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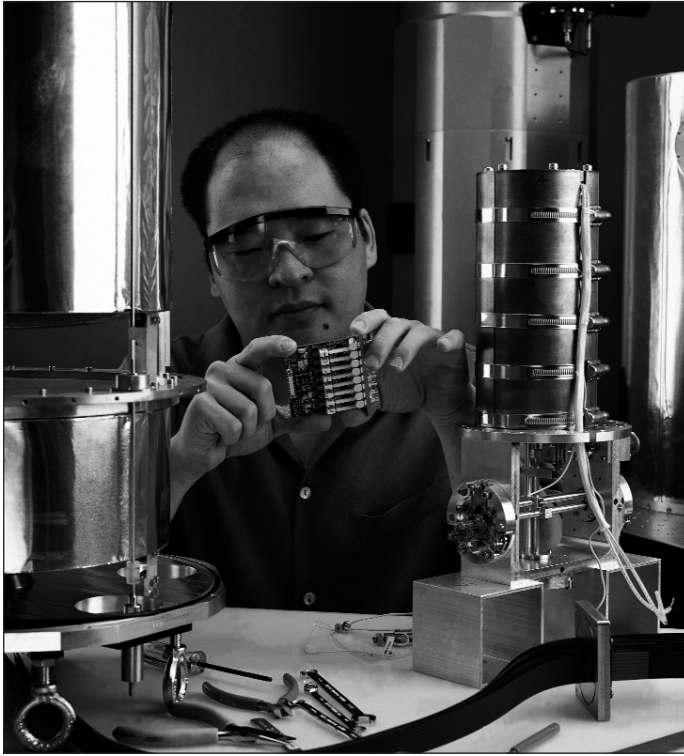
Dr. Sae Woo Nam was selected for the 2003 Brilliant 10 Award by Popular Science. His research on quantum computing and communications includes a recent demonstration of a device that can count about 20,000 photons (the smallest units of light) per second.

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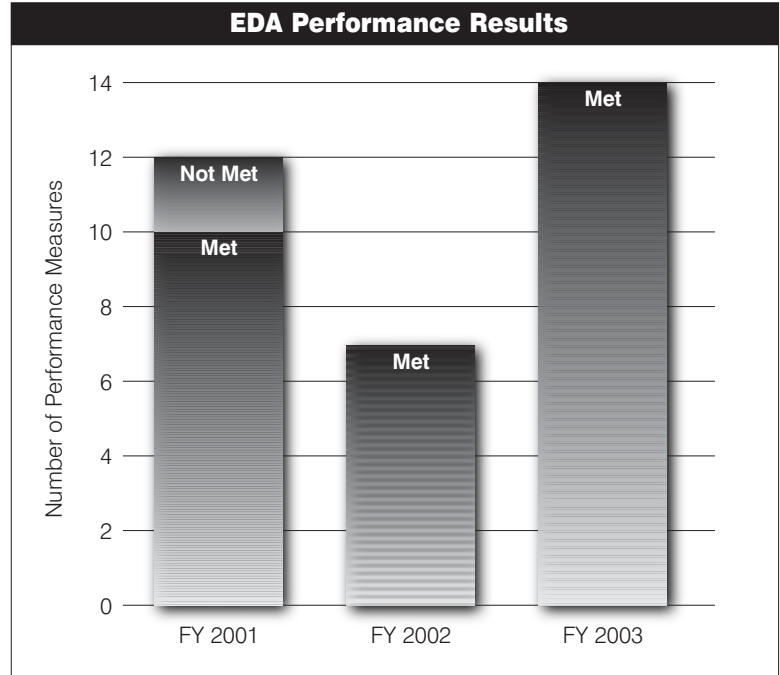
Highlights of the Department's performance are provided by strategic goal and specific bureaus that contribute to the efforts and successes under each strategic goal.

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.
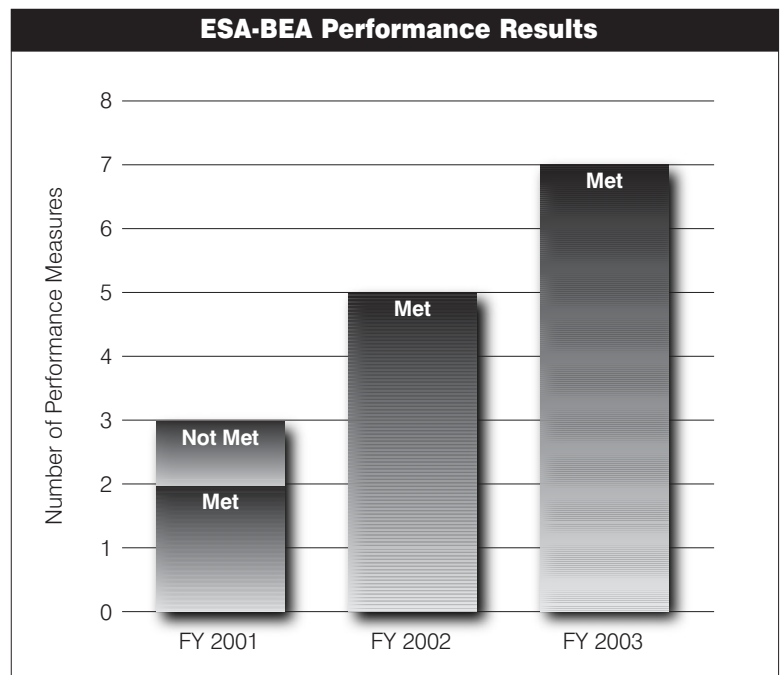
Economic Development Administration (EDA)

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.

EDA Performance Results

Bar chart titled "EDA Performance Results" with y-axis "Number of Performance Measures" (0 to 14). FY 2001: Met (up to ~10) and Not Met (~10 to 12). FY 2002: Met (~7). FY 2003: Met (~14).

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

ESA-BEA Performance Results

Bar chart titled "ESA-BEA Performance Results" with y-axis "Number of Performance Measures" (0 to 8). FY 2001: Met (up to ~2) and Not Met (~2 to 3). FY 2002: Met (~5). FY 2003: Met (~7).

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:

ESA-CENSUS Performance Results

- 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.
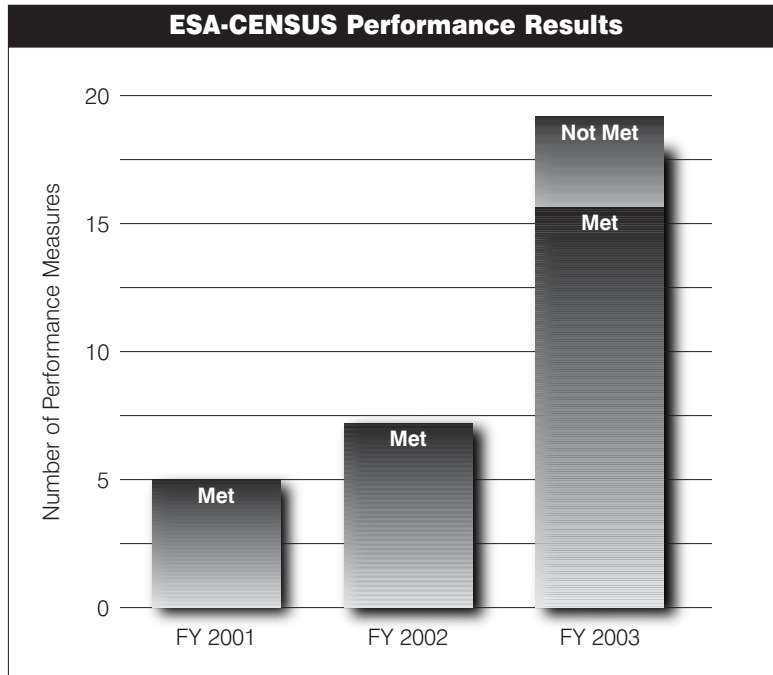
- Collected, processed, and compiled statistical data relating to U.S. merchandise trade (exports, imports, and transportation) with foreign countries and Puerto Rico and the Virgin Islands; detailed trade information is available on both a monthly and annual basis for 17,000 import commodities and 10,000 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.

ITA Performance Results
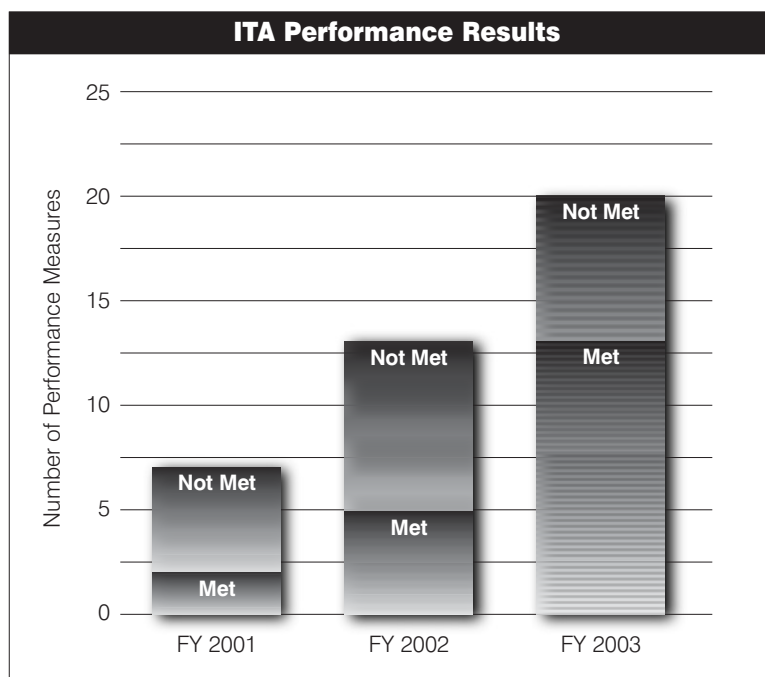
goods and services. For this reason, ITA is readily working to reconstruct Iraq and Afghanistan, and to bring free trade to Africa, the Americas, China, and the Middle East. ITA introduced 869 new firms to exporting and the Advocacy Center successfully managed and coordinated 53 U.S. Government advocacy 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.
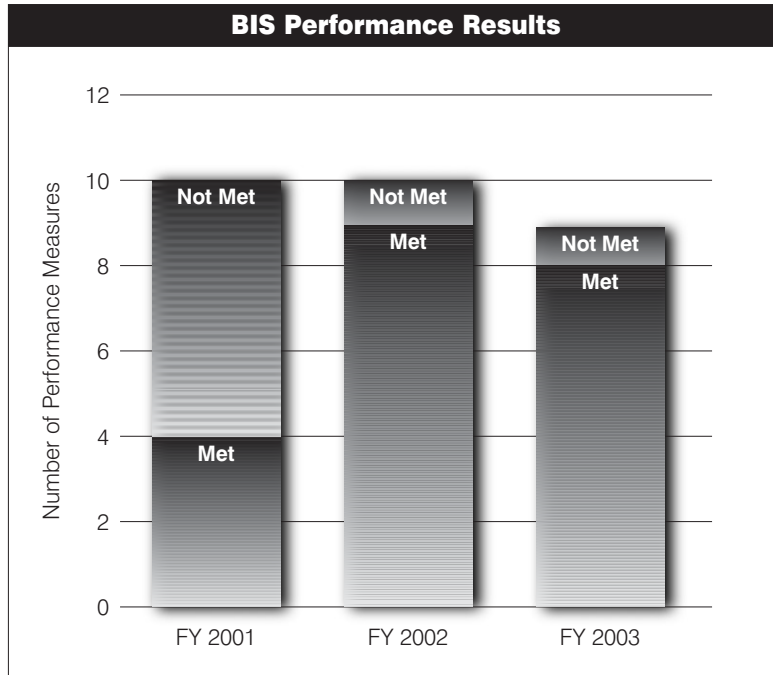
Minority Business Development Agency (MBDA)

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
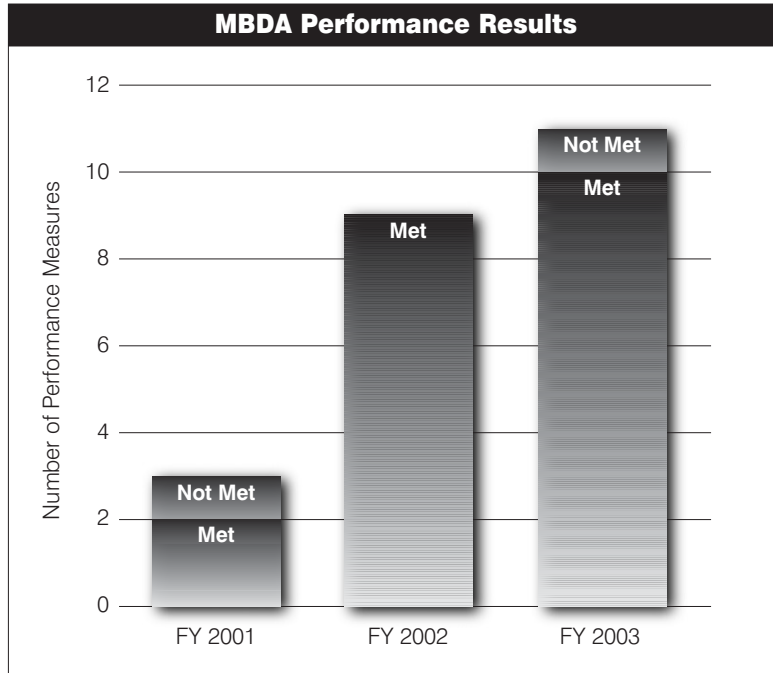
attendance at MBDA's National Minority Enterprise Development Week Conference. The attendance was the highest of any previous year and included the Vice President, several key White House representatives, Cabinet-level officials, congressional representatives, state officials, and many industry executives 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.


USPTO Performance Results
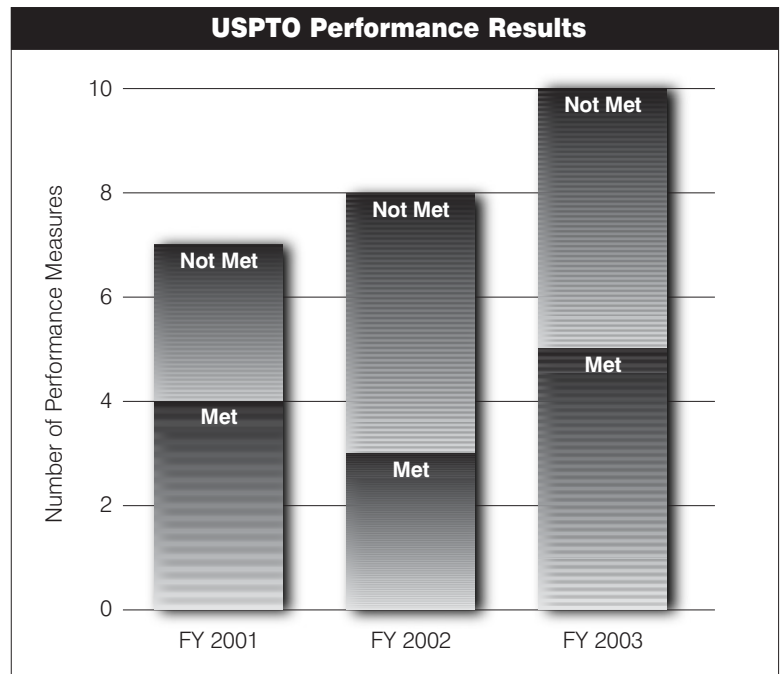
Technology Administration (TA)

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

TA Performance Results

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.
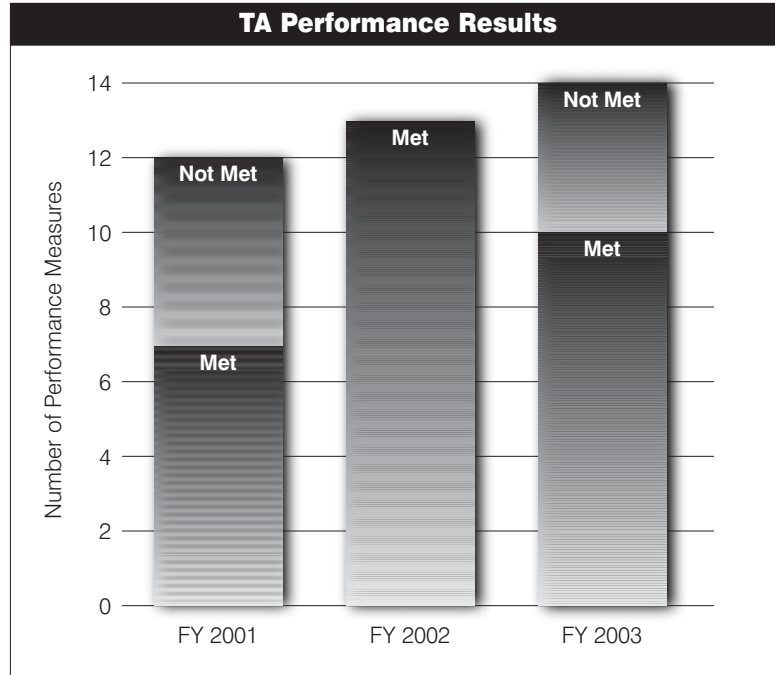
National Telecommunications and Information Administration (NTIA)

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

NTIA Performance Results
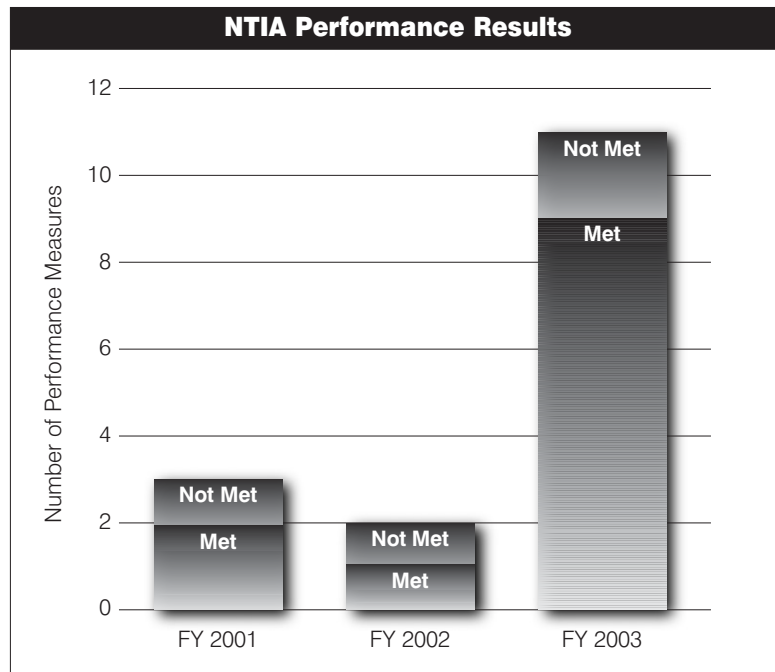
measure as it does not directly assess NTIA activities. NTIA is processing frequency assignment requests within 15 business days; it is achieving less than the anticipated 95 percent online applications by the end of FY 2003 because of delays in implementing secure digital authentication, and better 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.
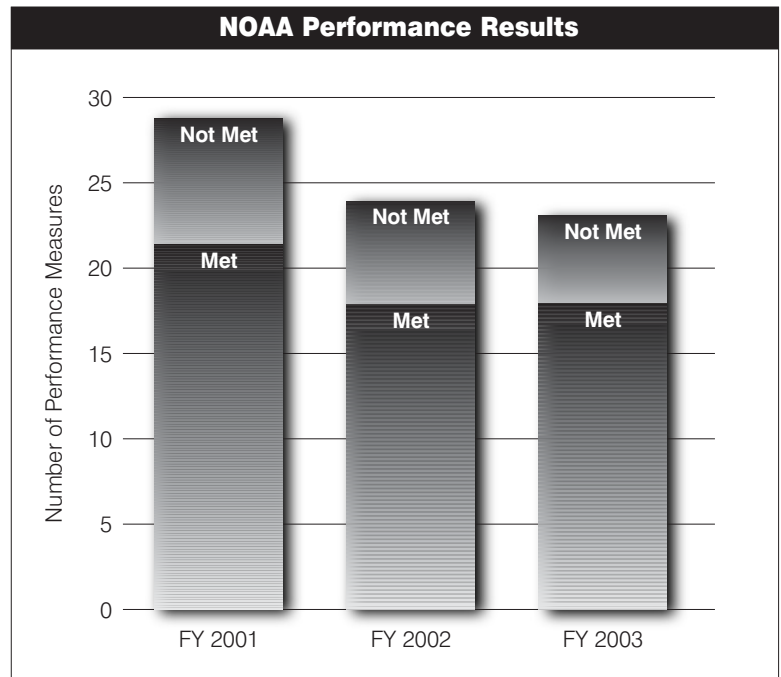
Management Integration Goal: Strengthen Management At All Levels

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.

DM Performance Results
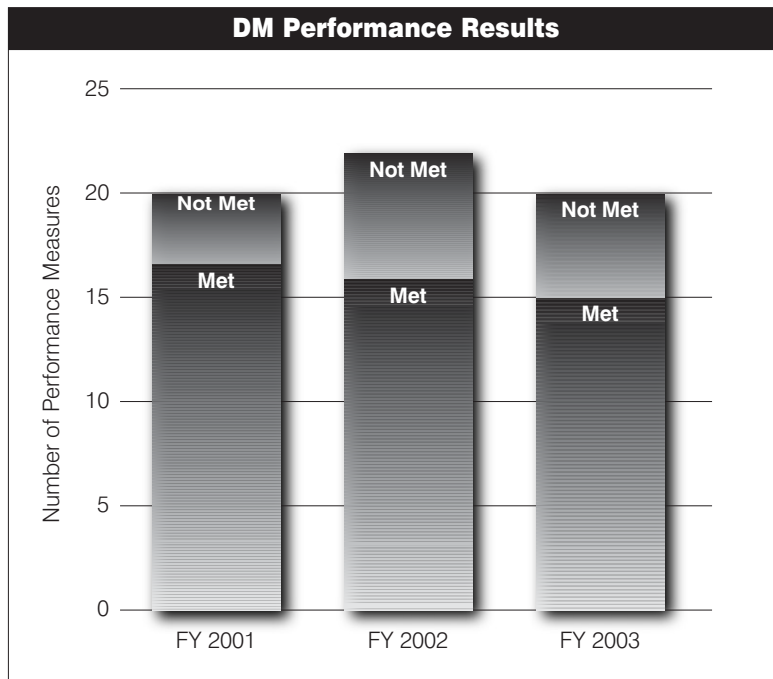
In FY 2003, DM met or exceeded the targets for 15 out of 20 measures, or 75 percent of its objectives. In the five instances in which targets were not met, DM has examined the causes and identified appropriate action. Details are discussed under each performance goal. DM met or exceeded targets for five 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.

OIG Performance Results

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.
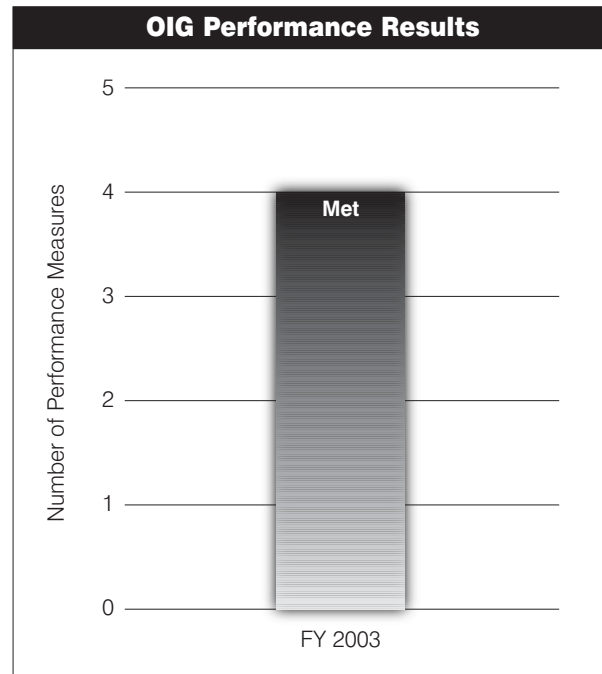
MANAGEMENT CONTROLS
FISCAL YEAR 2003

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.

❶ 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.

❷ 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.

❸ 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.

❹ 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.

❺ 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.

❻ 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.

❼ 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.

❽ 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.

❾ 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

MANAGEMENT DISCUSSION AND ANALYSIS