

STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's FY 2005 Performance and Accountability Report. The report describes the Department's goals and the methods we use to measure our progress in meeting them. It also provides program data and information about financial performance.

The data and details that we provide in this report tell a story of the commitment of the Department's employees to accomplishing our strategic goals of enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship. These goals shape our priorities and inspire our achievements.

One of the greatest concerns for Americans over the past year was the devastation caused by major hurricanes. We are proud of our efforts to respond to the enormous human and environmental needs of affected citizens. We established a call center to help private sector contributions to reach those in need, and, beginning the day after Hurricane Katrina made landfall, conducted aerial photography flights that produced thousands of aerial images to support national security and emergency response requirements. We are restoring fisheries, assessing damage to major fishing ports and seafood processing facilities, assisting fishing communities' recovery efforts, re-mapping ports to enable resumption of shipping and commerce, and extending economic development recovery grants. We created the Hurricane Contracting Information Center to help U.S. businesses, especially minority, women, and small businesses, to participate in rebuilding. We will continue to support recovery efforts in the months and years ahead.

Facilitating Economic Growth and Maximizing U.S. Competitiveness

In FY 2005, we met many objectives that promote U.S. interests and keep American business affairs on course. Because free and fair trade is a two-way street, the Department has taken aggressive action to remove barriers for American exporters and has negotiated many solutions to unfair trade practices. Our efforts have opened Korea's closed telecommunications and wireless market, relaxed India's import certification requirements on American textiles, removed Mexico's barriers to U.S. auto parts, and, in the Dominican Republic, settled patent disputes and won commitments to fight piracy and counterfeiting.

The approval of the U.S.-Central America Free Trade Agreement (CAFTA) represents an achievement that will eliminate barriers to U.S. products and greatly improve U.S. competitiveness in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Access to these markets will create many new opportunities for American businesses, and the agreement sends a strong signal to our trading partners that the United States continues to be a vigorous leader for free trade. Markets opened by CAFTA will help these Central American countries to attract the trade and investment needed for greater economic growth.



Domestically, we assisted economically distressed communities by promoting a favorable business environment through investments in public infrastructure and technology which, in turn, attract private capital investment and new jobs. For example, an FY 2005 Commerce investment in a South Carolina technical college will provide training for workers in robotics, computer technology, and other manufacturing techniques necessary to sustain competitiveness in the global marketplace. As a result, 26 employers have committed to creating 764 new jobs, saving 417 existing jobs, and generating over \$317 million in private investment.

Not only did we take direct action to improve the nation's economic situation, we also improved the economic information used as a basis for important decisions by business leaders, policymakers, and the American public. One of the most important gains in FY 2005 was incorporating quarterly services data into the gross domestic product. By using quarterly information on some of the Nation's largest and most volatile industries, we provided users with more accurate early estimates on which to base decisions. We also met the demands of users for more timely statistics by accelerating the release of local area industry data by four months, prototype gross state product estimates by 12 months, and summary estimates on the operations of multinational companies by four months.

Leadership in Science and Technology

Our work in science, technology, and telecommunications will benefit millions of people for years to come. Our detailed analysis of the 2001 collapse of the World Trade Center buildings resulted in definitive recommendations that will dramatically alter the way all future high-rises are designed, built, and maintained. In FY 2005, our researchers also made advances that could help make powerful quantum computers a reality. This will lead eventually to processing power capable of breaking today's best encryption codes, optimizing complex systems such as airline schedules, developing novel products such as fraud-proof digital signatures, and simulating complex biological systems for use in drug design. Another team of Commerce scientists, engineers, and statisticians collaborated with colleagues outside the Department to develop new test structures to reliably measure features on computer chips as small as 40 nanometers wide—less than one-thousandth the width of a human hair. The test structures provide standard "rulers" to measure the features that can be etched into a computer chip, and will allow better calibration of tools that monitor the manufacture of microprocessors and similar devices.

Among our other important technical responsibilities is the allocation of the radio spectrum to provide the greatest benefit to the nation. In FY 2005, we significantly reduced the time necessary to process frequency assignment requests. These frequency assignments enable communications of 63 federal agencies that provide national and homeland security, law enforcement, transportation control, natural resource management, and other public services during peacetime and emergencies.



STATEMENT FROM THE SECRETARY

Stewardship of Natural Resources

We continued to serve as the international leader in earth observations and facilitated international agreement on the Global Earth Observation System of Systems. The ten-year implementation plan, adopted in February at the Third Global Earth Observation Summit in Brussels, will improve our ability to predict weather and climate, prepare for natural hazards, and strengthen the health of people and economies worldwide.

During FY 2005, we ensured that the nation received the best weather and forecast information available. Seven weather data buoy stations were deployed in key locations in the Caribbean, Gulf of Mexico, and Atlantic. We also launched a multi-year intensity forecasting experiment by the NOAA Aircraft Operations Center to improve our understanding and forecasting of hurricanes. In response to the devastating tsunami that hit Southeast Asia in December 2004, we developed a multi-year implementation plan for an improved Tsunami Warning and Mitigation System that will deploy advanced technology deep-ocean buoy stations, expand real-time sea-level monitoring, enhance seismic monitoring, improve community preparedness, and maintain 24 hour-a-day, 7 day-a-week operations at NOAA Tsunami Warning Centers.

This year also saw a record-breaking exploration of the South Pacific. The Hawaii Undersea Research Laboratory (HURL) conducted the longest ocean expedition in its 25-year history. The expedition by the research vessel Ka'imikai-O-Kanaloa covered 10,000 nautical miles, with the Pisces submersibles making 67 dives, one as deep as 1,820 meters, on an undersea volcano in the South Pacific. The results included discovery and the advancement of knowledge about that largely unknown region of the ocean. The nearly five-month long international expedition produced discoveries that included numerous suspected new species, new ranges for known species, measurements of the diversity of marine life, and more data about undersea volcanoes and the rare interface of life based on sunlight with chemosynthetic organisms.

Program Data and Financial Performance

Our financial data and performance results that are described in this report enable us to administer our programs, gauge their success, and make adjustments necessary to improve program quality and service to the public. Therefore, the confidence of managers and the public in such data is essential. Because past Office of Inspector General audits have noted a need to improve the accuracy and validity of performance data, we initiated a multi-year effort, beginning in FY 2005, to address this concern. We now have a specific procedure in place to ensure that each of the 115 data elements tied to our Government Performance and Result Act measures will be thoroughly examined and verified over the next five years. In addition, bureaus have begun to take specific steps to address deficiencies identified in earlier reports, such as eliminating ineffective or ambiguous performance measures.



STATEMENT FROM THE SECRETARY

In response to the Reports Consolidation Act of 2000, we are reporting that the financial and performance data presented are substantially complete and reliable, in accordance with Office of Management and Budget guidance (OMB Circular A-11). Any specific data limitations are discussed in the body of the report. Our financial management systems are in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996. For the seventh year in a row, our financial statements have been issued an unqualified ("clean") opinion by independent auditors.

We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Continual evaluation of our operations through a variety of internal and external studies enables us to determine whether our systems and management controls conform with the FMFIA. Based on these reviews, for the programs, organizations and functions covered by the FMFIA, 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 with the exception of one material weakness. Although we continue to make progress in improving our information technology security posture, we have not reached the point at which this material weakness can be considered resolved. Further information about this issue can be found in the Management Discussion and Analysis section of this report.

In our efforts to make our programs more efficient, effective, and results-oriented, we continue to be guided by the President's Management Agenda (PMA). We have made significant progress in implementing the core government-wide initiatives: strategic management of human capital, competitive sourcing, improved financial performance, electronic government, and budget and performance integration. We also are engaged in activities that support faith-based and community initiatives, one of the PMA components found in selected departments. Additional information about our PMA activities is included in this report.

In Conclusion

Again, I am proud to submit this report on FY 2005 performance results for the Department of Commerce. I hope the report will provide a useful look at the activities of the Department and its 34,000 employees, whose work continues to result in improvements in the Nation's economic situation, and in scientific progress and environmental stewardship that benefit people around the globe. I look forward in the year ahead to strengthening our focus on these critical activities and once again furthering our mission and management objectives.

Carlos M. Gutierrez
Secretary of Commerce

November 15, 2005