

U.S. DEPARTMENT
OF COMMERCE

FY 2004



FY 2004 ANNUAL
PERFORMANCE PLAN

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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

Office of Inspector General (OIG)
 Economics and Statistics Administration (ESA)
 Bureau of Economic Analysis (BEA)
 Bureau of the Census
 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, Chief Information Officer, and the Office of General Counsel. 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 2001 budget was approximately \$5.3 billion and its FY 2002 budget was about \$5.4 billion.

Internet

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

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/>). In addition, the Department published a combined FY 2000 Annual Program Performance Report and FY 2002 Annual Performance Plan for the first time in FY 2001 (an electronic version of this report is also 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

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 describes in greater detail the bureau performance goals employed to achieve its strategic goals and provides 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 U.S.'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 U.S.'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 U.S. (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 the U.S.'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
- 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 U.S. 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
- 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
- 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.

Looking Ahead

Challenges and Priorities

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

Ensuring a Fair Avenue for Trade

Many of the world's countries are developing increasingly sophisticated techniques to protect their home markets from foreign sales and to provide unwarranted subsidies or other benefits to their own firms. Such actions negatively affect the ability of American firms to sell overseas — and the 10 percent of American jobs that depend on our Nation's international trade. To effectively deal with those foreign behaviors, we face three specific challenges. First, we must ensure that our staff has the appropriate skills and training. Secondly, we must effectively engage in bilateral and multilateral negotiations. Finally, we must find and employ more effective ways of encouraging American companies to share with us the necessary data to allow Commerce to successfully protect U.S. interests.

Enhancing Information Security Throughout the Department

The Department will be broadening the protection afforded to its information systems and data. Every system throughout the Department and its bureaus is subject to well-managed risk assessments, which include documenting successful testing or a specific plan for taking remedial action. We will be revising our information technology and security policies and requirements to ensure that they reflect federal standards, best practices, and state-of-the-art advances in controls, evaluation, accreditation, and contingency planning.

Strengthening Our Stewardship of Marine Resources

Many of our Nation's fisheries and marine wildlife face potential depletion of resources either due to over-fishing or from past actions, which contributed to the deterioration of the environment. The consequences include degradation of our natural resources, loss of jobs, and difficulty in our prospective ability to meet international agreements supporting the protection of these resources. We intend to aggressively pursue our recently established plan for restoring salmon runs in the Pacific Northwest. We will be working as well to improve our collection of data that allow for accurate assessments of the state of specific fisheries and other marine resources. We will be using these data in formulating the most appropriate plans for ensuring the future health of our Nation's marine resources, while also seeking to conserve jobs.

Emergency Preparedness within the Department

We continue to face significant vulnerabilities in our ability to respond to emergencies. The Department developed a complete, viable Continuity of Operations Plan (COOP) this fiscal year, although testing and aspects of implementation are still in progress. Similarly, COOPs for certain of the bureaus and specific field locations are undergoing testing and further refinement. We are currently working to complete all appropriate testing and implementation of these plans, which address all requirements for maintaining essential activities and re-establishing normal operations in the event of an emergency, e.g., human resources, facilities and infrastructure, and information technology systems.

Occupant emergency plans and emergency response structures have been reviewed, revised where necessary, and are in place for most sites that our inspectors visited. We are continuing to assist the bureaus in developing enhanced response capabilities for all types of emergencies, recognizing that it is a massive task to ensure our preparedness for many different types of emergencies at approximately 500 facilities across the country. All resources charged with these responsibilities throughout the Department will continue to emphasize the importance of effective preparation, to work cooperatively with other federal agencies, to seek the advice of experts, and to allocate resources in the most productive manner possible.

EDA Reauthorization

The Department's Economic Development Administration was reauthorized in 1998 for five years. We require reauthorization in 2003 so that we may continue providing economic assistance to areas experiencing economic distress. The continuity of these programs helps our Nation create high-skill, high-wage jobs and promote private sector investment.



NIST's Advanced Measurement Laboratory, now under construction, will be one of the most advanced research buildings in the world when occupied in 2004.

Planning for Facilities Construction and Renovation

During this decade, we will spend several billion dollars on 38 construction and renovation projects that are currently in planning or early development stages. To ensure optimal use of funds, we are monitoring the progress, schedule, costs, and plans of each project so that we can identify and correct potential problems as early as possible. Construction projects include a \$1.2 billion facility for relocating the US Patent and Trademark Office within a single campus, a \$235 million advanced measurement laboratory to ensure adequate capability to measure increasingly sophisticated and miniaturized products, and \$340 million for two new buildings for our Census Bureau.

Meeting Users' Needs for Quality Economic Measures

The ever-changing U.S. and world economies require our constant diligence to develop new measures and methods to accurately and reliably measure the U.S. economy and its interactions abroad. To meet this challenge, the Department and the experts at the Bureau of Economic Analysis (BEA) are seeking to develop new estimation methods, improve data sources, increase access to real-time data, and generate more timely measures. These improvements will support our ability to provide high-quality, timely, and relevant economic measures that are increasingly required by our Nation's business leaders and policy makers.

Being a Catalyst for Minority Business Growth

We will continue to help strengthen America's minority businesses in two areas: access to capital and competing on-line. Minority-owned businesses are concentrated in industries with low rates of capital investment and historical trends show that the rates of minority ownership drop sharply as firm size and need for capital increases. Our experts will design and implement programs to reduce this barrier. In addition, electronic commerce has become a vehicle for contract bundling and on-line auctions. Bundling, which is increasingly used for global sourcing, has introduced additional competitors to America's minority firms. Also, being unfamiliar with reverse auctions, minority firms have tended to bid below costs and place themselves at risk of bankruptcy. Commerce experts will seek to reduce these barriers to minority business survival and growth.

Processing of Patent and Trademark Applications

Over the past decade, the US Patent and Trademark Office (USPTO) has faced an increasing workload, particularly in the filing of patent and trademark applications. Over the last two years, patent filings increased by 14.5 percent, and further increases are projected through FY 2003. Although trademark application filings decreased in FY 2002 by 12.7 percent, consistent with a declining economy, the number of applications filed was the fourth highest level ever recorded. Based on projections, the economy is expected to improve, which would result in trademark applications returning to a growth position.

In recent years, the greatest growth in patent filings has been in the more complex areas of electrical/computer engineering and biotechnology/ bioinformatics technologies. To better manage its workload, the USPTO must focus on full electronic application processing, a radical redesign of the entire patent search and examination system, and restructuring the agency's fee schedule to provide incentives to its customers.

The USPTO is committed to achieving a steady 18-month pendency for patent applications, and a 12-month pendency for trademark applications, while improving the quality of its products. To achieve this, the USPTO has begun implementing an aggressive strategic plan to transform the agency from a one-size-fits-all government bureaucracy into a quality-focused, responsive, market-driven intellectual property system. The USPTO's *21st Century Strategic Plan* emphasizes quality in every initiative and will boost productivity and substantially cut the size of the USPTO's inventory while transforming the agency into an information age, e-commerce style, paperless agency that reflects the values of the President's Management Agenda. 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.

Strengthening Our Homeland Security

Commerce is participating in the government-wide effort to establish the Department of Homeland Security. We are assisting with transition planning and helping to ensure the smooth transfer of our resources — including the Critical Infrastructure Assurance Office and our Integrated Hazard Information System — to the new Department.

Through approximately 120 projects, our standards experts will help law enforcement, military, science, emergency services, information technology, airport and building security, and other areas protect the American public from terrorist threats. Examples of our contributions include making buildings and occupants safer from disasters and more effectively detecting dirty bombs.

We will seek to balance the promotion of U.S. trade and the need to restrict the export of commodities and technical information that could prove injurious to our Nation's best interests. Our trade security experts will work cooperatively with counterparts in other federal agencies and the intelligence community to improve coordination in the collective efforts of the Federal Government. We will streamline our procedures so as to facilitate exports and the identification of risks. The Department will support enactment of a new Export Administration Act, which has not been comprehensively updated since 1979. A revised EAA that seeks to provide a balanced framework for administering and enforcing export controls in the 21st century would enhance both U.S. national security and U.S. economic interests.

Census 2010 Re-engineering

Our Census experts will continue to re-engineer plans and processes so as to improve coverage, reduce risk and contain costs for the 2010 Census. We will be exploring options adopting numerous technological and methodological innovations. In addition, the Federal Government and others throughout the country will be more widely using the American Community Survey (ACS), which we tested in FY 2001 and FY 2002. We expect to establish the survey as a regular, annual data collection instrument to provide yearly information updates on subjects that have been covered by the decennial census “long form.” Success with the ACS would substantially simplify the 2010 Census. Using only short forms would enable us to focus resources on improving coverage and efficiency, thereby containing costs.

Future Workforce Requirements

Similarly to other agencies, the Department of Commerce faces significant challenges in ensuring an appropriately sized and competent workforce. During the next five years, approximately one-half of the Commerce workforce will become eligible for retirement, leading to the potential for significant loss of experience and institutional memory. During the coming decade, we will also face requirements that our workforce become increasingly specialized and expert in several fields in which prospective hires will be in high demand. At the same time, we must ensure that our employees are representative of the Nation’s population. To meet these diverse challenges, the Department will examine and modify its hiring practices, explore options for more effectively competing with private sector employers, and seek any appropriate changes in laws and regulations needed to allow the Department to enhance its appeal to America’s workforce.

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.

We herewith submit, in accordance with the Reports Consolidation Act of 2000, summaries of issues we have determined to be the most crucial management and performance challenges facing the Department of Commerce, to be included in the Department's Performance and Accountability Report for FY 2002.

The challenges listed reflect what the Office of Inspector General considers to be significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations. We view these issues as Commerce's top challenges 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 recent work in these areas is described in our recent Semiannual Reports to Congress.

① Strengthen Financial Management Controls and Systems

A number of statutes mandate that federal agencies prepare financial information that enables Congress, agency executives, and the public to assess the agency's performance and stewardship. Required information includes audit reports of financial statements. The Department has received unqualified (clean) opinions on its consolidated financial statements for four consecutive years despite continuing obstacles, including the absence of a single, integrated financial management system.

Maintaining a clean audit opinion remains a major challenge, especially under the accelerated financial reporting dates mandated by the Office of Management and Budget (OMB). Additional improvements in financial management systems and operations will better enable the Department and its entities to correct material weaknesses and provide reliable financial and performance information that complies with federal laws and regulations. Therefore Commerce continues to focus on strengthening financial management systems by implementing the Department-wide Commerce Administrative Management System (CAMS). The Department expects to have CAMS replace its outdated and fragmented financial systems by October 2003. Most operating units will use CAMS; however, three—International Trade Administration, U.S. Patent and Trademark Office (USPTO), and National Technical Information Service (NTIS)—will not, but 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. The Department expects that CAMS, in conjunction with the database, will bring Commerce into compliance with federal financial systems requirements, including that for a single, integrated financial management system.

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

2 Strengthen Department-Wide Information Security

Some Commerce's information technology systems and the data they process and store 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 Commerce's critical systems could have devastating effects; thus identifying information security weaknesses and recommending solutions remain top priorities for this office. The Department has made significant progress in establishing an effective information security program, yet our evaluations completed under the Government Information Security Reform Act (GISRA) revealed that weaknesses continue.

3 Enhance Export Controls for Dual-Use Commodities

The adequacy of U.S. export controls must be an ongoing concern, given their importance to national security. Five agencies participate in the licensing of dual-use commodities (goods and technologies that have both civilian and military uses)—the Departments of Defense, Energy, State, and the Treasury, and the Central Intelligence Agency. However, Commerce's Bureau of Industry and Security oversees the federal government's export licensing and enforcement system for dual-use commodities and directs Commerce's authority in this area. This year, in compliance with the National Defense Authorization Act, we conducted our annual follow-up on the status of recommendations we made in previous reports regarding dual-use export controls. We reviewed all three reports issued thus far (March 2000, March 2001, February 2002).

But dual-use export licensing also involves and depends on multiple automated systems owned and operated independently by the five licensing and review agencies. A joint review by the five IG offices calls for greater interagency cooperation on export license systems development. Progress has been made in modernizing the automated systems; however, systems limitations we found include (1) differing security standards among agencies, (2) cumbersome manual and paper-based processes, and (3) lack of a comprehensive export-information database that can be used to assess the cumulative effect of multiple exports.

The interagency OIG review team will continue its work under the National Defense Authorization Act until 2007, as mandated by the act, and this office will continue to conduct our assessments in conjunction with these agencies. We will also follow up on our previous work in this area, which includes assessment of license approvals, interagency cooperation, commodity classification and appeals, and export compliance with license conditions.

4 Effectively Manage Departmental and Bureau Acquisition Processes

Commerce annually spends more than \$1 billion on goods and services bought through contracts and other procurement instruments. Acquisition legislation in the 1990s, however, mandated sweeping changes to procurement procedures for federal agencies. With acquisition reform now well under way, Commerce must successfully manage the processes it has fostered. Problems with the implementation of some procurement practices have been reported by oversight organizations such as the General Accounting Office (GAO) and OMB's Office of Federal Procurement Policy (OFPP), along with the IG community. Problems include purchase card abuse, primarily through weak internal and administrative controls, as well as failure to obtain competitive quotes in awarding government-wide agency contracts and other multiple award instruments.

In past reports we identified Department-wide problems with performance-based service contracting, specifically the failure to use performance-based task orders where appropriate; insufficient planning for contract administration and monitoring; and the need for increased training of contracting officer's technical representatives (COTRs). In our review of IT service contracts throughout the Department, we found that provisions to safeguard sensitive but unclassified systems and information were either missing or inadequate. We have recommended that the Department develop policy, incorporate appropriate contract provisions, and require training to help ensure that contracts provide for adequate information security and that acquisition, program, and technical personnel know how to plan, implement, and manage such contracts. The Department concurred with our recommendations and is taking actions to address them.

Further, Commerce has continued to implement a variety of reform initiatives and improve acquisition management. The Department's Office of Acquisition Management (OAM) has focused its attention on automating the procurement process, strengthening overall management of the procurement function, and upgrading training for procurement staff. OAM has reportedly also launched an initiative to restructure the Department-wide certification program for COTRs that would include training to enhance COTR performance and a performance plan to improve their accountability. In addition, OAM has taken steps to provide oversight and performance measures for acquisition activities, completed a review of procedures used by operating units to issue task and delivery orders under GSA Federal Supply Schedules, and is working on reviews of interagency agreements, memorandums of understanding, and purchase card policy. Finally, OAM is collaborating with the Office of the Chief Information Officer and the Commerce budget office to integrate budget and planning for IT acquisitions.

Our office is reviewing purchase card activities on an ongoing basis. In addition, we will continue to assess the status of the Department's other acquisition efforts to ensure they meet the goals of acquisition reform and, when necessary, make recommendations for improvement.

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

As the threat of terrorism against U.S. interests continues, the need to strengthen security and emergency preparedness in both the public and private sectors has taken on new urgency. Homeland Security Presidential Directive-3 established a Homeland Security Advisory System for the nation and requires executive branch agencies to implement protective physical security measures to reduce vulnerability or increase response capability during periods of heightened alert. Effectively complying with this, and related, directives is an important, yet complex, resource-intensive undertaking for Commerce, given the size of its workforce, its diverse and important missions, and the geographical spread of its approximately 500 facilities across the 50 states and 160 offices overseas.

Heightened security requires a variety of measures: infrastructure risk assessments, emergency backup sites, upgraded physical security, and employee awareness and training, to name a few. The Department has rededicated itself to ensuring the integrity of its operations and its ability to continue essential services and operations during a crisis, the protection of its people, and the suitability of risk and sensitivity designations¹ for personnel in positions of public trust. We believe that Commerce is making progress on many of these fronts, but the challenge is formidable.

Given the heightened awareness of U.S. vulnerability to acts of terrorism, the Department will have to regularly revisit its procedures for ensuring the safety and security of its employees and operations and modify them as needed. We will continue to monitor its efforts in this regard and report our findings accordingly.

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

The American Inventors Protection Act of 1999 (AIPA) established USPTO as a performance-based organization, giving it broader responsibility for managing its operations and expanded control over its budget, personnel processes, and procurement operations. Despite this empowerment, USPTO's transformation remains a formidable challenge. The agency strives to keep pace with increasingly complex technology and customer demands while simultaneously trying to develop personnel, procurement, and administrative policies, performance-oriented processes, and cost-effectiveness evaluation standards, at the same time attempting to meet GPRa performance goals as well as AIPA timeliness standards. Major challenges for the bureau include the following:

Staffing. The number of patent application filings skyrocketed in recent years. In FY 2001 USPTO received more than 326,081 applications for patents—an 8.9 percent increase over the number received in FY 2000. To address the expanding workload, USPTO hired 789 patent examiners, but lost 700 through attrition during fiscal years 2000 and 2001, virtually negating its efforts to increase staffing. Trademark filings, on the other hand, peaked in 2000 at 375,000 applications, but declined by 21 percent (to 296,000) in FY 2001. Because this downward trend is expected to continue, the bureau has started to downsize its trademark staff.

New Facility Construction. When completed in 2005, USPTO's 5-building Alexandria, Virginia, complex will house all USPTO employees and operations currently scattered among 18 buildings in nearby Crystal City. We will be monitoring USPTO's efforts to contain project costs, supervise construction progress, and ensure on-time completion.

IT Capabilities. Although USPTO's information security policies and procedures were consistent with accepted practices, in too many instances requirements were not implemented and responsibilities were not carried out. The bureau's response to recommendations we made in March, however, indicates genuine concern about its IT systems security and a commitment to a stronger security program.

In June 2002 the bureau issued its *21st Century Strategic Plan*. USPTO believes that in moving to implement the plan, it will be better prepared to address and overcome many of the challenges it faces. It should be noted, however, that several of the initiatives envisioned in the plan—outsourcing preexamination reviews and changing fee structures, for example—require congressional approval.

We plan to continue to monitor USPTO's efforts to operate as a performance-based organization to aid in ensuring its success.

¹ Risk designations reflect the potential damage an individual in a position of public trust could cause to the efficiency and integrity of government programs and operations. Sensitivity designations reflect the potential adverse impact on national security associated with a position.

7 Increase International Compliance with Trade Agreements and Expand Market Access for American Exporters

Commerce, through various offices within the International Trade Administration (ITA), works with a number of federal agencies to monitor and enforce trade agreements, the number and complexity of which have escalated substantially in recent years. To help enforce compliance with export agreements, ITA created the Trade Compliance Center, which monitors U.S. trade agreements and reviews complaints from a variety of sources. When warranted, it forms a compliance team to bring a case to satisfactory conclusion. ITA's approach to trade compliance and market access is to try to solve problems at the lowest level possible—avoiding formal dispute settlement structures such as the World Trade Organization, which can take years to resolve trade disagreements.

On the import side, ITA's Import Administration (IA) works with the International Trade Commission, investigating complaints from U.S. industries about subsidization of or dumping foreign products on U.S. markets. If both agencies determine that injury has occurred, IA instructs the U.S. Customs Service to assess duties against imports of those products.

We intend to review aspects of TA's approach to market access and trade compliance, as well as its administration of the antidumping and countervailing duty regulations.

8 Increase the Effectiveness of Marine Resource Management

For nearly 30 years Commerce's National Marine Fisheries Service (NMFS) has had to balance competing interests: promoting commercial and recreational fishing as vital elements of our national economy and preserving populations of fish and other marine life. The Department has reported that overfishing and overcapitalization in commercial and recreational fisheries have resulted in estimated losses of billions of dollars in economic growth, thousands of jobs, and countless fishing opportunities. While certain fisheries appear to be well managed and produce positive benefits, others are severely depleted and must be restored and properly managed to realize their long-term potential. At the same time, threatened or endangered fish species need to be replenished. Among 52 distinct groups of Pacific salmon, for example, 26 are threatened or endangered. NMFS has recently taken steps to restore Pacific salmon runs through research at the Northwest Fisheries Science Center in the Columbia River Basin.

We are currently evaluating methods used to enforce fisheries management plans. We also intend to monitor NOAA's efforts to increase the effectiveness of its data collection and marine resource management.

9 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 (GPRA) 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 administration moves toward integrating budget and performance information and using performance data to make funding decisions, the credibility of reported performance results will be critical.

To ensure the collection and reporting of accurate, appropriate, reliable, and useful data to decision makers, this office has (1) provided implementation advice and assistance, (2) monitored reviews by certified public accounting firms of performance data contained in the annual financial statements, (3) made presentations to departmental officials on the importance of ensuring that performance-related information is reliable, (4) given informal comments to the Department on various GPRA-related documents, and (5) audited internal controls for selected data on bureau performance.

Although the Department has made progress toward determining how best to plan and measure its performance, significant opportunities for improvement remain. Our audits of several performance measures used by BIS, NIST, National Telecommunications and Information Administration, and USPTO 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 reported information is reconciled against supporting data and only data from the appropriate time period is included in performance results.

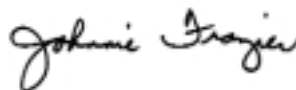
We will continue to evaluate performance measurement and reporting and, as warranted, make recommendations to the Department and its operating units regarding the accuracy, appropriateness, reliability, and usefulness of its performance data.

10 Effectively Manage Major Commerce Renovation and Construction Projects

Effective renovation and construction management is a critical challenge for the Department because of the numerous inherent risks involved in planning and managing large, costly, and complex capital improvement and construction projects. The Department has plans for numerous major² renovation and construction projects:

- NOAA has 27 projects scheduled or in process. These include modernization of the National Ocean Service's Marine and Environmental Health Research lab in South Carolina, and a National Marine Fisheries Service lab in Hawaii.
- NIST will continue its multimillion-dollar program to upgrade existing laboratories in Gaithersburg, Maryland, and Boulder, Colorado, and to complete construction of the Advanced Measurement Laboratory building, a state-of-the-art facility in Gaithersburg, Maryland.
- USPTO is implementing its billion-dollar plan to consolidate employees and operations in a new, five-building facility under construction in Alexandria, Virginia.
- The Census Bureau intends to construct two buildings at its headquarters in Suitland, Maryland, to provide employees with safe, modern facilities.
- Commerce plans to modernize its headquarters building in Washington, D.C.

Departmental leadership and OIG oversight are needed to maximize Commerce's return on its investment in these projects. Past OIG reviews of major renovation and construction ventures have demonstrated that up-front oversight—that is, close monitoring during planning and implementation—is essential. Detecting and addressing potential problems during the developmental stages rather than after a project is completed saves time and money. For this reason, we plan to actively monitor the progress of some of the Department's current and planned construction projects.



Johnnie E. Frazier
Inspector General
December 20, 2002

² Projects costing \$2 million or more are considered major.

The Department of Commerce's FY 2004 Budget

The Department of Commerce's budget request of \$5.4 billion supports the President's budget plan to focus resources on several core Commerce services, including:

- Fostering the U.S.'s economic growth
- Securing the U.S. homeland and enhancing public safety
- Upgrading the Department's facilities and infrastructure to support innovation
- Improving and streamlining the U.S.'s fishery management system to better meet commercial, recreational, and conservation objectives
- Implementing the Administration's Climate Change Research Initiative (CCRI) to reduce present uncertainties in climate science, and support policy and management decisions to benefit public safety and quality of life.

To enhance these services, resources are shifted from various lower priority programs.

Economic Growth

Economic growth is a central theme for the FY 2004 President's Budget and to the mission of the Department of Commerce's bureaus. The Bureau of Economic Analysis (BEA) seeks to strengthen the understanding of the U.S. economy and its competitive position. BEA accomplishes this task by providing accurate economic accounts data in a timely and cost-effective manner, and by supplying the U.S.'s key economic statistics, including gross domestic product (GDP). The Department of Commerce requests increased funding of \$5.4 million for BEA to accelerate the release of major economic estimates, to incorporate new international economic data classifications, and to acquire real-time data to improve the quality and timeliness of economic statistics. In conjunction with BEA's request, the Department of Commerce requests an increase of \$9.3 million for the Census Bureau to fill gaps in data collection, to improve methodologies for collecting that information, and to improve the measurement of the U.S.'s service sector. During FY 2004, the Census Bureau requests funds to process and to review data from the Economic Census, and to continue planning and designing the 2010 Decennial Census.

To enhance the competitiveness of U.S. businesses in the global economy, the International Trade Administration's (ITA) request for FY 2004 focuses on promoting U.S. exports, fighting unfair foreign trade barriers, and negotiating and implementing multilateral and bilateral trade agreements. The Economic Development Administration (EDA) request will help to accelerate the U.S.'s economic growth by promoting a favorable business environment to attract private capital investments and higher-skill, higher-wage jobs. For example, a program increase of \$13.8 million is requested for EDA to assist communities that have been severely impacted by plant closures and other mass layoffs. The Minority Business Development Agency (MBDA) will continue to focus on accelerating the competitiveness and growth of minority-owned businesses by closing the gap in economic opportunities and capital access.

As part of the Administration's economic growth policy initiative for FY 2004, the Administration requests \$9.2 million for the National Institute of Standards and Technology (NIST) to implement a program that will provide the U.S.'s measurement and standards infrastructure in such emerging areas as nanotechnology, quantum computing, and health care quality assurance. Consistent with the Administration's emphasis on shifting resources to reflect changing needs, the FY 2004 budget proposes to terminate the Advanced Technology Program (ATP), and to maintain the FY 2003 policy of significantly reducing federal funding for the Manufacturing Extension Partnership (MEP). The U.S. Patent and Trademark Office (PTO) request will support a new strategic plan to keep pace with workload growth and to enhance the quality of products and services. The Administration proposes an increase of \$8.9 million to improve patent application processing, and will propose legislation to restructure PTO fees.

Homeland Security

The FY 2004 Budget proposes a \$2.3 million increase for the Bureau of Industry and Security (BIS) to advance national security and foreign policy interests. Specifically, the budget request addresses vulnerabilities in regulating exports of critical goods and technologies. The request also proposes activities to encourage the growth of legitimate U.S. exports to maintain U.S. global economic leadership. This budget increase will enable BIS to strengthen export enforcement with additional agents and capabilities, and to enhance the Bureau's analysis of U.S. export control regulations to ensure they reflect the dynamics of twenty-first century market and technological changes.

The Commerce budget requests a \$10.3 million program increase for NIST to provide the measurement infrastructure necessary for homeland security. This includes developing and disseminating standards for safety and security of buildings, for biometric identification systems, and for radiation systems.

To address increased security issues subsequent to September 11, 2001, the National Oceanic and Atmospheric Administration (NOAA) requests a program increase of \$7.7 million. These funds will facilitate cooperation between the National Weather Service (NWS) and local officials in the development of an All Hazards Weather Radio Warning Network, which will disseminate all types of emergency warnings, not just warnings for severe weather. NOAA will also use these funds to upgrade physical security at NWS facilities.

The Department of Commerce requests an increase of \$3.7 million to secure core aspects of ITA's worldwide communications network, to defend against unauthorized access, and to create recovery mechanisms should damaging events occur.

Facilities, Infrastructure and Safety

The Department of Commerce, in coordination with the General Services Administration, is initiating a major renovation of the seventy-year-old Herbert C. Hoover Building. This initiative will extend the useful life of this historic building. In addition to establishing a Renovations Office in FY 2004, the Department will focus on safety issues by instituting a new Occupational Safety and Health Program targeted toward preventing accidents and injuries through incident tracking and proactive prevention.

Important priorities for NIST in FY 2004 are to upgrade facilities and laboratories, to protect critical research data from degradation, and to maintain employee safety and security. The Commerce budget proposes a program increase of \$35.2 million for NIST to address inefficiencies and safety problems at its facilities in Boulder, Colorado and Gaithersburg, Maryland. Valuable research continues to be lost or interrupted by power outages, spikes, and fluctuations. The budget also requests a net increase of \$8.2 million to equip, maintain, and operate NIST's Advanced Measurement Laboratory, and to fund time scale and time dissemination backup elements.

This budget includes a \$21.2 million increase to enable NOAA to address safety and security concerns associated with its buildings, aircraft, and ships; to upgrade weather forecast offices in the continental U.S., Alaska, and the Pacific Islands; to modernize the primary NWS telecommunications gateway; to continue construction of the NOAA Satellite Operations Facility in Suitland, Maryland; and to initiate plans for replacement of the World Weather Building to be co-located with a major research institution. During FY 2004, NOAA will continue the tri-agency acquisition (with the Department of Defense and NASA) of the next-generation polar-orbiting satellites, and systems design and development for the next-generation geostationary satellite series (GOES R).

To meet increasing demand for federal wireless communication systems and services, the Department of Commerce requests an increase of \$1 million for the National Telecommunications and Information Administration (NTIA) to establish a paperless system for spectrum issue resolutions, certification, satellite coordination, and frequency authorization. The FY 2004 budget also proposes to suspend the Public Telecommunications Facilities Planning and Construction (PTFPC) grants, a program reduction of \$41.1 million for NTIA during FY 2004. The Administration is proposing to target funding of \$80 million for digital transition grants for public television stations within the Corporation for Public Broadcasting.

Fisheries

The FY 2004 budget proposes a \$15.9 million increase to modernize and improve the U.S.'s fishery management system. Specifically, the requested funding addresses the Administration's needs to expand stock assessments, improve socioeconomic data collection, to reduce bycatch in targeted fisheries, to increase fishery observer coverage, to streamline the current fisheries regulatory process, and to implement the Columbia River Biological Opinion effectively. These efforts will increase the understanding of the effects of climate change on marine and coastal ecosystems, and build a national observer program for the collection of high quality fisheries and environmental data. The FY 2004 budget includes a reduction of \$20 million for the Pacific Salmon Treaty for which all U.S. obligations have been met.

The Administration also proposes to restore the National Sea Grant College Program (\$57.4 million) in NOAA's budget.

Climate Change

The Commerce budget request for FY 2004 includes an increase of \$16.9 million for the President's multi-agency CCRI to reduce the present uncertainties in climate science and advance climate-modeling capabilities, and to develop research and data products that will facilitate the use of scientific knowledge to support policy and management decisions.

