$ 51,068</u>	<u>\$ 22,346</u>

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

<u>Direct Loan Program</u>	<u>FY 2003</u>	<u>FY 2002</u>
Fisheries Finance Direct Loans	\$ 2,902	\$ 2,541
CEIP	218	294
Drought Loan Portfolio and Economic Development Revolving Fund	1,004	1,138
Total	<u>\$ 4,124</u>	<u>\$ 3,973</u>
<u>Loan Guarantee Program</u>	<u>FY 2003</u>	<u>FY 2002</u>
Emergency Oil and Gas Loan Guarantee Program	\$ 363	\$ 209
Emergency Steel Loan Guarantee Program	1,003	797
Total	<u>\$ 1,366</u>	<u>\$ 1,006</u>

NOTE 6. Inventory, Materials, and Supplies, Net

Category	Cost Flow Assumption	FY 2003	FY 2002
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, First-out	\$ 22,404	\$ 22,837
Other	Various	1,921	2,000
Allowance for Excess, Obsolete and Unserviceable Items		(402)	(1,469)
Subtotal		23,923	23,368
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted Average	\$ 49,069	\$ 47,792
NOAA's National Reconditioning Center	Weighted Average	40,185	36,903
Other	Various	2,206	3,334
Allowance for Excess, Obsolete, and Unserviceable Items		(14,007)	(12,463)
Subtotal		77,453	75,566
Total		\$ 101,376	\$ 98,934

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements. NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. General Property, Plant, and Equipment, Net

FY 2003				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 12,897	\$ -	\$ 12,897
Land Improvements	30	2,066	(620)	1,446
Structures, Facilities, and Leasehold Improvements	2-60	636,228	(273,648)	362,580
Satellites/Weather Systems Personal Property	3-20	4,309,297	(3,054,699)	1,254,598
Other Personal Property	3-30	1,303,228	(806,484)	496,744
Assets Under Capital Lease	3-40	65,038	(36,720)	28,318
Construction-in-Progress	N/A	2,513,435	-	2,513,435
Total		<u>\$ 8,842,189</u>	<u>\$ (4,172,171)</u>	<u>\$ 4,670,018</u>

FY 2002				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 12,825	\$ -	\$ 12,825
Land Improvements	30	2,066	(551)	1,515
Structures, Facilities, and Leasehold Improvements	2-60	622,258	(260,085)	362,173
Satellites/Weather Systems Personal Property	3-20	3,892,595	(2,538,236)	1,354,359
Other Personal Property	3-30	1,147,056	(722,063)	424,993
Assets Under Capital Lease	3-40	66,953	(29,816)	37,137
Construction-in-Progress	N/A	2,350,731	-	2,350,731
Total		<u>\$ 8,094,484</u>	<u>\$ (3,550,751)</u>	<u>\$ 4,543,733</u>

NOTE 8. Other Assets

	<u>FY 2003</u>	<u>FY 2002</u>
With the Public		
Notes Receivable	\$ 5,939	\$ 7,258
Bibliographic Database	5,864	5,874
Other	<u>909</u>	<u>46</u>
Total	<u>\$ 12,712</u>	<u>\$ 13,178</u>

As of September 30, 2003 and 2002, there are five and eight Notes Receivable, respectively, with maturity dates ranging from November 2003 to July 2024 and interest rates ranging from 7.0 to 8.9 percent. The balances include accrued interest. These notes are considered fully collectible.

The bibliographic database relates to NTIS' scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$43.9 million and \$41.3 million, less accumulated amortization of \$38.0 million and \$35.4 million, for September 30, 2003 and 2002, respectively.

NOTE 9. Non-Entity Assets

The assets that are not available for use in the Department's operations are summarized below:

	<u>FY 2003</u>	<u>FY 2002</u>
Intragovernmental:		
Fund Balance with Treasury	\$ 104,425	\$ 92,474
Accounts Receivable, Net	<u>-</u>	<u>-</u>
Total Intragovernmental	104,425	92,474
With the Public:		
Cash	953	376
Accounts Receivable, Net	260	761
Loans Receivable and Related Foreclosed Property, Net- Drought Loan Portfolio	<u>36,463</u>	<u>39,657</u>
Total	<u>\$ 142,101</u>	<u>\$ 133,268</u>

NOTE 10. Debt to Treasury

Loan Program	FY 2003		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 170,374	\$ 162	\$ 170,536
Loan Guarantee Program			
FVOG Program	12,940	(975)	11,965
Emergency Steel Loan Guarantee Program	79,199	(50,000)	29,199
Total	\$ 262,513	\$ (50,813)	\$ 211,700

Maturity dates range from September 2006 to September 2029, and interest rates range from 4.95% to 7.26%.

Loan Program	FY 2002		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 182,260	\$ (11,886)	\$ 170,374
Loan Guarantee Program			
FVOG Program	13,673	(733)	12,940
Emergency Steel Loan Guarantee Program	-	79,199	79,199
Total	\$ 195,933	\$ 66,580	\$ 262,513

Maturity dates range from September 2005 to September 2029 and interest rates range from 5.36% to 7.26%.

NOTE 11. Other Liabilities

	FY 2003			FY 2002
	Current Portion	Non-Current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 34,670	\$ 2,989	\$ 37,659	\$ 36,727
Accrued Benefits	14,608	-	14,608	10,914
Custodial Activity	507	-	507	994
Other	3,222	-	3,222	7,841
Total	<u>\$ 53,007</u>	<u>\$ 2,989</u>	<u>\$ 55,996</u>	<u>\$ 56,476</u>
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ -	\$ 8,175	\$ 8,175	\$ 7,174
Liabilities for Loan Guarantees	-	51,068	51,068	22,346
Contingent Liabilities	42,500	-	42,500	2,000
Employment Related	2,092	-	2,092	2,166
Other	7,780	152	7,932	6,564
Total	<u>\$ 52,372</u>	<u>\$ 59,395</u>	<u>\$ 111,767</u>	<u>\$ 40,250</u>

The Current Portion represents liabilities expected to be paid by September 30, 2004, while the Non-Current portion represents liabilities expected to be paid after September 30, 2004.

NOTE 12. Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities

These liabilities consist of:

	<u>FY 2003</u>	<u>FY 2002</u>
Actuarial FECA Liability	\$ 200,054	\$ 190,687
NOAA Corps Retirement System Liability	326,601	316,195
NOAA Corps Post-Retirement Health Benefits Liabilities	<u>42,077</u>	<u>136,577</u>
Total	<u>\$ 568,732</u>	<u>\$ 643,459</u>

Actuarial FECA Liability:

For discounting projected annual future benefit payments to present value, the interest rate assumptions used by the Department of Labor were as follows:

	<u>FY 2003</u>	<u>FY 2002</u>
Year 1	3.84%	5.20%
Year 2 and Thereafter	4.35%	5.20%

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:

<u>FY 2003</u>		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2004	2.30%	3.21%
2005	2.00%	3.54%
2006	1.83%	3.64%
2007	1.97%	3.80%
2008 and Thereafter	2.17%	3.92%
<u>FY 2002</u>		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2003	1.80%	4.31%
2004	2.67%	4.01%
2005	2.40%	4.01%
2006 and Thereafter	2.40%	4.01%

NOAA Corps Retirement System Liability: This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	FY 2003	FY 2002
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay Increases	3.50%	3.50%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost*, are as follows:

	FY 2003	FY 2002
Normal Cost	\$ 4,600	\$ 4,250
Interest on the Unfunded Liability	19,400	18,380
Actuarial (Gains) Losses, Net	500	6,400
Total Pension Cost	\$ 24,500	\$ 29,030

NOAA Corps Post-Retirement Health Benefits Liability: This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive the post-retirement liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities reports for FY 2003 and FY 2002.

A provision in the FY 2001 National Defense Authorization Act created the Department of Defense Medicare Eligible Retiree Health Care Fund (MERHCF). The MERHCF was created to pay health care benefits to Medicare eligible members or former members of the uniformed services (and their dependents). In October 2003, NOAA was informed by the Department of Defense that it would assume the MERHCF actuarial liability effective October 1, 2002. The \$98.8 million liability transferred to the Department of Defense as of October 1, 2002 is based on the MERHCF actuarial liability recorded by NOAA as of September 30, 2002. An Other Financing Source of \$98.8 million is included in the FY 2003 *Consolidated Statement of Changes in Net Position*.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2003	FY 2002
Normal Cost	\$ 1,300	\$ 2,757
Interest on the Unfunded Liability	8,400	7,575
Actuarial (Gains) Losses, Net	(4,400)	18,435
Total Post-Retirement Health Benefits Costs	\$ 5,300	\$ 28,767

NOTE 13. Environmental and Disposal Liabilities

	<u>FY 2003</u>	<u>FY 2002</u>
Pribilof Island Cleanup	\$ 46,106	\$ 78,690
Nuclear Reactor	40,700	39,537
Other	<u>3,055</u>	<u>2,962</u>
Total	<u>\$ 89,861</u>	<u>\$ 121,189</u>

NOTE 14. Leases

Capital Leases

Assets under capital leases are as follows:

	<u>FY 2003</u>	<u>FY 2002</u>
Structure, Facilities, and Leasehold Improvements	\$ 47,370	\$ 47,152
Equipment	17,668	19,801
Less: Accumulated Depreciation	<u>(36,720)</u>	<u>(29,816)</u>
Net Assets Under Capital Leases	<u>\$ 28,318</u>	<u>\$ 37,137</u>

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, Maryland. 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 have an average life of 22 years.

Capital Lease Liabilities

Future payments due under capital leases are as follows:

FY 2003			
Fiscal Year	PP&E Category		Total
	Real Property	Personal Property	
2004	\$ 6,797	3,353	\$ 10,150
2005	6,673	1,964	8,637
2006	3,848	1,989	5,837
2007	2,948	1,811	4,759
2008	2,650	1,840	4,490
Thereafter	26,909	1,887	28,796
Total Future Lease Payments	49,825	12,844	62,669
Less: Imputed Interest	(22,487)	(1,137)	(23,624)
Less: Executory Cost	(6,102)	(10,199)	(16,301)
Net Capital Lease Liabilities	\$ 21,236	\$ 1,508	\$ 22,744

FY 2002			
Fiscal Year	PP&E Category		Total
	Real Property	Personal Property	
2003	\$ 6,972	\$ 8,727	\$ 15,699
2004	6,473	3,150	9,623
2005	6,487	1,999	8,486
2006	3,782	1,996	5,778
2007	2,894	1,815	4,709
Thereafter	29,171	3,745	32,916
Total Future Lease Payments	55,779	21,432	77,211
Less: Imputed Interest	(24,701)	(537)	(25,238)
Less: Executory Cost	(6,557)	(12,751)	(19,308)
Net Capital Lease Liabilities	\$ 24,521	\$ 8,144	\$ 32,665

Operating Leases

Most of the Department’s facilities are rented from the U.S. General Services Administration (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 2004 through FY 2008, and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2003			
General PP&E Category			
Fiscal Year	GSA Real Property	Non-GSA Real Property	Personal Property
2004	\$ 212,901	\$ 19,307	\$ 28,417
2005	216,970	16,723	28,597
2006	214,862	12,921	15,328
2007	236,458	11,542	6,227
2008	232,577	10,655	6,414
Thereafter	¹	43,715	-
Total Future Lease Payments		<u>\$ 114,863</u>	<u>\$ 84,983</u>

¹ *Not Estimated*

NOTE 15. Liabilities Not Covered by Budgetary Resources

	<u>FY 2003</u>	<u>FY 2002</u>
Intragovernmental:		
Accounts Payable	\$ 1,694	\$ -
Unearned Revenue	1,237	-
Accrued FECA Liability	34,660	33,087
Other	<u>3,729</u>	<u>10,185</u>
Total Intragovernmental	41,320	43,272
Accrued Payroll	20,530	21,447
Accrued Annual Leave	179,377	167,998
Actuarial FECA Liability and NOAA Corps Employee Retirement Benefits Liabilities	568,732	643,459
Environmental and Disposal Liabilities	79,657	115,299
Contingent Liabilities	42,500	2,000
Capital Lease Liabilities	22,744	27,947
Unearned Revenue	491,262	458,889
ITA Foreign Service Nationals' Voluntary Separation Pay	8,175	7,174
Other	<u>947</u>	<u>2,153</u>
Total	<u>\$ 1,455,244</u>	<u>\$ 1,489,638</u>

Due to the unique funding structure of USPTO, the Unearned Revenue as of September 30 reported above is the portion of USPTO's unearned patent and trademark fees that is considered not covered by budgetary resources. The USPTO's fees that were withheld and deposited into a restricted special fund receipt account are not considered a resource until appropriated and made available by the issuance of a Treasury warrant, although the USPTO incurred costs to generate these fees. Therefore, budgetary resources from current operations that normally would be used to cover a portion of unearned fees have been used to cover prior year costs associated with restricted fees. 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 process. The combination of these funding circumstances requires the 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 2003						Total
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Thereafter	
Geostationary Operational Environmental Satellites	\$ 277,500	\$ 330,400	\$ 271,900	\$ 253,200	\$ 240,600	\$ 2,097,500	\$ 3,471,100
Convergence Satellites	276,700	317,200	358,200	318,600	249,900	1,146,400	2,667,000
Polar Operational Environmental Satellites	114,400	85,200	63,100	66,300	48,700	11,600	389,300
Other Weather Service	101,900	99,100	64,700	61,100	58,300	112,100	497,200
Total	\$ 770,500	\$ 831,900	\$ 757,900	\$ 699,200	\$ 597,500	\$ 3,367,600	\$ 7,024,600

Legal Contingencies:

The Department is party 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, and claims will not materially affect the financial position or net costs of the Department.

The Department and other federal agencies are subject to 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. The exact amount of these claims against the U.S. Government is unknown, but may exceed \$2.7 billion as of September 30, 2003. It is not possible to speculate as to a range of loss for these matters. 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 claims that is attributable to the Department.

The Department and other federal agencies are party to other suits, with claim amounts that may exceed \$1.1 billion as of September 30, 2003. In addition, there are other suits with no claim amounts. For all of these suits, 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 claims, most will be funded by Treasury’s Judgment Fund, if any amounts are ultimately due.

The Department is subject to suits where adverse outcomes are probable and claims are approximately \$48 million and \$21 million as of September 30, 2003 and 2002, respectively. The range of loss for these suits is between \$42.5 million and \$48 million as of September 30, 2003, and between \$2 million and \$21 million as of September 30, 2002. Accordingly, \$42.5 million and \$2 million of contingent liabilities were accrued on the *Consolidated Balance Sheets* as of September 30, 2003 and 2002, respectively. For a majority of these cases, any settlements will be paid out of Treasury’s Judgment Fund. Once the claims are settled or court judgments are assessed against the Department, the liability will be removed and an Imputed Financing Source (representing the amount paid by Treasury’s Judgment Fund) will be recognized.

During FY 2002, a multi-agency case was settled for \$115 million and will ultimately be paid from Treasury's Judgment Fund. The Department was unable to obtain an allocation of the settlement amount that was attributable to the Department; therefore, the amount is not included in these financial statements.

Polar-orbiting Operational Environmental Satellite:

The Department capitalizes the costs of constructing weather satellites as Construction-in-Progress, a component of General Property, Plant, and Equipment, Net. In September 2003, a Polar-orbiting Operational Environmental Satellite, under construction, was damaged. The incident occurred while a National Aeronautics Space Administration contractor was performing an operation that required a rotation of the satellite on its construction platform. The satellite was expected to launch in 2008. Capitalized costs through the date of the incident were approximately \$232 million.

While there is damage to the satellite and its instruments, the assessment of its magnitude has not yet been determined. A detailed testing plan has been developed, with a completion date for the damage assessment in February 2004. Based on the results of this assessment, determination of liability for the damage, and review of alternatives, the Department will decide whether or not the satellite will be repaired and launched. It is not possible to speculate as to the range of possible loss as of September 30, 2003, or the extent of possible cost recovery. Therefore, no allowance for loss has been recorded as of September 30, 2003. NOAA has obligated \$11 million in FY 2004 for the costs associated with testing and assessing the satellite.

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, 2003 and 2002, with outstanding principal balances totaling \$56.6 million and \$68.7 million, respectively. A liability for loan guarantees of \$2.9 million and \$2.7 million is recorded for the outstanding guarantees at September 30, 2003 and 2002, respectively.

Economic Development Revolving Fund: This program has one outstanding non-acquired guaranteed loan (fully guaranteed by the Department) with an outstanding principal balance totaling \$400 thousand and \$372 thousand at September 30, 2003 and 2002, respectively. This loan guarantee has been terminated for noncompliance with the terms of the guarantee. The estimated range of liability for this guarantee is between \$0 and \$400 thousand for September 30, 2003, and \$0 and \$372 thousand for September 30, 2002, depending on the outcome of negotiations or court action or on the passage of time, until the statute of limitations runs out.

Emergency Steel Loan Guarantee Program: This program has two and one outstanding non-acquired guaranteed loans as of September 30, 2003 and 2002, respectively, with outstanding principal balances of \$167.4 million and \$40.5 million as of September 30, 2003 and 2002, respectively. The Department's guarantee percentages range from 85 percent to 88 percent as of September 30, 2003, and from 85 percent to 95 percent as of September 30, 2002. A liability for loan guarantees of \$46.9 million and \$18.2 million is recorded for the outstanding guarantee(s) at September 30, 2003 and 2002, respectively.

Emergency Oil and Gas Loan Guarantee Program: This program has three outstanding non-acquired guaranteed loans as of September 30, 2003 and 2002, with outstanding principal balances totaling \$1.8 million and \$2.4 million as of September 30, 2003 and 2002, respectively. The Department's guarantee percentage is 85 percent for these loans. A liability for loan guarantees of \$1.3 million and \$1.4 million is recorded for the outstanding guarantees at September 30, 2003 and 2002, respectively.

NOTE 17. Net Position***FY 2003 Change In Accounting Principle***

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, a change in accounting principle is not shown as a restatement to the prior period financial statements. In FY 2003, the Department received Treasury guidance regarding the recording of NOAA intra-bureau transfers in, from a special fund to an appropriated fund, as nonexpenditure transfers in, rather than as appropriations transfers. This change, for transfers in FY 2000 and FY 2001, increased Unexpended Appropriations and decreased Cumulative Results of Operations by \$135.9 million as of October 1, 2002.

NOTE 18. Consolidated Statement of Net Cost

FY 2003 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
COSTS:									
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 262,597	\$ -	\$ 224,239	\$ 60,097	\$ 546,933	\$ (67,901)	\$ 479,032
Gross Costs with the Public	-	-	704,660	-	836,927	44,313	1,585,900	-	1,585,900
Total Gross Costs	-	-	967,257	-	1,061,166	104,410	2,132,833	(67,901)	2,064,932
Intragovernmental Earned Revenue	-	-	(233,117)	-	(42,849)	(77,014)	(352,980)	67,901	(285,079)
Earned Revenue From the Public	-	-	2,135	-	(13,146)	-	(11,011)	-	(11,011)
Total Earned Revenue	-	-	(230,982)	-	(55,995)	(77,014)	(363,991)	67,901	(296,090)
Net Program Costs	-	-	736,275	-	1,005,171	27,396	1,768,842	-	1,768,842
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental Gross Costs	-	245,924	-	118,441	234	60,097	424,696	(64,783)	359,913
Gross Costs with the Public	-	959,019	-	762,874	84,339	44,485	1,850,717	-	1,850,717
Total Gross Costs	-	1,204,943	-	881,315	84,573	104,582	2,275,413	(64,783)	2,210,630
Intragovernmental Earned Revenue	-	(5,159)	-	(105,284)	-	(77,013)	(187,456)	64,783	(122,673)
Earned Revenue From the Public	-	(1,159,042)	-	(43,924)	-	-	(1,202,966)	-	(1,202,966)
Total Earned Revenue	-	(1,164,201)	-	(149,208)	-	(77,013)	(1,390,422)	64,783	(1,325,639)
Net Program Costs	-	40,742	-	732,107	84,573	27,569	884,991	-	884,991
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental Gross Costs	446,386	-	-	-	-	60,116	506,502	(65,438)	441,064
Gross Costs with the Public	3,069,996	-	-	-	-	44,325	3,114,321	-	3,114,321
Total Gross Costs	3,516,382	-	-	-	-	104,441	3,620,823	(65,438)	3,555,385
Intragovernmental Earned Revenue	(152,571)	-	-	-	-	(77,036)	(229,607)	65,438	(164,169)
Earned Revenue From the Public	(61,927)	-	-	-	-	-	(61,927)	-	(61,927)
Total Earned Revenue	(214,498)	-	-	-	-	(77,036)	(291,534)	65,438	(226,096)
Net Program Costs	3,301,884	-	-	-	-	27,405	3,329,289	-	3,329,289
NET COST OF OPERATIONS	\$ 3,301,884	\$ 40,742	\$ 736,275	\$ 732,107	\$ 1,089,744	\$ 82,370	\$ 5,983,122	\$ -	\$ 5,983,122

FY 2002 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Other Bureaus	Departmental Management	Combining Totals	Intra-Departmental Eliminations	Consolidating Totals
COSTS:									
Strategic Goal 1: Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 279,738	\$ -	\$ 175,842	\$ 59,487	\$ 515,067	\$ (65,466)	\$ 449,601
Gross Costs with the Public	-	-	683,593	-	799,801	38,989	1,522,383	-	1,522,383
Total Gross Costs	-	-	963,331	-	975,643	98,476	2,037,450	(65,466)	1,971,984
Intragovernmental Earned Revenue	-	-	(197,218)	-	(35,182)	(72,621)	(305,021)	65,466	(239,555)
Earned Revenue From the Public	-	-	(24,604)	-	(12,244)	(25)	(36,873)	-	(36,873)
Total Earned Revenue	-	-	(221,822)	-	(47,426)	(72,646)	(341,894)	65,466	(276,428)
Net Program Costs	-	-	741,509	-	928,217	25,830	1,695,556	-	1,695,556
Strategic Goal 2: Provide Infrastructure for Innovation to Enhance American Competitiveness									
Intragovernmental Gross Costs	-	231,153	-	94,837	4,633	59,485	390,108	(72,050)	318,058
Gross Costs with the Public	-	930,970	-	660,648	27,175	38,990	1,657,783	-	1,657,783
Total Gross Costs	-	1,162,123	-	755,485	31,808	98,475	2,047,891	(72,050)	1,975,841
Intragovernmental Earned Revenue	-	(5,496)	-	(109,586)	(43)	(72,620)	(187,745)	72,050	(115,695)
Earned Revenue From the Public	-	(1,053,892)	-	(45,385)	-	(25)	(1,099,302)	-	(1,099,302)
Total Earned Revenue	-	(1,059,388)	-	(154,971)	(43)	(72,645)	(1,287,047)	72,050	(1,214,997)
Net Program Costs	-	102,735	-	600,514	31,765	25,830	760,844	-	760,844
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth									
Intragovernmental Gross Costs	491,755	-	-	-	-	59,505	551,260	(65,351)	485,909
Gross Costs with the Public	2,736,001	-	-	-	-	39,003	2,775,004	-	2,775,004
Total Gross Costs	3,227,756	-	-	-	-	98,508	3,326,264	(65,351)	3,260,913
Intragovernmental Earned Revenue	(173,744)	-	-	-	(44)	(72,643)	(246,431)	65,351	(181,080)
Earned Revenue From the Public	(47,017)	-	-	-	-	(25)	(47,042)	-	(47,042)
Total Earned Revenue	(220,761)	-	-	-	(44)	(72,668)	(293,473)	65,351	(228,122)
Net Program Costs	3,006,995	-	-	-	(44)	25,840	3,032,791	-	3,032,791
NET COST OF OPERATIONS	\$ 3,006,995	\$ 102,735	\$ 741,509	\$ 600,514	\$ 959,938	\$ 77,500	\$ 5,489,191	\$ -	\$ 5,489,191

Gross Costs and Earned Revenue by Budget Functional Classification

FY 2003

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	\$ 3,500,590	\$ (198,448)	\$ 3,302,142
370 Commerce and Housing Credit	3,764,920	(1,636,386)	2,128,534
450 Community and Regional Development	480,867	(12,991)	467,876
500 Education, Training, Employment, and Social Services	84,570	-	84,570
Total	\$ 7,830,947	\$ (1,847,825)	\$ 5,983,122

FY 2002

Budget Functional Classification	Gross Costs	Earned Revenue	Net Cost
300 Natural Resources and Environment	\$ 3,188,417	\$ (197,541)	\$ 2,990,876
370 Commerce and Housing Credit	3,603,515	(1,510,027)	2,093,488
450 Community and Regional Development	384,998	(11,979)	373,019
500 Education, Training, Employment, and Social Services	31,808	-	31,808
Total	\$ 7,208,738	\$ (1,719,547)	\$ 5,489,191

Intragovernmental Gross Costs and Earned Revenue by Budget Functional Classification

FY 2003

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	\$ 434,274	\$ (149,965)	\$ 284,309
370 Commerce and Housing Credit	800,273	(410,870)	(389,403)
450 Community and Regional Development	45,229	(11,086)	34,143
500 Education, Training, Employment, and Social Services	233	-	233
Total	\$ 1,280,009	\$ (571,921)	\$ 708,088

FY 2002

Budget Functional Classification	Intragovernmental Gross Costs	Intragovernmental Earned Revenue	Intragovernmental Net Cost
300 Natural Resources and Environment	\$ 469,619	\$ (162,154)	\$ 307,465
370 Commerce and Housing Credit	767,084	(364,782)	402,302
450 Community and Regional Development	12,232	(9,394)	2,838
500 Education, Training, Employment, and Social Services	4,633	-	4,633
Total	\$ 1,253,568	\$ (536,330)	\$ 717,238

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 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 2003 Statement of Net Cost by Major Program (Combining Basis):

Program Costs	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Strategic Goal 1:						
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
<i>Decennial 2000</i>						
Intragovernmental Gross Costs	\$ -	\$ 25,903	\$ -	\$ -	\$ -	\$ 25,903
Gross Costs With the Public	-	170,450	-	-	-	170,450
Total Gross Costs	-	196,353	-	-	-	196,353
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	196,353	-	-	-	196,353
<i>Other Programs</i>						
Intragovernmental Gross Costs	-	212,249	-	-	308,781	521,030
Gross Costs With the Public	-	481,787	-	-	933,663	1,415,450
Total Gross Costs	-	694,036	-	-	1,242,444	1,936,480
Intragovernmental Earned Revenue	-	(231,420)	-	-	(121,560)	(352,980)
Earned Revenue From the Public	-	4,135	-	-	(15,146)	(11,011)
Total Earned Revenue	-	(227,285)	-	-	(136,706)	(363,991)
Net Program Costs	-	466,751	-	-	1,105,738	1,572,489
Net Program Costs for Strategic Goal 1	-	663,104	-	-	1,105,738	1,768,842
Strategic Goal 2:						
Provide Infrastructure for Innovation to Enhance American Competitiveness						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental Gross Costs	-	-	69,695	-	-	69,695
Gross Costs With the Public	-	-	471,450	-	-	471,450
Total Gross Costs	-	-	541,145	-	-	541,145
Intragovernmental Earned Revenue	-	-	(59,088)	-	-	(59,088)
Earned Revenue From the Public	-	-	(16,056)	-	-	(16,056)
Total Earned Revenue	-	-	(75,144)	-	-	(75,144)
Net Program Costs	-	-	466,001	-	-	466,001
<i>Patents</i>						
Intragovernmental Gross Costs	-	-	-	219,413	-	219,413
Gross Costs With the Public	-	-	-	855,699	-	855,699
Total Gross Costs	-	-	-	1,075,112	-	1,075,112
Intragovernmental Earned Revenue	-	-	-	(5,049)	-	(5,049)
Earned Revenue From the Public	-	-	-	(1,000,707)	-	(1,000,707)
Total Earned Revenue	-	-	-	(1,005,756)	-	(1,005,756)
Net Program Costs	-	-	-	69,356	-	69,356

(Continued)

FY 2003 Statement of Net Cost by Major Program (Combining Basis) - Continued:

Program Costs	NOAA	Census Bureau	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	\$ -	\$ -	\$ -	\$ 26,511	\$ -	\$ 26,511
Gross Costs With the Public	-	-	-	103,320	-	103,320
Total Gross Costs	-	-	-	129,831	-	129,831
Intragovernmental Earned Revenue	-	-	-	(109)	-	(109)
Earned Revenue From the Public	-	-	-	(158,336)	-	(158,336)
Total Earned Revenue	-	-	-	(158,445)	-	(158,445)
Net Program Costs	-	-	-	(28,614)	-	(28,614)
Other Programs						
Intragovernmental Gross Costs	-	-	38,781	-	70,296	109,077
Gross Costs With the Public	-	-	262,333	-	157,915	420,248
Total Gross Costs	-	-	301,114	-	228,211	529,325
Intragovernmental Earned Revenue	-	-	(32,879)	-	(90,331)	(123,210)
Earned Revenue From the Public	-	-	(11,880)	-	(15,987)	(27,867)
Total Earned Revenue	-	-	(44,759)	-	(106,318)	(151,077)
Net Program Costs	-	-	256,355	-	121,893	378,248
Net Costs for Strategic Goal 2	-	-	722,356	40,742	121,893	884,991
Strategic Goal 3:						
Observe and Manage the Earth's Environment to Promote Sustainable Growth						
Advance Short Term Warning Forecast Service						
Intragovernmental Gross Costs	199,379	-	-	-	-	199,379
Gross Costs With the Public	1,282,571	-	-	-	-	1,282,571
Total Gross Costs	1,481,950	-	-	-	-	1,481,950
Intragovernmental Earned Revenue	(49,055)	-	-	-	-	(49,055)
Earned Revenue From the Public	(19,911)	-	-	-	-	(19,911)
Total Earned Revenue	(68,966)	-	-	-	-	(68,966)
Net Program Costs	1,412,984	-	-	-	-	1,412,984
Other Programs						
Intragovernmental Gross Costs	247,007	-	-	-	60,116	307,123
Gross Costs With the Public	1,787,425	-	-	-	44,325	1,831,750
Total Gross Costs	2,034,432	-	-	-	104,441	2,138,873
Intragovernmental Earned Revenue	(103,516)	-	-	-	(77,036)	(180,552)
Earned Revenue From the Public	(42,016)	-	-	-	-	(42,016)
Total Earned Revenue	(145,532)	-	-	-	(77,036)	(222,568)
Net Program Costs	1,888,900	-	-	-	27,405	1,916,305
Net Costs for Strategic Goal 3	3,301,884	-	-	-	27,405	3,329,289
NET COST OF OPERATIONS	\$3,301,884	\$ 663,104	\$ 722,356	\$ 40,742	\$1,255,036	\$5,983,122

FY 2002 Statement of Net Cost by Major Program (Combining Basis):

Program Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Strategic Goal 1:						
Provide the Information and the Framework to Enable the Economy to Operate Efficiently and Equitably						
<i>Decennial 2000</i>						
Intragovernmental Gross Costs	\$ -	\$ 24,001	\$ -	\$ -	\$ -	\$ 24,001
Gross Costs With the Public	-	198,856	-	-	-	198,856
Total Gross Costs	-	222,857	-	-	-	222,857
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	222,857	-	-	-	222,857
<i>Other Programs</i>						
Intragovernmental Gross Costs	-	227,516	-	-	263,550	491,066
Gross Costs With the Public	-	444,401	-	-	879,126	1,323,527
Total Gross Costs	-	671,917	-	-	1,142,676	1,814,593
Intragovernmental Earned Revenue	-	(195,306)	-	-	(109,715)	(305,021)
Earned Revenue From the Public	-	(19,783)	-	-	(17,090)	(36,873)
Total Earned Revenue	-	(215,089)	-	-	(126,805)	(341,894)
Net Program Costs	-	456,828	-	-	1,015,871	1,472,699
Net Program Costs for Strategic Goal 1	-	679,685	-	-	1,015,871	1,695,556
Strategic Goal 2:						
Provide Infrastructure for Innovation to Enhance American Competitiveness						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental Gross Costs	-	-	53,222	-	-	53,222
Gross Costs With the Public	-	-	396,521	-	-	396,521
Total Gross Costs	-	-	449,743	-	-	449,743
Intragovernmental Earned Revenue	-	-	(93,012)	-	-	(93,012)
Earned Revenue From the Public	-	-	(30,870)	-	-	(30,870)
Total Earned Revenue	-	-	(123,882)	-	-	(123,882)
Net Program Costs	-	-	325,861	-	-	325,861
<i>Patents</i>						
Intragovernmental Gross Costs	-	-	-	203,138	-	203,138
Gross Costs With the Public	-	-	-	818,138	-	818,138
Total Gross Costs	-	-	-	1,021,276	-	1,021,276
Intragovernmental Earned Revenue	-	-	-	(5,347)	-	(5,347)
Earned Revenue From the Public	-	-	-	(903,453)	-	(903,453)
Total Earned Revenue	-	-	-	(908,800)	-	(908,800)
Net Program Costs	-	-	-	112,476	-	112,476

(Continued)

FY 2002 Statement of Net Cost by Major Program (Combining Basis) - Continued:

Program Costs	NOAA	Census	NIST	USPTO	Others	Combining Totals
Trademarks						
Intragovernmental Gross Costs	\$ -	\$ -	\$ -	\$ 28,015	\$ -	\$ 28,015
Gross Costs With the Public	-	-	-	112,832	-	112,832
Total Gross Costs	-	-	-	140,847	-	140,847
Intragovernmental Earned Revenue	-	-	-	(149)	-	(149)
Earned Revenue From the Public	-	-	-	(150,439)	-	(150,439)
Total Earned Revenue	-	-	-	(150,588)	-	(150,588)
Net Program Costs	-	-	-	(9,741)	-	(9,741)
Other Programs						
Intragovernmental Gross Costs	-	-	31,207	-	74,526	105,733
Gross Costs With the Public	-	-	232,500	-	97,792	330,292
Total Gross Costs	-	-	263,707	-	172,318	436,025
Intragovernmental Earned Revenue	-	-	-	-	(89,237)	(89,237)
Earned Revenue From the Public	-	-	-	-	(14,540)	(14,540)
Total Earned Revenue	-	-	-	-	(103,777)	(103,777)
Net Program Costs	-	-	263,707	-	68,541	332,248
Net Program Costs for Strategic Goal 2	-	-	589,568	102,735	68,541	760,844
Strategic Goal 3: Observe and Manage the Earth's Environment to Promote Sustainable Growth						
Advance Short Term Warning Forecast Service						
Intragovernmental Gross Costs	275,600	-	-	-	-	275,600
Gross Costs With the Public	1,505,035	-	-	-	-	1,505,035
Total Gross Costs	1,780,635	-	-	-	-	1,780,635
Intragovernmental Earned Revenue	(91,002)	-	-	-	-	(91,002)
Earned Revenue From the Public	(4,827)	-	-	-	-	(4,827)
Total Earned Revenue	(95,829)	-	-	-	-	(95,829)
Net Program Costs	1,684,806	-	-	-	-	1,684,806
Other Programs						
Intragovernmental Gross Costs	216,155	-	-	-	59,505	275,660
Gross Costs With the Public	1,230,966	-	-	-	39,003	1,269,969
Total Gross Costs	1,447,121	-	-	-	98,508	1,545,629
Intragovernmental Earned Revenue	(82,742)	-	-	-	(72,687)	(155,429)
Earned Revenue From the Public	(42,190)	-	-	-	(25)	(42,215)
Total Earned Revenue	(124,932)	-	-	-	(72,712)	(197,644)
Net Program Costs	1,322,189	-	-	-	25,796	1,347,985
Net Program Costs for Strategic Goal 3	3,006,995	-	-	-	25,796	3,032,791
NET COST OF OPERATIONS	\$3,006,995	\$ 679,685	\$ 589,568	\$ 102,735	\$1,110,208	\$5,489,191

NOTE 19. Combined Statements of Budgetary Resources

The amount of Appropriations Received on the *Combined Statements of Budgetary Resources* (SBR) reconciles to the amount reported on the *Consolidated Statements of Changes in Net Position* (SCNP), as follows:

	<u>FY 2003</u>	<u>FY 2002</u>
Appropriations Received per SBR	\$ 5,964,718	\$ 5,813,215
Less:		
Appropriated Receipts for USPTO, Classified as Exchange Revenue	(166,771)	(282,300)
Other Special Receipts for NOAA, Classified as Exchange Revenue	(6,540)	(18,916)
Other	(860)	(928)
Appropriations Received per SCNP	<u>\$ 5,790,547</u>	<u>\$ 5,511,071</u>

Borrowing authority available at September 30, 2003 is \$156.0 million, for NOAA’s loan programs, while borrowing authority available at September 30, 2002 was \$221.9 million, which consisted of \$142.7 million for NOAA’s loan programs and \$79.2 million for ELGP-Steel. See Note 1L, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Approximately 90 percent of the Department’s reporting entities have one or more permanent no-year appropriations to finance operations.

Rescissions to the Department’s appropriations under Public Law 108-7 amounted to \$44.2 million for FY 2003, while rescissions for FY 2002 amounted to \$25.3 million and \$5.2 million, under Public Laws 107-206 and 107-77, respectively. The rescissions are shown in the SBR Budgetary Resources section, Permanently Not Available subsection, *Enacted Rescissions* (\$7.9 million), and *Pursuant to Public Law* (\$36.3 million).

Legal arrangements affecting the Department’s use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2003 and FY 2002 include the following:

- 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 restricted Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2003 and 2002, \$233.5 million is held in the Patent and Trademark Surcharge Fund.
- The USPTO was appropriated approximately \$1 billion and \$844 million for fees collected during FY 2003 and FY 2002, respectively, and it collected an additional \$178.5 million and \$295.9 million in fees, for FY 2003 and FY 2002, respectively, that were not available for spending at September 30, 2003 and 2002, respectively.
- The Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans, has \$29.7 million and \$28.4 million of unapportioned authority that was not provided obligational authority pursuant to 16 United States Code 1456a, as of September 30, 2003 and 2002, respectively.

- 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 practical 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.

The FY 2002 SBR was reclassified to remove \$271.6 million of transactions within Census Bureau's Working Capital Fund that were incorrectly included in the SBR because intra-fund activity was not previously eliminated. This reclassification resulted in the following line item decreases of \$271.6 million: a) *Spending Authority from Offsetting Collections, Earned, Collected*; b) *Obligations Incurred, Reimbursable* (Exempt from Apportionment); c) *Disbursements*; and d) *Collections*.

Explanation of Differences Between the Combined Statement of Budgetary Resources and the Actual Amounts Reported in the Budget of the United States Government: The FY 2003 SBR final reconciliation will be completed once the President's Budget is published in February 2004. The FY 2002 SBR was reconciled to the President's Budget that was published in February 2003. The President's Budgets can be obtained from OMB's website at <http://www.whitehouse.gov/omb>.

The most significant differences between the FY 2002 SBR and the President's Budget resulted from approximately \$230 million being erroneously eliminated from the FY 2002 "actual" disclosures in the President's Budget line items *Offsetting Collections (Cash)* and *Offsetting Collections (Cash) from Federal Sources*. The Department has implemented procedures to ensure these reporting deficiencies do not recur.

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 2003		
	Direct	Reimbursable	Total
Category A	\$ 2,016,305	\$ 1,523,100	\$ 3,539,405
Category B	4,270,073	79,284	4,349,357
Exempt from Apportionment	168,944	644,894	813,838
Total	\$ 6,455,322	\$ 2,247,278	\$ 8,702,600

	FY 2002		
	Direct	Reimbursable	Total
Category A	\$ 2,183,881	\$ 1,988,282	\$ 4,172,163
Category B	3,895,855	189,570	4,085,425
Exempt from Apportionment	-	67,452	67,452
Total	\$ 6,079,736	\$ 2,245,304	\$ 8,325,040

NOTE 20. Consolidated Statements of Financing

The section Components Requiring or Generating Resources in Future Periods, shown on the *Consolidated Statements of Financing*, includes costs that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This section does not include costs incurred in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

The FY 2002 *Consolidated Statement of Financing* was reclassified to eliminate intra-fund activity on the SBR, as described in Note 19. As a result, the line items *Obligations Incurred* and *Spending Authority from Offsetting Collections and Recoveries* were both decreased by \$271.6 million.

NOTE 21. Custodial Nonexchange Activity

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, and is required to transfer the collections to Treasury. BIS receives civil monetary penalties from private entities that violate the Export Administration Act. For FY 2003, the Department had custodial nonexchange revenue of \$5.7 million; of this amount, \$507 thousand was payable to Treasury at September 30, 2003. For FY 2002, the Department had custodial nonexchange revenue of \$8.3 million; of this amount, \$994 thousand was payable to Treasury at September 30, 2002.

CONSOLIDATING BALANCE SHEET



United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2003 (In Thousands)

	Consolidating Departmental											USFTO								
	Totals	Intra-Departmental Eliminations	BIS	Census	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund		ITA	MBDA	NIST	NOAA	NTA	NTIS	OIG	TA
ASSETS																				
Intragovernmental:																				
Fund Balance with Treasury	\$ 6,502,932	\$ -	\$ 21,432	\$ 374,577	\$ 292	\$ 61,323	\$ 24,324	\$ 1,003,649	\$ 136,916	\$ 17,684	\$ 2,097	\$ 186,617	\$ 13,372	\$ 759,455	\$ 2,716,116	\$ 154,333	\$ 38,350	\$ 2,869	\$ 9,420	\$ 985,586
Accounts Receivable, Net	80,860	(8,937)	31	16,353	4	8,065	524	303	203	643	643	1,657	134	1,511	57,504	5	74	2	72	72
Advances and Prepayments	25,953	(27,695)	1,400	0,150	1,641	2,171	408	57	57	1,094	213	3,537	285	12,640	28,257	720	378	455	108	24,248
Total Intragovernmental	6,609,739	(66,633)	22,863	397,080	296	71,029	27,042	1,004,158	136,973	18,783	3,753	191,511	13,791	770,606	2,801,877	155,058	38,802	3,526	9,610	1,009,834
Cash	14,174	-	-	-	-	-	-	-	-	-	-	266	-	-	2,395	-	58	-	-	11,494
Loans Receivable and Related	57,354	-	2,048	432	-	21	87	7	8	8	-	268	2	8,837	36,252	12	681	-	-	8,891
Foreclosed Property, Net	272,675	-	-	-	-	-	-	57,402	24,952	-	-	-	-	-	190,321	-	-	-	-	-
Inventory, Materials, and Supplies, Net	101,376	-	-	963	-	-	680	-	-	-	-	-	-	24,220	75,246	-	267	-	-	-
General Property, Plant, and Equipment, Net	4,670,018	-	175	62,129	25	128	11,347	45	-	196	592	6,824	22	601,389	3,867,375	1,997	405	2	3	117,364
Advances and Prepayments	19,764	-	4	2	-	10	7,222	-	-	-	-	2,756	11	847	4,882	-	47	-	-	3,983
Other	12,712	-	-	871	3	-	-	-	-	-	-	-	-	-	5,974	-	5,864	-	-	-
TOTAL ASSETS	\$ 11,758,032	\$ (66,633)	\$ 25,090	\$ 461,477	\$ 324	\$ 71,188	\$ 39,156	\$ 1,068,834	\$ 161,933	\$ 18,987	\$ 4,345	\$ 201,625	\$ 13,826	\$ 1,405,900	\$ 6,984,322	\$ 157,067	\$ 46,124	\$ 3,328	\$ 9,613	\$ 1,151,526
LIABILITIES																				
Intragovernmental:																				
Accounts Payable	\$ 100,772	\$ (8,937)	\$ 669	\$ 9,040	\$ -	\$ 698	\$ 566	\$ 1,784	\$ -	\$ 650	\$ 59	\$ 16,737	\$ 17	\$ 2,643	\$ 62,696	\$ 3,577	\$ 5,838	\$ 29	\$ 1,193	\$ 3,513
Debt to Treasury	211,700	-	-	-	-	-	-	-	29,199	-	-	-	-	-	182,501	-	-	-	-	-
Resources Payable to Treasury	75,221	-	-	98,563	-	37,003	25,110	59,703	-	156	1,770	439	192	103,324	47,442	12,243	15,790	840	2,400	3,266
Unearned Revenue	352,656	(57,696)	1,711	22,545	-	415	539	428	153	291	1	3,147	411	3,496	18,715	326	112	226	29	4,461
Other	55,996	-	701	22,545	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Intragovernmental	796,345	(66,633)	3,081	130,548	-	38,116	26,215	124,885	29,352	1,097	1,830	20,323	620	109,463	323,605	16,146	21,740	1,095	3,622	11,240
Accounts Payable	267,214	-	2,563	36,525	25	13,494	7,809	493	457	2,336	801	14,033	556	24,123	84,936	239	1,621	593	-	76,610
Accrued Payroll and Annual Leave	290,976	-	3,080	42,351	-	2,294	4,671	2,561	4	4,427	108	19,071	727	25,895	107,137	2,593	1,257	1,541	698	72,561
Actuarial FICA Liability and NOA Corps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employees Retirement Benefits Liabilities	568,732	-	1,547	107,685	-	1,030	2,558	2,133	-	352	96	10,561	1,974	9,525	422,308	744	612	1,113	-	6,494
Accrued Grants	392,821	-	-	-	-	-	-	266,175	-	-	-	16,757	1,624	44,481	38,678	24,253	-	-	-	-
Environmental and Disposal Liabilities	89,861	-	-	-	-	-	-	-	-	-	-	-	-	40,700	49,161	-	-	-	-	-
Capital Lease Liabilities	22,744	-	-	-	-	-	-	-	-	-	-	-	-	6,864	15,880	-	-	-	-	-
Unearned Revenue	646,460	-	205	10,066	-	-	-	-	-	-	-	3,167	-	13,838	31,745	31	5,800	-	164	581,444
Other	111,767	-	10	1,440	-	-	5,333	-	48,195	-	-	8,807	-	3,043	44,808	26	-	-	5	-
TOTAL LIABILITIES	\$ 3,186,720	\$ (66,633)	\$ 10,486	\$ 328,415	\$ 25	\$ 54,934	\$ 46,786	\$ 396,247	\$ 78,008	\$ 8,212	\$ 2,835	\$ 92,819	\$ 5,501	\$ 277,932	\$ 1,118,258	\$ 44,032	\$ 31,030	\$ 4,342	\$ 5,142	\$ 740,349
NET POSITION																				
Unexpended Appropriations	\$ 4,181,364	\$ -	\$ 17,713	\$ 152,961	\$ -	\$ 17,932	\$ -	\$ 677,042	\$ 83,707	\$ 11,985	\$ -	\$ 136,132	\$ 11,204	\$ 529,422	\$ 2,424,514	\$ 112,511	\$ -	\$ 1,377	\$ 4,838	\$ 26
Cumulative Results of Operations	4,389,948	-	(3,109)	(19,899)	299	(1,678)	(7,630)	(4,455)	218	(1,210)	1,510	(27,226)	(2,879)	598,546	3,441,550	524	15,094	(2,391)	(367)	403,151
TOTAL NET POSITION	\$ 8,571,312	\$ -	\$ 14,604	\$ 133,062	\$ 299	\$ 16,254	\$ (7,630)	\$ 672,587	\$ 83,925	\$ 10,775	\$ 1,510	\$ 108,806	\$ 8,325	\$ 1,127,968	\$ 5,866,064	\$ 113,035	\$ 15,094	\$ (1,014)	\$ 4,471	\$ 403,177
TOTAL LIABILITIES AND NET POSITION	\$ 11,758,032	\$ (66,633)	\$ 25,090	\$ 461,477	\$ 324	\$ 71,188	\$ 39,156	\$ 1,068,834	\$ 161,933	\$ 18,987	\$ 4,345	\$ 201,625	\$ 13,826	\$ 1,405,900	\$ 6,984,322	\$ 157,067	\$ 46,124	\$ 3,328	\$ 9,613	\$ 1,151,526

See accompanying auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION



Required Supplementary Information (unaudited)

(Dollars In Thousands)

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 96 percent of the Department's PP&E balance.

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. CAS requires a periodic inspection of real property to determine its current condition and to estimate the cost likely to be incurred by the corrections of any deficiencies.

The following indicates NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of September 30, 2003:

PP&E Category	Number of Projects	Amount
Buildings and Structures	29	\$ 10,028
Heritage Assets	5	\$ 13,063
Total	34	\$ 23,091

While the CAS for the above buildings and structures indicates that one or more of the building systems is in less than acceptable operating condition, NOAA has not established a facility condition code to classify the condition of individual facilities. The total deferred maintenance costs for buildings and structures could therefore vary by as much as 10 percent, or from \$8 million to \$10 million. The CAS for heritage assets 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 amount reported for heritage assets represents non-critical maintenance to bring them to fair condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing 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, 2003:

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	4	\$419,000 to 629,000
Buildings (Internal Structures)	4	155,000 to 232,000
Buildings (External Structures)	4	38,000 to 57,000
Total		\$612,000 to 918,000

B Segment Information

Departmental Management/Working Capital Fund (DM/WCF)

DM/WCF’s mission is to provide, in the most efficient and economical manner possible, the centralized services required by the operating entities of the Department and other federal entities. DM/WCF operates on a revolving fund basis, whereby current operating expenses charged to the customer finance the cost of goods and services. The overall financial goal of the fund is to remain at break-even position.

Services: DM/WCF provides a variety of administrative services to the Department and to other federal entities. These include personnel-related services, financial and budget management, legal services, security, acquisition, telecommunications, and public affairs.

Major Customers: The major customers of DM/WCF are NOAA, ITA, and Census, accounting for 27 percent, 18 percent, and 18 percent of earned revenue, respectively.

Note: Information about assets, liabilities, and net position as of September 30, 2003 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

DM/WCF Summary of Costs and Related Exchange Revenues by Line of Business For the Year Ended September 30, 2003					
	Personnel-Related Services	Financial Management	Legal Services	Administrative Services	Total
Full Cost of Services Provided	\$19,412	\$19,025	\$30,076	\$56,744	\$125,257
Less: Exchange Revenue	(17,412)	(17,065)	(26,978)	(50,897)	(112,352)
Excess of Costs over Exchange Revenue	\$2,000	\$1,960	\$3,098	\$5,847	\$12,905

Franchise Fund

The Department’s Franchise Fund has three major goals:

- To operate along the lines of a commercial business by becoming self-sustaining and capable of achieving full cost recovery and by becoming competitive, without subsidies, in an open-market environment
- To encourage competition and the operation of market forces in the delivery of administrative services to lower costs and to promote better service
- To create a customer-oriented workforce that is capable of providing quality services and products

Services: The Franchise Fund is composed of only one service provider, the Office of Computer Services (OCS). OCS provides information technology services to the Department and to other federal entities, including the U.S. Department of Justice, U.S. Department of Homeland Security, and U.S. General Services Administration.

Major Customers: The Department of Justice, DM/WCF, BIS, and the Department of Homeland Security are the major customers for the Franchise Fund, accounting for 25 percent, 20 percent, 19 percent, and 17 percent of earned revenue, respectively.

Franchise Fund Summary of Costs and Related Exchange Revenue by Line of Business For the Year Ended September 30, 2003	
	Computer Services
Full Cost of Services Provided	\$ 5,235
Less: Exchange Revenue	(6,056)
Excess of Costs over Exchange Revenue	\$ (821)

Note: Information about assets, liabilities, and net position as of September 30, 2003 can be found in the Consolidating Balance Sheet, which is included as supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
**United States Department of Commerce Intragovernmental Assets and Liabilities (unaudited)
As of September 30, 2003 (In Thousands)**
Intragovernmental Assets:

Trading Partner		Fund Balance with Treasury	Accounts Receivable, Net	Advances and Prepayments	Total
Name	Number				
Department of the Treasury	20	\$ 6,502,932	\$ 154	\$ -	\$ 6,503,086
General Services Administration	47	-	188	22,350	22,538
Department of Transportation	69	-	20,083	-	20,083
Department of Labor	16	-	8,180	-	8,180
Environmental Protection Agency	68	-	7,702	-	7,702
Unknown	00	-	7,139	29	7,168
Department of Education	91	-	5,487	-	5,487
Agency for International Development	72	-	5,210	-	5,210
National Aeronautics and Space Administration	80	-	4,847	-	4,847
Office of the Secretary of Defense-Defense Agencies	97	-	4,376	-	4,376
Department of Energy	89	-	4,299	-	4,299
Others	-	-	13,195	3,588	16,783
Total		\$ 6,502,932	\$ 80,860	\$ 25,967	\$ 6,609,759

Intragovernmental Liabilities:

Trading Partner		Accounts Payable	Debt to Treasury	Resources Payable to Treasury	Unearned Revenue	Other	Total
Name	Number						
Department of the Treasury	20	\$ 205	\$ 211,700	\$ -	\$ 2,620	\$ 251	\$ 214,776
Office of the Secretary of Defense-Defense Agencies	97	3,356	-	-	89,754	-	93,110
Treasury General Fund	99	1,429	-	75,221	-	7,217	83,867
Department of Labor	16	312	-	-	24,836	37,870	63,018
Department of the Air Force	57	40,050	-	-	5,572	-	45,622
Department of Health and Human Services	75	5,879	-	-	37,451	-	43,330
Department of Justice	15	122	-	-	32,458	-	32,580
Department of Transportation	69	304	-	-	27,043	-	27,347
Department of Homeland Security	70	1	-	-	23,285	-	23,286
General Services Administration	47	19,928	-	-	2,293	-	22,221
Department of Education	91	-	-	-	13,172	-	13,172
Unknown	00	1,198	-	-	11,544	-	12,742
Department of State	19	7,999	-	-	4,636	12	12,647
Department of Homeland Security - Federal Emergency Management Agency	58	-	-	-	11,475	-	11,475
Others	-	19,989	-	-	66,517	10,646	97,152
Total		\$ 100,772	\$ 211,700	\$ 75,221	\$ 352,656	\$ 55,996	\$ 796,345

**United States Department of Commerce Intragovernmental Transfers (unaudited)
For the Year Ended September 30, 2003 (In Thousands)**

Trading Partner		Transfers In	Transfers Out
Name	Number		
Appropriations Transfers:			
Agency for International Development	72	\$ 12,300	\$ -
Department of Homeland Security	70	-	7,913
Total		\$ 12,300	\$ 7,913
Transfers Without Reimbursement:			
Department of Agriculture	12	\$ 75,224	\$ -
Department of the Navy	17	39,160	-
Department of Transportation	69	10,290	-
Department of Interior	14	4,669	-
Environmental Protection Agency	68	2,429	-
Department of Homeland Security	70	1,390	15
General Services Administration	47	1,082	103
Treasury General Fund	99	-	3,818
Department of the Air Force	57	-	83
Total		\$134,244	\$ 4,019

**United States Department of Commerce Intragovernmental Earned Revenue
and Related Costs (unaudited)
For the Year Ended September 30, 2003 (In Thousands)**

Intragovernmental Earned Revenues:

Trading Partner		
Name	Number	Amount
Department of Labor	16	\$ 92,911
Department of Transportation	69	56,660
Office of the Secretary of Defense-Defense Agencies	97	55,389
Department of Justice	15	50,866
Department of Health and Human Services	75	39,689
Environmental Protection Agency	68	33,408
Department of Housing and Urban Development	86	24,600
National Aeronautics and Space Administration	80	23,615
Department of the Army	21	22,328
Department of Agriculture	12	20,849
Department of Energy	89	20,231
Department of Education	91	15,481
Agency for International Development	72	15,335
General Services Administration	47	14,813
Department of State	19	11,969
Department of Interior	14	10,991
Department of the Treasury	20	10,828
U.S. Army Corps of Engineers	96	8,390
National Science Foundation	49	7,723
Department of Homeland Security - Federal Emergency Management Agency	58	7,543
Department of the Air Force	57	6,705
Department of the Navy	17	6,473
Department of Homeland Security	70	2,417
Unknown	00	2,039
Small Business Administration	73	1,871
Independent Agencies	95	1,757
Social Security Administration	28	1,586
Department of Veterans Affairs	36	1,310
Central Intelligence Agency	56	1,014
U.S. Postal Service	18	640
U.S. Nuclear Regulatory Commission	31	494
National Archives and Records Administration	88	339
Export-Import Bank of the United States	83	310
Office of Personnel Management	24	292
Federal Deposit Insurance Corporation	51	216
Tennessee Valley Authority	64	145
Government Printing Office	04	117
Executive Office of the President	11	79
Federal Communications Commission	27	76
Congressional Budget Office	08	70
National Labor Relations Board	63	67
Consumer Product Safety Commission	61	67
Smithsonian Institution	33	57
U.S. Equal Employment Opportunity Commission	45	43
Office of Special Counsel	62	34
Federal Maritime Commission	65	26
Library of Congress	03	18
The Judiciary	10	17
General Accounting Office	05	8
Other Legislative Branch Agencies	09	5
Federal Trade Commission	29	4
Architect of the Capitol	01	3
Appalachian Regional Commission	46	2
Armed Forces Retirement Home	84	1
Total		\$ 571,921

Gross Costs that Generated Intragovernmental Earned Revenue:

Budget Functional Classification	Amount
300 Natural Resources and Environment	\$ 142,634
370 Commerce and Housing Credit	418,398
450 Community and Regional Development	11,086
Total	\$ 572,118

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Accounts (unaudited)
For the Year Ended September 30, 2003 (In Thousands)

	Combining Totals	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NIST Industrial Technology Services	ITA Operations and Administration	Census Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:									
Budget Authority:									
Appropriations Received	\$ 5,964,718	\$ 2,430,510	\$ 166,771	\$ 824,030	\$ 286,623	\$ 412,192	\$ 371,482	\$ 290,000	\$ 1,183,110
Borrowing Authority	155,977	-	-	-	-	-	-	-	155,977
Net Transfers	81,791	65,000	-	-	(5,600)	8,285	-	-	14,106
Unobligated Balance:									
Beginning of Period	1,136,416	182,956	5,655	238,850	40,689	25,696	85,479	37,618	519,473
Adjustments to Unobligated Balance, Beginning of Period	535	20	-	-	623	-	(1)	-	(107)
Net Transfers, Actual	191	-	-	-	-	-	-	(1,200)	1,391
Spending Authority From Offsetting Collections:									
Earned									
Collected	2,492,165	178,867	1,160,167	16	2,983	13,184	8,614	10,300	1,118,034
Receivables	6,197	20,787	(160)	-	-	(161)	-	-	(14,269)
Changes in Unfilled Customer Orders									
Advances Received	156,334	1,827	34,652	-	-	-	2	5,581	114,272
Without Advances	(44,517)	647	-	-	-	(187)	-	-	(44,977)
Total Spending Authority From Offsetting Collections	2,610,179	202,128	1,194,659	16	2,983	12,836	8,616	15,881	1,173,060
Recoveries of Prior Year Obligations	142,820	16,695	5,910	1,431	10,425	14,705	7,169	34,741	51,744
Temporarily Not Available Pursuant to Public Law	(178,514)	-	(178,514)	-	-	-	-	-	-
Permanently Not Available									
Cancellation of Expired and No Year Accounts	(24,182)	-	-	-	-	(623)	-	(20,062)	(3,497)
Enacted Rescissions	(7,858)	-	-	-	-	-	-	-	(7,858)
Capital Transfers and Redemption of Debt	(82,112)	-	-	-	-	-	-	-	(82,112)
Other Authority Withdrawn	(668)	-	-	-	-	-	-	-	(668)
Pursuant to Public Law	(36,350)	(15,460)	-	(4,934)	(1,863)	(2,679)	(2,415)	(1,885)	(7,114)
TOTAL BUDGETARY RESOURCES	\$ 9,762,943	\$ 2,881,849	\$ 1,194,481	\$ 1,059,393	\$ 333,257	\$ 471,035	\$ 470,330	\$ 355,093	\$ 2,997,505
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct									
Reimbursable	\$ 6,495,322	\$ 2,553,478	\$ -	\$ 873,027	\$ 310,478	\$ 384,207	\$ 420,669	\$ 310,479	\$ 1,605,984
Unobligated Balance	2,247,278	194,593	1,190,941	873,027	310,478	12,836	-	15,146	833,762
Apportioned	8,702,600	2,748,071	1,190,941	1,746	620,956	397,043	420,669	325,625	2,436,746
Exempt from Apportionment	796,936	133,753	2,064	186,355	18,975	69,831	49,010	14,955	321,993
Unobligated Balance Not Available	112,313	25	-	11	3,804	4,161	651	14,513	112,313
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 9,762,943	\$ 2,881,849	\$ 1,194,481	\$ 1,059,393	\$ 333,257	\$ 471,035	\$ 470,330	\$ 355,093	\$ 2,997,505
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:									
Obligated Balance, Net, Beginning of Period (Unpaid)	\$ 4,668,127	\$ 1,145,840	\$ 288,341	\$ 424,910	\$ 388,093	\$ 102,014	\$ 163,846	\$ 1,056,516	\$ 1,098,567
Adjustments to Obligated Balance, Beginning of Period (Unpaid)	172	-	-	-	-	-	-	-	172
Obligated Balance, Net, End of Period, As Adjusted (Unpaid)	\$ 4,668,299	\$ 1,145,840	\$ 288,341	\$ 424,910	\$ 388,093	\$ 102,014	\$ 163,846	\$ 1,056,516	\$ 1,098,739
Obligated Balance Transferred, Net (Unpaid)	\$ (1,604)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,604)
Obligated Balance, Net, End of Period (Unpaid):									
Accounts Receivable	\$ (214,687)	\$ (89,651)	\$ 708	\$ -	\$ -	\$ (1,786)	\$ -	\$ -	\$ (123,958)
Unfilled Customer Orders From Federal Sources (Unpaid)	(87,035)	(53,570)	-	-	-	(447)	-	-	(35,018)
Undelivered Orders (Unpaid)	4,413,916	1,346,827	230,079	511,899	309,105	58,674	94,650	691,295	1,171,387
Accounts Payable	932,180	138,181	97,002	70,894	69,709	54,739	25,453	266,264	209,938
Total Obligated Balance, Net, End of Period (Unpaid)	\$ 5,044,374	\$ 1,341,787	\$ 327,789	\$ 582,793	\$ 378,814	\$ 111,180	\$ 120,103	\$ 957,559	\$ 1,224,349
Outlays:									
Disbursements	\$ 8,220,420	\$ 2,513,995	\$ 1,145,741	\$ 713,713	\$ 309,332	\$ 373,521	\$ 457,244	\$ 389,841	\$ 2,317,033
Collections	(2,648,499)	(180,694)	(1,194,819)	(16)	(2,983)	(13,184)	(8,616)	(15,881)	(1,232,306)
Total Outlays	\$ 5,571,921	\$ 2,333,301	\$ (49,078)	\$ 713,697	\$ 306,349	\$ 360,337	\$ 448,628	\$ 373,960	\$ 1,084,727
Less: Offsetting Receipts	(11,690)	-	-	-	-	-	-	-	(11,690)
NET OUTLAYS	\$ 5,560,231	\$ 2,333,301	\$ (49,078)	\$ 713,697	\$ 306,349	\$ 360,337	\$ 448,628	\$ 373,960	\$ 1,073,037

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION



Required Supplementary Stewardship Information (unaudited)

This section provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. These resources and responsibilities are not required to be included in the assets and liabilities reported in the Department's financial statements; they are, however, important to understanding the operations and financial condition of the Department. This section also includes major investments made for the benefit of the U.S.

A Stewardship Property, Plant, and Equipment (Stewardship PP&E)

Stewardship PP&E is an asset, the physical properties of which resemble those of the General PP&E that is traditionally capitalized 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.

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 an asset has a heritage function and also a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The costs of multi-use heritage assets are capitalized as General PP&E and are depreciated over the useful life of the asset.

National Oceanic and Atmospheric Administration (NOAA)

Collection-Type Assets: NOAA’s collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. NOAA uses the Condition Assessment Survey (CAS) to describe the condition of its heritage assets. The CAS 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 assets are in 4 - poor condition and 5 - very poor condition.

COLLECTION-TYPE HERITAGE ASSETS					
Reporting Entity	Description of Assets	Quantity of Items Held September 30, 2002	FY 2003 Additions	FY 2003 Withdrawals	Quantity of Items Held September 30, 2003
National Weather Service	Historic films, books and records	756	-	684	72
National Environmental Satellite, Data and Information Service Library	Books, publications and manuscripts	172,321	-	21,844	150,477
Oceanic and Atmospheric Research	Records, instruments and ship models	13	-	-	13
National Ocean Service	Recovered artifacts from the Florida Keys National Marine Sanctuary	126	14	21	119
NOS	Navigation and surveying artifacts, art objects, documents and models	680	-	634	46
NOS National Geodetic Survey	Historic artifacts and instruments	155	44	-	199
NOS Office of Coast Survey	Primarily lithographic nautical chart plates	497	13	-	510
USS Monitor National Marine Sanctuary	Artifacts recovered from the wreckage of the USS Monitor	260	420	153	527
Office of Marine and Aviation Operations	Art objects, ship models, and historic artifacts and instruments	34	11	-	45
Office of Federal Coordinator for Meteorology	Copperplate and print	2	-	-	2
Office of the Secretary	Primarily lithographic nautical chart plates	5	-	-	5
National Marine Fisheries Service	Primary Art Works	-	24	-	24
Total		174,849	526	23,336	152,039

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. Phase II is complete, and Phase III is anticipated to begin in FY 2004, after funding is authorized, and continue into FY 2005. As of September 30, 2003, the renovations are 60 percent complete.

National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, Massachusetts, this aquarium is jointly 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 separate exhibition tanks holding more than 30 species of fish. The tanks range in size from 75 to 2,800 gallons. The general condition of the aquarium is good. The NMFS Aquarium is considered a multi-use heritage asset because of its predominant use for scientific research.

Stewardship Marine Sanctuaries and Coral Reef Reserve

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act in response to a growing awareness of the intrinsic environmental and cultural value of our 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, 2003, 13 National Marine Sanctuaries, which include near shore coral reefs and open ocean, have been designated, covering a total area of 18,851 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) are threatened. Each individual sanctuary site conducts research and monitoring activities to characterize existing resources and document changes.

Northwestern Hawaiian Islands (NWHI) Coral Reef Ecosystem Reserve: Approximately 70 percent of all coral reefs located in U.S. waters surround the 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. NOAA is presently developing an operations plan for the Reserve, which covers 131,800 square miles, and has also initiated the process to designate the Reserve as a National Marine Sanctuary.

B Stewardship Investments

Stewardship investments are substantial investments made by the U.S. Government for the benefit of the U.S., but are not physical assets owned by the U.S. 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 long-term benefit of the U.S.

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: The National Estuarine Research Reserves System consists of 25 estuarine reserves protected by federal, state, and local partnerships. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. More than 75 percent of seafood eaten depends on estuaries at some point in their life cycle. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The program was created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2003, encompassed approximately 1,141,000 acres of estuarine waters, wetlands, and uplands. Most of the reserves are state-operated and managed in cooperation with NOAA. The investments fund the acquisitions of lands, as well as the development or construction of facilities, auxiliary structures, and public access routes for reserve sites.

Coastal Zone Management Fund: The Coastal Zone Management Fund is responsible for the incidental expenses of land acquisition and low-cost construction on behalf of state and local governments for the preservation or restoration of coastal resources and habitats; the redevelopment of deteriorating and urbanized waterfronts and ports, and the provision of public access to beaches and coastal areas.

Coastal and Estuarine Land Conservation Program: The Coastal and Estuarine Land Conservation 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. Matching grants were directed to projects in coastal and estuarine areas, to be awarded to state, local, and private non-profit entities for land acquisitions for this program.

NOAA's investments in non-federal physical property for FY 1999 through FY 2003 were as follows:

(In Millions)

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
National Estuarine Research Reserves	6.7	11.5	31.6	27.5	24.0	101.3
Coastal Zone Management Fund	2.9	2.8	5.3	5.9	0.0	16.9
Coastal and Estuarine Land Conservation Program	0.0	0.0	0.0	14.0	3.6	17.6
Total	9.6	14.3	36.9	47.4	27.6	135.8

EDA

EDA provides grant funding to state and local governments for the construction and development of economic infrastructure and property that will create and retain jobs in economically distressed areas of the U.S. The funding is in the form of grants to state and local governments. No transfers of federal properties take place under these programs. These grants are for the development of roads and infrastructure needed for new industrial parks, clean water and environmental projects, and the conversion of military facilities, closed by Congressional action, to civilian-based economic activity. EDA also awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other disasters.

EDA's investments in non-federal physical property for FY 1999 through FY 2003 were as follows:

(In Millions)

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Public Works	\$180.9	\$173.5	\$174.9	\$182.5	\$232.8	\$ 944.6
Economic and Defense Adjustments	139.8	112.9	131.6	109.0	88.7	582.0
Disasters Recovery	47.4	57.6	28.7	36.7	22.5	192.9
Total	\$368.1	\$344.0	\$335.2	\$328.2	\$344.0	\$1,719.5

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 and EDA.

NOAA

National Sea Grant Program: This program is a partnership between U.S. colleges and NOAA, and comprises 30 Sea Grant Colleges. The partnership was initiated in 1966 when Congress passed the National Sea Grant College Program Act, with the objective of making the U.S. the world leader in marine research and in the sustainable development of marine resources. The program funds research programs, and transfers new knowledge to coastal businesses, marine industries, the public, and governments. Research projects are funded on the basis of rigorous, highly-competitive peer reviews. To date, the program has supported the work of approximately 13,700 graduate research assistants while they work(ed) on marine and Great Lakes science.

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.

National Research Council Research Associateship Program: The National Research Council, through its Associateship Programs office, awards outstanding scientists and engineers, at recent post-doctoral and experienced senior levels, with tenure as guest researchers at participating laboratories. The participants interact with NOAA scientists and learn new approaches, methods, and ideas, thereby increasing their capacities as scientific researchers. The participants provide the results of their research in scientific journals and through other means.

The following summarizes NOAA's investments in human capital for FY 1999 through FY 2003:

(In Millions)

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
National Sea Grant Program	\$14.6	\$14.5	\$19.5	\$20.5	\$21.1	\$90.2
National Estuarine Research Reserve Program	0.7	0.7	0.8	0.8	0.1	3.1
National Research Council Research Associateship Program	1.8	1.7	3.0	0.4	1.5	8.4
Total	\$17.1	\$16.9	\$23.3	\$21.7	\$ 22.7	\$101.7

Note: In addition to the human capital investments indicated above, the National Sea Grant Program received, on a pass-through basis from other Federal agencies, \$0.8 million, \$1.5 million, \$1.6 million, \$2.0 million, and \$1.1 million for FY 1999, FY 2000, FY 2001, FY 2002, and FY 2003, respectively. Additionally, Sea Grant universities contributed matching funds to the National Sea Grant Program in the amounts of \$8.5 million, \$8.5 million, \$11.1 million, \$11.5 million, and \$11.0 million in FY 1999, FY 2000, FY 2001, FY 2002, and FY 2003, respectively.

EDA

EDA provides grant awards for training and technical assistance for economic development. The following summarizes EDA's investments in human capital for FY 1999 through FY 2003:

(In Millions)

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Local Technical Assistance	\$9.1	\$11.0	\$9.6	\$9.3	\$10.1	\$49.1
Research Assistance and National Technical Assistance	0.5	0.6	0.4	0.5	0.6	2.6
Total	\$9.6	\$11.6	\$10.0	\$9.8	\$10.7	\$51.7

Investments in Research and Development (R&D)

R&D Investments are expenses, included in the Department's Net Cost of Operations, that support the search for new or refined knowledge and ideas, and facilitate the application or use of such knowledge and ideas for the development of new or improved products 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.

National Institute of Standards and Technology (NIST)

NIST Laboratories Program: The NIST Laboratories have been the stewards of the U.S.’s measurement infrastructure since their inception in 1901 as the National Bureau of Standards. In fulfilling the Constitutional responsibility to fix the standards of weights and measures, these laboratories provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions. The laboratories focus their work in three main areas: 1) research and develop the measurements and standards needed to support emerging science and technology-intensive industries; 2) develop and efficiently disseminate the measurements and standards needed to support the Nation’s strategic interests in homeland security; and 3) assure the availability and efficient transfer of measurement and standards capabilities essential to established industries.

Advanced Technology Program (ATP): ATP is a collaborative effort with industry to identify and promote investment in technologies with significant potential for broad-based economic benefits but inadequate levels of private investment. Cost-shared research is funded through an annual competitive awards process. Awards are made only after rigorous examination of the technical and business merits of each proposal and of the potential benefits to the U.S. economy and quality of life. In FY 2003, the program selected 67 new industrial research projects to receive cost-shared support totaling \$257 million in Federal and industry funds (if carried to completion). The awards target a broad array of technologies, including pharmaceutical design, tissue engineering, industrial catalysts, energy generation and storage, manufacturing technologies, electronics manufacturing, computer software, and electro-optics. Fifty-five of the awards were made to small businesses, and at least 45 universities are involved as joint venture partners or subcontractors.

The following tables summarize NIST’s R&D investments for FY 1999 through FY 2003, and related outcomes and outputs information.

(In Millions)

	Measurement and Standards Laboratories					Advanced Technology Program					Totals				
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Basic Research	\$ 49.5	\$ 48.6	\$ 62.5	\$ 63.5	\$ 74.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49.5	\$ 48.6	\$ 62.5	\$ 63.5	\$ 74.2
Applied Research	238.1	239.0	255.6	288.8	307.9	92.8	91.8	85.0	76.6	86.8	330.9	330.8	340.6	365.4	394.7
Development	19.7	20.0	20.8	19.1	19.4	92.8	91.8	85.0	76.6	86.9	112.5	111.8	105.8	95.7	106.3
Total	\$307.3	\$307.6	\$338.9	\$371.4	\$401.5	\$185.6	\$183.6	\$170.0	\$153.2	\$173.7	\$492.9	\$491.2	\$508.9	\$524.6	\$575.2

Outcomes and Outputs Information			
	Measurement & Standards Laboratories	Advanced Technology Program	Manufacturing Extension Partnership (MEP)
Program outcomes and/or quality metrics ^{1,3}	FY 2003 National Research Council peer review report: http://books.nap.edu/catalog/10820.html		<ul style="list-style-type: none"> ● Increased sales in FY 2002: \$891 million ● Capital investment in FY 2002: \$876 million ● Cost savings in FY 2002: \$645 million
Program outputs (partial list) ^{1,2}	<ul style="list-style-type: none"> ● Standard Reference Materials available in FY 2003: 1,214 ● Standard Reference Data titles available in 2003: 106 ● Number of items calibrated in FY 2003: 3,194 ● Technical publications produced in FY 2003: 1,918 	<ul style="list-style-type: none"> ● Cumulative number of technologies under commercialization in FY 2002: 244 ● Cumulative number of publications in FY 2002: 969 ● Cumulative number of patents filed in FY 2002: 939 	
<p>¹ Outcome and output measures represent partial indicators of program performance. Outcome and output data compiled in any given fiscal year may include the effects of program funding from one or more prior years, and also may include the effects of a combination of basic, applied, and/or development R&D. Long project timeframes, long impact trajectories, intangible outputs, diverse impacts, and other factors prevent direct comparisons of total program costs and total outputs/outcomes in any given fiscal year.</p> <p>² Due to impact timeframes and survey procedures, ATP data lags by six months to one year. FY 2003 ATP data will be available in May 2004.</p> <p>³ Due to survey procedures, MEP performance data lag by one year. FY 2003 data will be available in December 2004. The FY 2002 data reported here represents a combination of three quarters of actual client reported impacts and one quarter of estimated client impacts. The estimate is based on the final quarter of FY 2001 survey data and has been adjusted to reflect the number of clients anticipated in the final FY 2002 survey quarter. Final FY 2002 data will be available in December 2003.</p>			

NOAA

NOAA conducts a substantial program of environmental research and development 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 policymaking 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 the National Sea Grant Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

The following describes the major research and development programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research (OAR) is NOAA's primary research and development office. NOAA's research laboratories, Office of Global Programs, and research partners conduct a wide range of research into complex climate systems. NOAA Research organizations conduct basic and applied research on the upper and lower atmosphere as well as the space environment. NOAA Research, in cooperation with its research partners, explores and investigates ocean habitats and resources.

Fisheries: NOAA's National Marine Fisheries Service (NMFS) is responsible for the collection and analysis of information on the status of fishery resources and protected species, and for conducting programs that develop fisheries for economic growth. The Magnuson-Stevens Fishery Conservation and Management Act (The Act) mandates strong action to conserve and manage fishery resources that contribute to the food supply, economy, and health of the Nation. The Act's provisions require NMFS to end over-fishing, rebuild all over-fished stocks, and conserve essential fish habitat through research and consultations on Federal and state actions that may adversely affect habitats. NMFS's four major research priorities include research to support fishery conservation and management, conservation engineering research, research on the fisheries, and information management research.

Fleet Maintenance and Aircraft Services: NOAA Marine and Aviation Operations (NMAO) manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: The National Weather Service (NWS) conducts applied research and development, building upon the more basic 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 (NOS) promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of our precious coastal systems. Our understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. National Environmental Satellite Data and Information Service (NESDIS), through its Office of Research and Applications (ORA) 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.

The following table summarizes NOAA's R&D investments by program for FY 1999 through FY 2003:

(In Millions)

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Environmental and Climate	\$ 253.5	\$ 257.4	\$ 266.2	\$ 289.9	\$ 351.4	\$ 1,418.4
Fisheries	223.0	241.3	125.8	121.7	156.4	868.2
Fleet Maintenance and Aircraft Services	14.4	14.7	18.0	19.3	90.4	156.8
Weather Service	6.3	7.7	11.1	11.0	20.4	56.5
Other	53.6	65.9	112.9	132.4	83.3	448.1
Total	\$ 550.8	\$ 587.0	\$ 534.0	\$ 574.3	\$ 701.9	\$ 2,948.0

The following table summarizes NOAA's investment in research and development segregated by the components of basic research, applied research, and development costs for FY 1999 through FY 2003:

(In Millions)

Research and Development	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Basic Research	\$ 5.1	\$ 4.3	\$ 3.3	\$ 8.9	\$ 12.5	\$ 34.1
Applied Research	523.5	559.4	507.7	537.1	668.3	2,796.0
Development	22.2	23.3	23.0	28.3	21.1	117.9
Total Research and Development	\$ 550.8	\$ 587.0	\$ 534.0	\$ 574.3	\$ 701.9	\$ 2,948.0

The following table further summarizes NOAA's FY 2003¹ R & D investments by program allocated between basic research, applied research, and development costs:

(In Millions)

Research and Development	Environmental and Climate	Fisheries	Fleet Maintenance and Aircraft Service	Weather Service	Other	Total
Basic Research	\$ 12.5	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 12.5
Applied Research	337.2	155.6	90.4	5.2	79.9	668.3
Development	1.7	0.8	0.0	15.2	3.4	21.1
Total	\$ 351.4	\$ 156.4	\$ 90.4	\$ 20.4	\$ 83.3	\$ 701.9

¹ The data for prior fiscal years is unavailable.

INDEPENDENT AUDITORS' REPORT





December 11, 2003

MEMORANDUM FOR: Donald L. Evans
Secretary of Commerce

FROM: Johnnie E. Frazier 

SUBJECT: *Department of Commerce's FY 2003 Consolidated Financial Statements, Audit Report No. FSD-16071-4-0001*

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the Department of Commerce's FY2003 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 fifth consecutive year.

My office contracted with the independent public accounting firm of KPMG LLP (KPMG) to perform the audit of the Department's financial statements as of and for the year ended September 30, 2003. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 01-02, *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 to U.S. generally accepted accounting principles;
- there was one reportable condition related to the Department's financial management systems (but not considered a material weakness in internal control as defined on page 3 of the audit report) due to weaknesses in general information technology controls, the lack of integrated financial management systems, and inadequate automated budgetary controls;
- 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 (FFMIA); and
- there were several instances in which the Department did not comply with two other laws and regulations tested—OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, and OMB Circular A-25, *User Charges*.

We are pleased that the Department made significant progress in 2003 toward correcting internal control weaknesses. The auditor's report discusses that the Department successfully deployed the Commerce Administrative Management System (CAMS)—substantial implementation

occurred before September 30, 2003 with full implementation completed in October 2003. Thus, for the first time, the Department is in substantial compliance with FFMIA. Implementation of CAMS, combined with improvements in general information technology controls, resulted in the internal control weakness related to financial management systems being downgraded from a material weakness. Also, improvements made in the Department's accounting for property resulted in the removal of the prior year reportable condition in that area. These successes are surely the result of Commerce senior officials' commitment to sound financial management and reliable financial/performance information, as well as the important role and hard work of the Department's managers and staff in improving the conditions noted in prior audits.

My office defined the audit's scope and oversaw its 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. However, our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's report dated December 5, 2003, and the conclusions expressed in the report.

In accordance with Department Administrative Order (DAO) 213-5, we ask that the Department's Chief Financial Officer and Assistant Secretary for Administration provide for our review and concurrence an audit action plan that addresses all of the recommendations contained in this report within 60 days of the date of this memorandum.

If you wish to discuss the contents of this report, please call me on (202) 482-4661, or Michael Sears, Assistant Inspector General for Auditing, on (202) 482-1934. We appreciate the cooperation and courtesies the Department extended to KPMG and my staff during the audit.

Attachments

cc: Otto J. Wolff
Chief Financial Officer and Assistant Secretary for Administration

Tom Pyke
Chief Information Officer



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Office of 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, 2003 and 2002, and the related consolidated statements of net cost, changes in net position, and financing, 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 audits, we also considered the Department's internal control over financial reporting and tested the Department's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its consolidated financial statements.

We did not audit the financial statements of the National Technical Information Service and the U.S. Patent and Trademark Office, bureaus within the Department, as of and for the year ended September 30, 2002, which combined, represent 10 percent and 2 percent of the total consolidated assets and net costs of operations, respectively, of the Department. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the fiscal year 2002 amounts included for the National Technical Information Service, and the U.S. Patent and Trademark Office is based solely on the reports of the other auditors.

SUMMARY

As stated in our opinion on the consolidated financial statements, based on our audits and the reports of other auditors, we concluded that the Department's consolidated financial statements, as of and for the years ended September 30, 2003 and 2002, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Note 17 to the consolidated financial statements, the Department adopted a change in accounting for transfers between certain fund types, to conform to new Treasury guidance, effective October 1, 2002.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.



U.S. Department of Commerce
Independent Auditors' Report

Our consideration of internal control over financial reporting resulted in the identification of one reportable condition, related to the Department's financial management systems, including weaknesses in general information technology controls, the lack of integrated financial management systems, and inadequate automated budgetary controls. However, we do not consider this reportable condition to be a material weakness.

The results of our tests of compliance with certain provisions of laws and regulations disclosed instances of noncompliance with the following laws and regulations 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. 01-02, *Audit Requirements for Federal Financial Statements*:

- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*; and
- OMB Circular A-25, *User Charges*.

The following sections discuss our opinion on the Department's consolidated financial statements, our consideration of the Department's internal control over financial reporting, our tests of the Department's compliance with certain provisions of applicable laws and regulations, 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 2003 and 2002, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources, for the years then ended.

We did not audit the financial statements of the National Technical Information Service and the U.S. Patent and Trademark Office, bureaus within the Department, as of and for the year ended September 30, 2002, which combined, represent 10 percent and 2 percent of the total consolidated assets and net costs of operations, respectively, of the Department. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the fiscal year 2002 amounts included for the National Technical Information Service, and the U.S. Patent and Trademark Office is based solely on the reports of the other auditors.

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, 2003 and 2002, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Note 17 to the consolidated financial statements, the Department adopted a change in accounting for transfers between certain fund types, to conform to new Treasury guidance, effective October 1, 2002.



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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 accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. 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, 2003 consolidating balance sheet is presented for purposes of additional analysis of the related consolidated balance sheet, rather than to present the financial position of the Department's bureaus individually. The September 30, 2003 consolidating balance sheet has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits, is fairly stated in all material respects in relation to the September 30, 2003 consolidated balance sheet, taken as a whole. The information in the Fiscal Year 2003 Performance Report section is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information has not been subjected to the same auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2003 audit, we noted certain matters relating to the Department's financial management systems, summarized below and in more detail in Exhibit I, that collectively, we consider to be a reportable condition. However, this reportable condition 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



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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.

- **Integrated financial management systems.** During fiscal year 2003, the Department did not fully comply with OMB Circular A-127, *Financial Management Systems*. The National Institute of Standards and Technology (NIST), which processes financial transactions for itself, as well as for the National Telecommunications and Information Administration (NTIA) and the Technology Administration (TA) operated a legacy, non-integrated system that did not comply with Federal financial system requirements during the fiscal year 2003. The bureau assets that were accounted for using the legacy system approximated 13 percent of the Department's total consolidated assets as of September 30, 2003. On May 1, 2003, NIST transitioned to the Commerce Administrative Management System (CAMS) for processing NTIA's grant expenditures, and on October 1, 2003, transitioned the remaining portions of its legacy accounting system to CAMS.
- **Automated budgetary controls.** The NIST legacy accounting system does not include an automated budgetary control feature. NIST budget officers and program managers manually monitored the budget; however, those procedures did not provide a control to prevent NIST from over-obligating funds.

* * * * *

A summary of the status of prior year reportable conditions is included as Exhibit II.

We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of the Department in two separate letters addressing information technology and other matters, respectively.

COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act (FFMIA)*, disclosed two instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

- **OMB Circular A-11, Preparation, Submission, and Execution of the Budget.** As noted in prior year audit reports, NOAA capital leases are not fully funded, as required by OMB Circular A-11. NOAA currently has 11 capital leases that are not fully funded. In fiscal year 1999 and again on September 8, 2000, NOAA's Chief Financial Officer issued a memo requiring that "all future capital leases exceeding \$200,000 have sufficient budgetary resources at the inception of the lease to cover the present value of the lease payments discounted using Treasury interest rates." This memo, which agrees to requirements in OMB Circular A-11 addressed leases with inception dates after fiscal year 1999. Based on OMB



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guidance, NOAA has identified the unfunded balance of existing capital leases and submitted a reprogramming notice to Congress to obligate the unfunded balance in fiscal year 2004.

In addition, as discussed in the Internal Control Over Financial Reporting section of this report, the NIST legacy accounting system did not have automated funds control as required by OMB Circular A-11. The NIST manual control process did not provide a control to prevent over-obligation of funds. The NIST legacy accounting system was replaced on October 1, 2003.

- **OMB Circular A-25, User Charges.** During fiscal year 2003, the International Trade Administration (ITA) developed recommendations and implementation strategies to address OMB Circular A-25 issues. However, as reported in prior audits, ITA is not in compliance with OMB Circular A-25, which requires Federal agencies to recover the full cost of providing goods or services to the public. ITA has completed several analyses of its user fees. Its costs are not fully allocated and, therefore, ITA has requested a waiver of these requirements from OMB. There is a concern that ITA trade events, which produced earned revenue of approximately \$8 million as of September 30, 2003, are not self-sustaining. ITA is continuing to work with OMB to obtain the requested waiver.

The results of our tests of compliance with other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

FFMIA. 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 *Government Management Reform Act of 1994* (GMRA) requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To meet the GMRA reporting requirements, the Department prepares annual financial statements.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparing the Management Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information; and
- Complying with laws and regulations, including FFMIA.

In fulfilling these responsibilities, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations



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in internal control, misstatements, due to error or fraud, may nevertheless occur and not be detected.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2003 and 2002 consolidated financial statements of the Department based on our audits and the reports of other auditors. 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*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 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:

- 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 and the reports of other auditors provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2003 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 in order to determine 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 OMB Bulletin No. 01-02 and *Government Auditing Standards*. 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 provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered the Department's internal control over Required Supplementary Stewardship Information by obtaining an understanding of the Department's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.



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As part of obtaining reasonable assurance about whether the Department's fiscal year 2003 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, 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 and regulations applicable to the Department. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No 01-02 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.

DISTRIBUTION

This report is intended for the information and use of Department's management, the Department's Office of the Inspector General, OMB, GAO, 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

December 5, 2003

Financial Management Systems Need Improvement (*Repeat Condition*)

For many years, the U.S. Department of Commerce (Department) Office of Inspector General (OIG), U.S. General Accounting Office (GAO), and Departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. Our fiscal year 2003 assessment of the Department's general IT and financial systems controls, performed in support of the fiscal year 2003 consolidated financial statement audit, found that although the Department needs to make further progress with its general IT and financial systems control environment, progress has been made in addressing many prior weaknesses. As a result, we no longer consider this condition a material weakness.

Additional details follow on the three elements of this reportable condition: (1) general IT controls, (2) integrated financial management systems, and (3) automated budgetary controls.

General IT Controls

Effective general IT controls add assurance that data used to prepare and report financial information and statements is complete, reliable, and has integrity. During fiscal year 2003, the Department made progress in addressing prior IT general control weaknesses. For example, in January 2003, the Department implemented an entity-wide IT security policy, the *Department of Commerce IT Security Program Policy and Minimum Implementation Standards*. The policy identifies IT security roles, responsibilities, and controls that must be included in the Department's IT security programs and systems, in addition to security risk management and contingency planning requirements. During his Congressional testimony in April 2003, the Department's Chief Information Officer (CIO) emphasized this progress by stating that:

We have come a long way during the last two years, and we are working hard to complete the next steps that are essential to provide adequate protection of our data and systems. We understand, however, that IT security is a never-ending process, and we are committed to maintaining a high level of vigilance to ensure that the Department is able to carry out its mission without disruption caused by cyber threats.¹

The Department's Inspector General confirmed this IT progress in his June 2003 congressional testimony², but also noted the need for continued improvement, based on recently completed OIG reports. The Inspector General concluded that although the

¹ Testimony of Thomas N. Pyke, Jr., Chief Information Officer, U.S. Department of Commerce, before the Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census - United States House of Representatives - April 8, 2003.

² Testimony of Johnnie E. Frazier, Inspector General, U.S. Department of Commerce, before the Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census - United States House of Representatives - June 24, 2003

Department had made progress in recent years, additional efforts are needed to ensure the Department's IT systems and the data they process and store are appropriately protected.

For the past several years, the Department has implemented improved IT processes and controls to not only enhance the overall IT and financial systems control environment, but also to remove an information security related material weakness reported under the *Federal Information Security Management Act (FISMA)*, and its predecessor legislation. As part of the Department's fiscal year 2003 FISMA evaluation, the Department and the OIG confirmed that although much progress has been made, the FISMA information security material weakness still exists, primarily due to non-financial system issues. However, because the Department's FISMA material weakness is not restricted to financial systems, but considers all Department systems, this matter is not considered to be a material weakness for financial statement purposes.

Our fiscal year 2003 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, as noted earlier in this report, our fiscal year 2003 audit indicated that the Department can continue to improve, primarily in the areas of (1) performing background investigations before users are granted system and network access, (2) documenting security certification and accreditation (C&A) efforts, and (3) completing security risk assessments. It is noteworthy that by the end of the fiscal year 2003 for several of the control weaknesses we identified, especially related to the documentation of C&A efforts, the Department bureaus made progress in addressing the security weaknesses, and in some cases completing their C&A documentation.

The Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*, is a key requirement 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 applications 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) publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program Policy and Minimum Implementation Standards* contain many requirements for operating Department IT devices in a secure manner.

During fiscal year 2003, we noted that access controls needed improvement at select Department bureaus, primarily in the areas of user account management, device security, and physical security. We recognize that Department bureaus have compensating controls in place to help reduce the risk that some of the access control vulnerabilities identified could be exploited, and we have considered such compensating controls as part of our overall 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 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 2003, we noted that application software development and change controls could be improved at certain Department bureaus, primarily in the areas of maintaining audit trails of software changes and generally improving system change controls.

- **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 2003, we noted that system software controls could be improved at one bureau, in the area of usage and monitoring of system software controls.

- **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 2003, we noted that controls over segregation of duties could be improved at one bureau, primarily in the areas related to segregating key functions and documenting IT-related position descriptions.

- **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 2003, we noted that service continuity controls could be improved at certain Department bureaus, primarily in the areas of implementing additional service continuity related controls and testing service continuity plans.

Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the fiscal year 2003 consolidated financial statement audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations.

Integrated Financial Management Systems

The Department has made progress in integrating its financial management systems, with the continued transition of bureaus' financial systems to the Commerce Administrative Management System (CAMS), the Department-wide financial management system. In October 2002, the National Oceanic and Atmospheric Administration (NOAA) began using CAMS as its core financial management system. In addition, during fiscal year 2003, the Department deployed the Consolidated Reporting System (CRS), which is designed to provide readily available financial data to Department managers. Effective October 1, 2003, the Department fully implemented CAMS at the National Institute of Standards and Technology (NIST).

During fiscal year 2003, NIST's legacy financial management system, the Corporate Information System (CIS), was not fully integrated with other NIST financial systems, such as its property management system, or the Department's financial systems. Consequently, numerous manual adjustments were needed, and NIST was unable to record all accounting events at the transaction level. NIST also processed financial transactions for the National Telecommunications and Information Administration (NTIA) and the Technology Administration (TA) in fiscal year 2003, using the legacy system. On May 1, 2003, NIST transitioned to CAMS for processing NTIA's grant expenditures. NIST, NTIA, and TA, collectively, represented approximately 13% percent of the Department's total consolidated assets, as of September 30, 2003.

While NIST, NTIA, and TA represent a small amount of the Department's consolidated assets, the CIS was non-compliant with Office of Management and Budget (OMB) Circular A-127, *Financial Management Systems*. OMB Circular A-127 guides each agency to establish and maintain a single, integrated financial management system, which is defined as a unified set of financial systems and the financial portions of mixed systems encompassing the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions; manage financial operations of the agency; and report on the agency's financial status to central agencies, the Congress, and the public.

Recommendation

We recommend that the Department ensure that the implementation of CAMS for NIST, NTIA, and TA, effective October 1, 2003, is successful and in compliance with OMB Circular A-127. In addition, the Department should continue to replace legacy feeder systems with integrated systems.

Automated Budgetary Controls

As noted in the prior audit report, the NIST and NOAA legacy accounting systems did not include an automated budgetary control feature to prevent over-obligation of apportioned funds as required by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Due to an inability to set automated budgetary controls in the legacy accounting system, NIST budget officers and program managers manually monitored the budget during fiscal year 2003. When NIST converted to CAMS in October 2003, it gained the ability to utilize the CAMS automated budgetary control feature. Specifically, the accounts payable module, in conjunction with the budget module, in CAMS has the capability to provide automated funds control at various levels. These CAMS modules have automated features that include checks, balances, and edit functions to alert the user that a given entry or request would exceed currently available funds.

Effective in fiscal year 2003, NOAA enabled automated budgetary controls in CAMS as required by OMB Circular A-11.

Recommendation

We recommend that effective October 1, 2003, NIST implement the CAMS funds control modules at the level required by OMB Circular A-11, at a minimum.

Reported Issue	Prior Year Recommendation	Fiscal Year 2003 Status
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Material Weakness - Financial Management Systems Need Improvement

- a. *Integrated financial management systems*
 The Department has not fully complied with OMB Circular A-127, *Financial Management Systems*. The Circular requires each agency to establish and maintain a single, integrated financial management system.

Continue efforts to integrate its financial management systems, reduce the number of legacy systems in use and in doing so, monitor planned actions to ensure that progress remains timely.

Reportable Condition (see comments in Exhibit D).
- b. *General information technology controls*
 Weaknesses in general controls were identified in all six FISCAM review areas.

The Department should monitor the implementation of recommendations made to the bureaus in separate information technology reports and ensure they are implemented effectively.

Reportable Condition (see comments in Exhibit D).
- c. *Automated budgetary controls*
 NOAA's and NIST's accounting systems do not contain automated procedures or system controls to prevent over-obligation of apportioned funds at the required level.

Allocate the necessary budgetary and staffing resources to ensure timely implementation of CAMS, including budgetary funds control modules that would prevent over-obligations at the required level by OMB Circular A-11 and consider implementing at a lower level such as at the project level.

Completed for NOAA. Reportable condition for NIST. (see comments in Exhibit D).

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 Exhibit II – Status of Prior Year Findings, Continued

Reported Issue	Prior Year Recommendation	Fiscal Year 2003 Status
<i>Reportable Condition – Accounting for Personal Property Needs Improvement</i>		
<p>NOAA's accounting for personal property, including construction work-in-progress and capital leases required several audit adjustments to properly state the Department's property balances, as well as the related expenses and equity balances.</p>	<p>NOAA should improve the process of identifying new construction work in progress (CWIP) projects, including new satellite systems, for capitalization and update its CWIP policies to address cost accumulation and recording procedures.</p>	Completed.
	<p>NOAA should improve the process of identifying CWIP projects that are no longer viable, by updating its CWIP policies to include periodic reviews of recorded projects and specific write-off procedures.</p>	No longer a reportable condition; remaining issues will be included in the management letter.
	<p>NOAA should improve its reconciliation of CWIP projects to ensure that accurate reconciliations, with complete explanations of differences, are obtained and that the corresponding accurate adjustments are made to the accounting records.</p>	No longer a reportable condition; remaining issues will be included in the management letter.
	<p>NOAA should develop a method to calculate and record the management fund cost allocation adjustment to CWIP on a schedule to meet future accelerated reporting requirements.</p>	Completed.

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 Exhibit II – Status of Prior Year Findings, Continued

Reported Issue	Prior Year Recommendation	Fiscal Year 2003 Status
	NOAA should establish procedures to reconcile the subsidiary system personal property balances to the general ledger, at least quarterly, and to prepare accurate personal property roll-forward schedules.	No longer a reportable condition; remaining issues will be included in the management letter.
	NOAA should improve the controls over accounting for personal property capital leases, including ensuring accurate completion and supervisory review of lease determination worksheets, and retention of supporting documentation.	No longer a reportable condition; remaining issues will be included in the management letter.

GLOSSARY OF ACRONYMS

DEPARTMENT OF COMMERCE



UNITED



STATES OF AMERICA

ABBREVIATION	TITLE
A	
ABC	Activity Based Cost
ABM	Activity Based Management
ACES	Annual Capital Expenditures Survey
ACS	American Community Survey
ACSI	American Customer Satisfaction Index
AD	antidumping
ADP	Automated Data Processing
AHS	American Housing Survey
ALW	Atlantic Large Whale
AML	Advanced Measurement Laboratory
ANSI	American National Standards Institute
APP	Annual Performance Plan
APPR	Annual Performance Progress Report
ASAP	Automated Standard Application for Payment
ASQ	American Society for Quality
ATP	Advanced Technology Program
ATS	Annual Trade Survey
AWIPS	Advanced Weather Interactive Processing System
B	
BAS	Boundary and Annexation Survey
BCR	Benefit-Cost Ratio
BDC	Business Development Centers
BEA	Bureau of Economic Analysis
BEC	Bose-Einstein Condensate
BFC	Budget Functional Classification
BFRL	Building and Fire Research Laboratory (NIST)
BIS	Bureau of Industry and Security
BLS	Bureau of Labor and Statistics
BNQP	Baldrige National Quality Program
BRS	Business Reporting System
BSC	Balanced Scorecard
C	
CAMS	Commerce Administrative Management System
CAS	Condition Assessment Survey
CBP	U.S. Customs and Border Protection
CCSPS	Climate Change Science Program Strategic Plan
CEAR	Certificate of Excellence in Accountability Reporting
CEDS	Comprehensive Economic Development Strategies

CEIP	Coastal Energy Impact Program
Census	Bureau of the Census
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration
CFS	Core Financial System
CIAO	Critical Infrastructure Assurance Office
CIO	Chief Information Officer
CIP	Critical Infrastructure Protection
CIPA	Children's Internet Protection Act of 2000
CIRT	Computer Incident Response Team
CITES	Convention on International Trade in Endangered Species
CMS	Client Management System
COMMITTS	Commerce Information Technology Solutions
COOL	Commerce Opportunities Online
COOP	Continuity of Operations Plan
CORS	Continuously by Operating Reference Station
COTR	Contracting Officer Technical Representative
CPC	Climate Prediction Center
CPI	Consumer Price Index
CPS	Current Population Survey
CRADA	Cooperative Research and Development Agreements
CSRS	Civil Service Retirement System
CSTL	Chemical Science and Technology Laboratory (NIST)
CVD	countervailing duty
CWC	Chemical Weapons Convention
CWCIA	Chemical Weapons Convention Implementation Act
CWPPRA	Coastal Wellness Planning Protection and Restoration Act
CZM	Coastal Zone Management
CZMA	CZM Act

D	DAM	Dynamic Area Management
	DFI	Digital Freedom Initiative
	DM	Departmental Management
	DNS	Domain Name System
	DOJ	Department of Justice
	DOL	Department of Labor
	DOL/OLMS	DOL Online Labor Management System
	DPA	Defense Production Act
	DPAS	Defense Priorities and Allocations System
	DPS	Distinct Population Segment

E	EAA	Export Administration Act
	EAR	Export Administration Regulations
	ECASS	Export Control Automated Support System
	EDA	Economic Development Administration
	EDD	Economic Development Districts
	EEEL	Electronics and Electrical Engineering Laboratory
	EFS	Electronic Filing System
	EFT	Electronic Funds Transfer
	ELGP	Emergency Oil and Gas and Steel Loan Guarantee Programs (part of Departmental Management)
	ENC	Electronic Navigational Chart
	ENSO	El Niño/Southern Oscillation
	EPO	European Patent Office
	ESA	Economics and Statistics Administration
F	FACTS	Federal Agencies' Centralized Trial Balance System
	FAIR	Federal Activities Inventory Reform
	FAR	False Alarm Rate
	FASAB	Federal Accounting Standards Advisory Board
	FCC	Federal Communications Commission
	FCRA	Federal Credit Reform Act
	FECA	Federal Employees Compensation Act
	FEGLI	Federal Employees Group Life Insurance Program
	FEHB	Federal Employees Health Benefit Program
	FEMA	Federal Emergency Management Agency
	FERS	Federal Employees Retirement System
	FF	Franchise Fund (part of Departmental Management)
	FFMIA	Federal Financial Management Improvement Act of 1996
	FICA	Federal Insurance Contributions Act
	FISMA	Federal Information Security Management Act
	FMFIA	Federal Managers' Financial Integrity Act of 1982
	FMP	Fishery Management Plan
	FR	Field Representative
	FTA	Free Trade Agreement
	FTAA	Free Trade Area of the Americas
	FTE	Full-Time Equivalent
	FVOG	Fishing Vessel Obligation Guarantee Program
	FWC	Future Workers Compensation
	FY	Fiscal Year

G	G&B	Gifts and Bequests (a fund that is part of Departmental Management)
	GAAP	Generally Accepted Accounting Principles
	GAO	General Accounting Office
	GDP	Gross Domestic Product
	GFDL	Geophysical Fluid Dynamics Laboratory
	GISRA	Government Information Security Reform Act
	GMF	Government Master File
	GOES	Geostationary Operational Environmental Satellite
	GPEA	Government Paperwork Elimination Act
	GPRA	Government Performance and Results Act of 1993
	GPS	Global Positioning System
	GSA	General Services Administration
	GSP	Gross State Product
	GSS	Geographic Support System
H	HCP	Habitat Conservation Plan
	HPC	Hydrometeorological Prediction Center
	HR	human resources
	HRDS	Human Resources Data System
	HSS	Heidke Skill Scores
I	IA	Import Administration
	IAEA	International Atomic Energy Agency
	ICANN	Internet Corporation for Assigned Names and Numbers
	ICEP	International Catalog Exhibition Program
	ICP	Internal Control Program
	ICT	Information and Communication Technology
	IDS	Intrusion Detection Software
	IEEE	Institute of Electrical and Electronics Engineers
	IFQ	Individual Fishing Quota Loans
	IFR	Instrument Flight Rules
	IFW	Image File Wrapper
	IG	Inspector General
	IP	Intellectual Property
	IP	Internet Protocol
	IRAC	Interdepartmental Radio Advisory Committee
	IRC	Investment Review Committees
	ISI	Institute for Scientific Information

IT	Information Technology
ITA	International Trade Administration
ITL	Information Technology Laboratory (NIST)
ITS	Institute for Telecommunications Sciences
ITU	International Telecommunication Union
K	
KSA	Knowledge, Skills, and Abilities
L	
LMS	Learning Management System
M	
M&TA	Management and Technical Assistance
MAF	Master Address File
MAP	Measurement Assurance Program
MBDA	Minority Business Development Agency
MBDC	Minority Business Development Centers
MBE	Minority Business Enterprises
MBIP	Minority Business Internet Portal
MBNQA	Malcolm Baldrige National Quality Awards
MBOC	Minority Business Opportunity Committee
MDCP	Market Development Cooperator Program
MECA	Minority Equity Capital Access
MED	Minority Enterprise Development
MEL	Manufacturing Engineering Laboratory (NIST)
MEMS	Microelectromechanical Systems
MEP	Manufacturing Extension Partnership
MEPNAB	MEP National Advisory Board
MFI	Market Facts Incorporated
MOU	Memorandum of Understanding
MSA	Metropolitan Statistical Area
MSBO	Manufacturers' Sales Branches and Offices
MSEL	Materials Science and Engineering Laboratory (NIST)
MTS	U.S. Marine Transportation System
N	
NABDC	Native American Business Development Centers
NAF	National Academy Foundation
NAFTA	North American Free Trade Agreement
NAICS	North American Industry Classification System
NAO	North Atlantic Oscillation
NAPA	National Academy of Public Administration
NASA	National Aeronautics and Space Administration

NBS	National Bureau of Standards
NCDC	National Climatic Data Center
NCDC	National Climate Data Center
NCVS	National Crime Victimization Survey
NEC	Nonproliferation and Export Control
NERR	National Estuarine Research Reserve
NES	National Export Strategy
NESDIS	National Environmental Satellite, Data, and Information Service
NHC	National Hurricane Center
NIACAP	National Information Assurance Certification and Accreditation Process
NIH	National Institutes for Health
NIPA	National Income and Product Accounts
NIST	National Institute of Standards and Technology
NM	Nautical Miles
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NODC	National Oceanographic Data Center
NOS	National Ocean Service
NPV	Net Present Value
NRC	National Research Council
NSRS	National Spatial Reference System
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWS	National Weather Service
NWLON	National Water Level Observation Network
NYOFS	Port of New York and New Jersey Operational Forecast System

OA	Office of Audits
OAM	Office of Acquisition
OAR	Office of Oceanic and Atmospheric Research
OCAD	Office of Compliance and Administration
OCS	Office of Computer Services
OEAM	Office of Executive Assistance Management
OECD	Organization for Economic Cooperation and Development
OFM	Office of Financial Management
OFPP	Office of Federal Procurement Policy
OHRM	Office of Human Resources Management
OI	Office of Investigations

OIG	Office of the Inspector General (part of Departmental Management)
OIPE	Office of Inspections and Program Evaluations
OMB	Office of Management and Budget
OPCM	Office of Policy Coordination and Management
OPEM	Office of Planning, Evaluation and Management
OPM	Office of Personnel Management
OS	Office of the Secretary
OSDBU	Office of Small and Disadvantaged Business Utilization
OSE	Office of Systems Evaluation
OSM	Office of Spectrum Management
OSY	Office of Security
OTE	Office of Technology Evaluation
OTEM	Office of Trade Event Management
OTP	Office of Technology Policy
P	
PALM	Patent Application Location Monitoring
PAR	Performance and Accountability Report
PART	Performance Assessment Rating Tool
PBR	Potential Biological Removal
PBSA	Performance-Based Service Acquisitions
PBSC	Performance-Based Service Contracting
PBViews	Panorama Business Views
PCI	Per Capita Income
PKI	Public Key Infrastructure
PL	Physics Laboratory (NIST)
PMA	President's Management Agenda
PNA	Pacific North America
PORTS®	Physical Oceanographic Real-Time System (include ?)
PP&E	Property, Plant, and Equipment, Net
PPS	Post-Project Survey
PRT	Program Review Team
PSV	Post-shipment Verification
PTFP	Public Telecommunications Facilities Program
Q	
QFR	Quarterly Financial Report
QPF	Quantitative Precipitation Forecasts
R	
R&D	Research and Development
RLF	Revolving Loan Fund

S	S&E	Salaries and Expenses (a fund that is part of Departmental Management)
	S&T	Science and Technology
	SAM	Special Agent Manual
	SAS	Services Annual Survey
	SAV	Site Assistance Visits
	SBA	Small Business Administration
	SBR	Statement of Budgetary Resources
	SCNP	Statement of Changes in Net Position
	SDDS	Special Data Dissemination Standards
	Secretary	Secretary of the Department of Commerce
	SES	Senior Executive Service
	SFA	Sustainable Fisheries Act
	SFFAS	Statement of Federal Financial Accounting Standards
	SIPP	Survey of Income and Program Participation
	SME	Small and Medium-Sized Enterprise
	SNM	Square Nautical Miles
	SNS	Shortnose Sturgeon
	SPD	Survey of Program Dynamics
	SRD	Standard Reference Data
	SRM	Standard Reference Materials
	STEP	Standard for the Exchange of Product Model Data
T	3G	Third Generation
	TA	Technology Administration
	TAA	Trade Adjustment Assistance
	TAAC	Trade Adjustment Assistance Center
	TABD	Trans-Atlantic Business Dialogue
	TARR	Trademark Application Registration Retrieval
	TC	Technology Center
	TCC	Trade Compliance Center
	TEAS	Trademark Electronic Application System
	TECI	Transshipment Country Export Control Initiative
	TESS	Trademark Electronic Search System
	TIC	Trade Information Center
	TIGER	Topologically Integrated Geographic Encoding and Referencing System
	TIS	Trademark Information System
	TPA	Trade Promotion Authority
	TPC	Tropical Prediction Center
	TPCC	Trade Promotion Coordination Committee
	TRAM	Trademark Reporting and Monitoring

Treasury	U.S. Department of the Treasury
TROR	Treasury Report on Receivables
TRP	Take Reduction Plans
TRT	Take Reduction Teams
TSP	Thrift Savings Plan
TVA	Tennessee Valley Authority
U	
UAE	United Arab Emirates
UC	University Centers
US&FCS	U.S. and Foreign Commercial Service
US/OTP	Office of the Under Secretary/Office of Technology Policy
USC	United States Code
USCRN	U. S. Climate Reference Network
USDA	U.S. Department of Agriculture
USMCC	United States Mission and Control Center
USPTO	United States Patent and Trademark Office
USSGL	United States Standard General Ledger
USTR	U.S. Trade Representative
USWRP	U.S. Weather Research Program
UWB	Ultra-wideband
V	
VCAT	Visiting Committee on Advanced Technology
VoIP	Voice over Internet Protocol
W	
WCF	Working Capital Fund (part of Departmental Management)
WFO	Weather Forecast Office
WMD	Weapons of Mass Destruction
WRC-03	2003 World Radiocommunication Conference
WTO	World Trade Organization

AMERICAN JOBS, AMERICAN VALUES
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.

