U.S. Department of Commerce

FY 2008 Performance & Accountability Report

AMERICAN JOBS, AMERICAN VALUES

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 creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

Bureaus

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

Strategic Goals

Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Goal 2: Promote U.S. innovation and industrial competitiveness

Goal 3: Promote environmental stewardship

Management Integration Goal: Achieve organizational and management excellence

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 37,000 employees.

Financial Resources

The Department's FY 2007 and FY 2008 budgets were approximately $7.8 billion and $7.6 billion (budget authority) respectively.

Internet

The Department's Internet address is www.commerce.gov.

DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

U.S. DEPARTMENT OF COMMERCE

FY 2008 Performance & Accountability Report

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STATEMENT FROM THE SECRETARY

I am pleased to present the Department of Commerce's FY 2008 Performance and Accountability Report (PAR). The report describes the Department's goals and our progress in meeting them. It also provides program data and information about financial management and performance. This will be the final PAR for this Administration as we turn over control to the new Administration. It is my belief that we are leaving the Department in a stronger condition than when we first began, in part because we are focusing more on being accountable to the American taxpayers. The data and details in this report provide an account of the Department's accomplishments in maximizing U.S. competitiveness, enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship.

Trade, Competitiveness, and Economic Growth

For the first time, the U.S. trade balance in manufactured goods with our 15 Free Trade Agreement (FTA) partners is in a surplus, rising to a $2.7 billion surplus from a $12.3 billion deficit during the same period in 2007. This improvement in the trade balance is due to the increasing competitiveness in FTA markets of U.S. manufactured goods. Since 2002, FTAs have helped U.S. manufactured exports grow steadily, and at a faster rate than imports. Year-to-date through May 2008 (when compared to the same period of 2002), U.S. manufactured exports to FTA countries have grown 63 percent, compared to only 42 percent growth in imports.

The Department through the International Trade Administration (ITA) has made strong progress toward improving trade for U.S. industries and workers, particularly in the areas of increasing exports to commercially significant markets and broadening and deepening the U.S. exporter base. We remain focused on making greater progress on improving U.S. competitiveness and removing industry-specific trade barriers. In FY 2008, ITA saved industry $497 million through its analysis and recommendations on major rulemakings.

In FY 2008, the Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and Census Bureau continued to increase and improve the quality and availability of economic and demographic information used as a basis for important decisions by business leaders, policymakers, and the U.S. public. In FY 2008, the Census Bureau corrected street features in the Topologically Integrated Geographic Encoding and Referencing System (TIGER) database for 320 counties, bringing the total completed to 100 percent of all 3,232 counties in the United States, Puerto Rico, and the U.S. Island Areas.

Due to significant cost, schedule, and performance problems with the Field Data Collection and Automation (FDCA) project, the Department and the Census Bureau decided to revise the scope of the project. The Census Bureau is taking specific actions to strengthen management and oversight to reduce overall program risk for the 2010 Census.

The Department also assists U.S. industries, communities, and workers through investments in public infrastructure and technology, which in turn attract private capital investment and new jobs. The Economic Development Administration's (EDA) investments since FY 2001 of $2 billion realized $8 billion in private investments and over 600,000 jobs, using grantee estimates. One example involved an investment of $1.5 million in the Keystone Hotel business incubator in McCook, NE, that is assisting the nurturing of entrepreneurs and incubation of new businesses in a rural region of southeastern Nebraska where economic diversification is badly needed. An initial estimate indicates this project has exceeded its private investment and job creation forecasts of $24.8 million and 52 jobs. This investment promoted regionalism and entrepreneurship, allowing the expansion of 21st Century Systems, a software application firm now operating on the McCook Community College campus. The project will also house the McCook Entrepreneurship Center, a full-service support program for entrepreneurs, offering resources and support for startup businesses.

Similarly, the Minority Business Development Agency (MBDA) helped obtain over $1.8 billion in transactions for minority firms and created over 4,600 jobs during FY 2008, largely through MBDA's Strategic Growth Initiative to attract firms capable of competing for larger contracts.

Innovation and Intellectual Property Protection

In 2007, we established an advisory committee on measuring innovation in the 21st century economy to recommend ways to improve the measurement of innovation in the economy. Better innovation metrics will enhance understanding of how innovation occurs in different sectors of the economy, how it is diffused across the economy, and how it impacts economic growth and productivity. In January 2008, the advisory committee, made up of private sector chief executive officers (CEO) and academics, issued a report with recommendations for action by the government, the business community, and researchers. Work is underway on the recommendations. By January 1, 2009, BEA will publish an aggregate gross domestic product (GDP), multifactor productivity account as well as a blueprint for an innovation account. In addition, BEA is working with the National Science Foundation (NSF) and the Census Bureau on expanding NSF measures of innovation beyond scientific and engineering measures.

The domestic and foreign economies benefit from economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient intellectual property (IP) system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit. The Department is committed to maintaining and improving IP protection through the efficient, effective implementation of patent, trademark, and copyright laws as well as supporting domestic and international enforcement activities.

The U.S. Patent and Trademark Office (USPTO) had the highest production, highest hiring, highest usage of electronic filing and electronic processing, and highest number of examiners on-board and working from home in its history. USPTO met 100 percent of its goals established pursuant to the Government Performance and Results Act (GPRA) of 1993. Patents maintained its best examination compliance rate in a quarter of a century, while Trademarks continued to maintain its high quality compliance rate. The number of patent applications filed doubled between 1997 and 2007, and this trend is expected to continue, reflecting the Nation's strong participation in global business growth and innovation. The Department is committed to achieving long-term reductions in pendency through a combination of hiring, retention, training, and process optimization.

With innovation essential to the Nation's economic future, the Department continued to play a key role in the American Competitiveness Initiative (ACI) to maintain U.S. leadership in science and technology. The National Institute of Standards and Technology (NIST) is one of three primary federal agencies in the ACI that support basic research programs in the physical sciences and engineering. NIST's measurement science and standards form a key part of the foundation for innovation. NIST research laboratories provide standards, verified data, measurement science, and test methods to support development of new technologies and to promote the competitive standing of the United States in the global economy.

NIST's laboratories provide the measurement science and standards capabilities needed by industry to continually develop new and improved products and services and enhance quality of life. NIST staff members participate in more than 105 standards development organizations each year, and NIST sells more than 30,000 Standard Reference Materials (SRM) and 5,000 Standard Reference Databases annually. The Department's measurement and standards work addresses a significant portion of the Nation's modern technology-based economy, from the automotive to the biotechnology sector, from basic materials and manufacturing to information technology (IT), and from companies with a handful of employees to the largest of firms.

The National Telecommunications and Information Administration (NTIA) continued its key activities in radio spectrum management and in implementing programs under the Digital Television Transition and Public Safety Fund. These included the successful coordination of the Spectrum Reform Initiative implementation plan, as well as the issuance of regulations and the award of a contract to administer the Digital Television Transition Coupon Program.

Environmental Stewardship

In FY 2008, the National Oceanic and Atmospheric Administration (NOAA) continued its strong performance from a year ago, meeting 90 percent (27 of 30) of its targets for the year. In FY 2008, NOAA met the target for the measure it missed in FY 2007—reducing the error in sea surface temperature measurement. NOAA missed the targets for the following three measures: accuracy for winter storm warnings, accuracy of aviation forecasts, and square nautical miles surveyed. For the two accuracy measures, NOAA missed the targets by only one percent. For square nautical miles surveyed, NOAA surveyed 85 percent (2,217 miles) of its targeted amount of 2,500 miles, not achieving the full amount because of some unforeseen mechanical issues and the effects of Hurricanes Gustav and Ike on the Gulf of Mexico.

In FY 2008, NOAA continued to improve its Fish Stock Sustainability index (FSSI), its comprehensive measure of reducing overfishing. In FY 2008, overfishing of three commercially valuable stocks ended: Petrale Sole, Bigeye Tuna (Atlantic), and Finetooth Shark (Atlantic). Further progress on eliminating overfishing is anticipated from the implementation of annual catch limits (ACL) for all stocks per the provisions of the Magnuson-Stevens Reauthorization Act. NOAA also made significant progress in combating the fraudulent mislabeling of seafood products. Through cooperation with the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection, and the U.S. Food and Drug Administration (FDA), NOAA seized thousands of pounds of falsely labeled seafood and successfully indicted or convicted many individuals involved in these illegal activities.

The U.S. Climate Reference Network (USCRN) is a network of climate stations now being developed as part of a NOAA initiative. Its primary goal is to provide future long-term homogeneous observations of temperature and precipitation that can be coupled to long-term historical observations for the detection and attribution of present and future change. In FY 2008, NOAA finished installing the last nine of the 114 stations as part of its new, high-tech climate monitoring network. These 114 stations track national average changes in temperature and precipitation trends with exceptional precision and accuracy, helping to pinpoint the shifts in America's changing, often unpredictable, climate.

National Weather Service (NWS) forecasters anticipated the February 5-6, 2008, tornado outbreak that swept across the Southeast several days in advance, focusing on the possible affected areas six days prior to the event. The initial lead time allowed the Weather Forecast Offices to gradually ramp up for severe weather operations and tailor their Hazardous Weather Outlooks to include the risk of severe weather and tornadoes as much as four days in advance.

NWS began an initiative to improve aviation weather services for the Federal Aviation Administration (FAA). In response to FAA's request for improved services, NWS will deliver new Advanced Weather Interactive Processing System (AWIPS) Remote Display (ARD) capabilities for the aviation weather forecasts. Our long-term goal is to increase the accuracy of aviation forecasts to 80 percent.

Efforts initiated by NOAA's Aviation Weather Program have led to a dramatic reduction in the false alarm rate (FAR) for NWS aviation forecasts of ceiling and visibility lower than Instrument Flight Rules (IFR) minimums. This GPRA goal reflects the percent of IFR forecasts that do not occur. Target FAR for FY 2008 is 44 percent, but performance for the first three quarters is significantly better, at 36 percent. This performance improvement can be attributed to a number of efforts, including forecast training courses, forecaster education efforts to increase awareness of aviation needs, and the development of semi-automated tools to assist the forecasters in the production of Terminal Aerodrome Forecasts.

Program Data, Department-wide Management, and Financial Performance

The financial data and performance results described in this report enable us to administer our programs, gauge their success, and make adjustments necessary to improve program quality and service to the public. Bureaus continue to take specific steps to eliminate ineffective or ambiguous performance measures. Performance measures are a key element of Office of Management and Budget

(OMB) program reviews using the Program Assessment Rating Tool (PART). I am very pleased that four Department programs underwent successful PART reviews during FY 2008: ITA/U.S. and Foreign Commercial Service (US&FCS), USPTO/Patents, USPTO/ IP Protection Activities, and NOAA/Tsunami Program. The Tsunami Program, while somewhat new, received the highest score a Department program has ever received. Furthermore, of the 33 Department programs that have undergone a PART review, 31—or 94 percent—have achieved an "Adequate" or better, compared with 81 percent of all federal programs.

In response to the Reports Consolidation Act of 2000, we are reporting that the financial and performance data presented are substantially complete and reliable, in accordance with OMB Nos. Circulars A-136 and A-11. Details, including any specific data limitations, are discussed in the body of the report. Our financial management systems are in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). For the tenth year in a row, and every year of this administration, our financial statements have received an unqualified ("clean") opinion by independent auditors.

The Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific performance measures for review each quarter, requiring that the bureaus provide all of the data used for determining results, reviewing the measures for validity, and then developing recommendations for improving them.

We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB No. Circular A-123. Continual evaluation of our operations through a variety of internal and external studies enables us to determine whether our systems and management controls comply with the FMFIA. Based on these reviews for the programs, organizations, and functions covered by the FMFIA, the Department's systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved with the exception of one material weakness. Although we made significant progress on IT security during FY 2008, some aspects of this material weakness have not been fully resolved. Further information can be found in the Management's Discussion and Analysis section of this report.

In our efforts to make our programs more efficient, effective, and results-oriented, we continue to be guided by the President's Management Agenda (PMA). We have made significant progress in implementing the core government-wide initiatives: strategic management of human capital, competitive sourcing, improved financial performance, electronic government, and improved program performance. The Department remains engaged in activities that support effective research and development investments as well as faith-based and community initiatives, two of the PMA initiatives for selected departments. Additionally, we are committed to ensuring the cost-effective use of public resources by increasing the Department's percentage of performance-based contracts.

In Conclusion

Again, I am proud to submit this report on the FY 2008 performance results for the Department of Commerce. I hope the report will provide a useful look at the activities of the Department and its 39,000 employees, whose work continues to result in improvements in the Nation's economic situation, and in scientific progress and environmental stewardship that benefit people around the globe. I believe that we are leaving the Department in a strong position to further our mission and management objectives.

Carlos M. Gutierrez
Secretary of Commerce
November 15, 2008
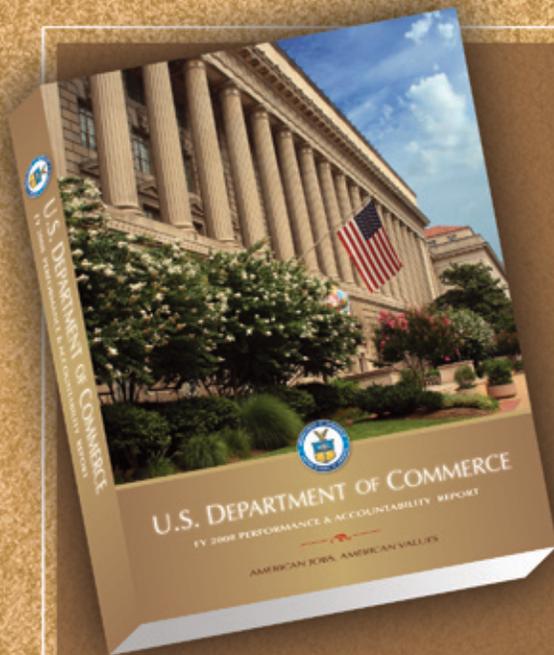
HOW TO USE THIS REPORT

This Performance and Accountability Report (PAR) for FY 2008 provides the Department of Commerce's financial and performance information, enabling the President, Congress, and the American people to assess the Department's performance as provided by the requirements of the:

- Reports Consolidation Act of 2000 and other laws
- Government Management Reform Act of 1994
- Government Performance and Results Act (GPRA) of 1993
- Chief Financial Officers (CFO) Act of 1990
- Federal Managers' Financial Integrity Act (FMFIA) of 1982.

The assessment of the Department's performance contained in this report compares performance results to the Department's strategic goals and performance goals. The Department's Strategic Plan, Performance Plan, and annual PARs are available on the Department's Web site at http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm. The Department welcomes feedback on the form and content of this report.

This report is organized into the following major components:

Statement from the Secretary of Commerce

The Secretary's statement includes an assessment of the reliability and completeness of the financial and performance information presented in the report and a statement of assurance on the Department's management controls as required by the FMFIA.

Management's Discussion and Analysis (MD&A)

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section, and Appendices. The MD&A includes an overview of the Department's organization, highlights of the Department's most important performance goals and results, current status of systems and internal control weaknesses and other pertinent information, such as the progress being made by the Department in implementing the President's Management Agenda (PMA) and the key management challenges identified by the Office of Inspector General (OIG).

Performance Section

This section provides the annual performance information as required by Office of Management and Budget (OMB) Circular A-11 and GPRA. Included in this section is a detailed discussion and analysis of the Department's performance in FY 2008. For each service and major office, the results are presented by each performance goal within the four Department strategic goals.

Financial Section

This section contains the details of the Department's finances in FY 2008. A message from the Department's Chief Financial Officer (CFO), is followed by the information on the Department's Financial Management, Debt Management, Payments Management, audited financial statements, other supplemental financial information, and the Independent Auditors' Report.

Appendices

This section provides a discussion of the data sources used in this report, summary chart of performance information, financial information, and a glossary of acronyms.

MANAGEMENT'S DISCUSSION & ANALYSIS

MISSION

The Department of Commerce creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

U.S. DEPARTMENT OF COMMERCE

Office of Public Affairs

Office of Business Liaison

Executive Secretariat

Office of White House Liaison

Office of Policy and Strategic Planning

SECRETARY Deputy Secretary

Chief of Staff

General Counsel

Inspector General

Chief Financial Officer and Assistant Secretary for Administration

Assistant Secretary for Legislative and Intergovernmental Affairs

Chief Information Officer

Under Secretary and Administrator
National Oceanic and Atmospheric Administration

Under Secretary for International Trade
International Trade Administration

Under Secretary for Industry and Security
Bureau of Industry and Security

Under Secretary for Economic Affairs
Economic and Statistics Administration

Director National Institute of Standards and Technology

Director National Technical Information Service

Under Secretary for Intellectual Property and Director
United States Patent and Trademark Office

Assistant Secretary for Oceans and Atmosphere and Deputy Administrator

Assistant Secretary for Market Access and Compliance

Assistant Secretary for Import Administration

Assistant Secretary for Export Administration

Assistant Secretary for Export Enforcement

Chief Economist

Director Bureau of the Census

Assistant Secretary for Trade Promotion and Director General of the U.S. and Foreign Commercial Service

Assistant Secretary for Manufacturing and Services

Director Bureau of Economic Analysis

Assistant Secretary for Economic Development
Economic Development Administration

National Director
Minority Business Development Agency

Assistant Secretary for Communications and Information
National Telecommunications and Information Administration

FY 2008 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 124 performance targets, 90 percent were at or above target, one percent slightly below target, and seven percent not on target. These results are better than last year, when 86 percent were at or above target. Below are the performance results by strategic goal and financial highlights. Achieving results in each of the strategic goals furthers the Department's mission. This summary provides a snapshot of the targeted achievements. Discussions and highlights of successes can be found in the performance discussions of each performance goal.

PERFORMANCE RESULTS

Number of Targets

3

10

31

80

Blue
exceeded performance target

Green
met performance target

Yellow
almost met performance target

Red
did not meet performance target

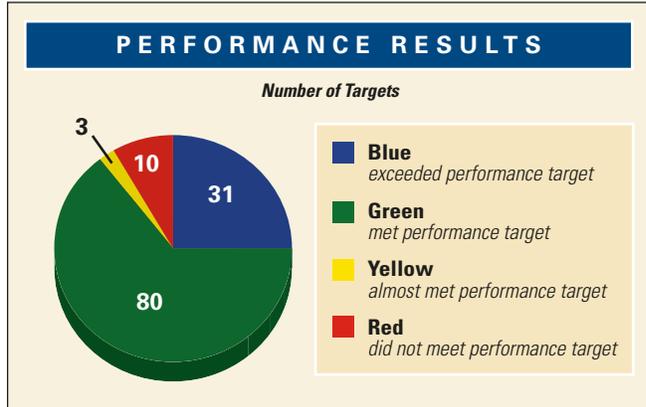| (Dollars In Millions)[1]	Percentage Change	FY 2008	FY 2007
For the Years Ended September 30, 2008 and 2007			
Obligations by Strategic Goal:			
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	+22.1%	$ 2,626.2	$ 2,150.2
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science	-1.1%	3,656.3	3,696.2
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship	+2.7%	4,436.0	4,321.2
Management Integration Goal: Achieve Organizational and Management Excellence	-5.0%	68.6	72.2
TOTAL OBLIGATIONS	+5.3%	$10,787.1	$10,239.8
Full Time Equivalents (FTEs) by Strategic Goal:			
Strategic Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers	+7.0%	12,259	11,459
Strategic Goal 2: Promote U.S. innovation and industrial competitiveness	+5.1%	11,965	11,383
Strategic Goal 3: Promote environmental stewardship	+5.9%	12,637	11,933
Management Integration Goal: Achieve Organizational and Management Excellence	-1.0%	291	294
TOTAL FTEs	+5.9%	37,152	35,069

Total Obligations

in Billions
$12 $10 $8 $6 $4 $2 $0

FY 2008   FY 2007

Total FTEs

in Thousands
45 30 15 0

FY 2008   FY 2007

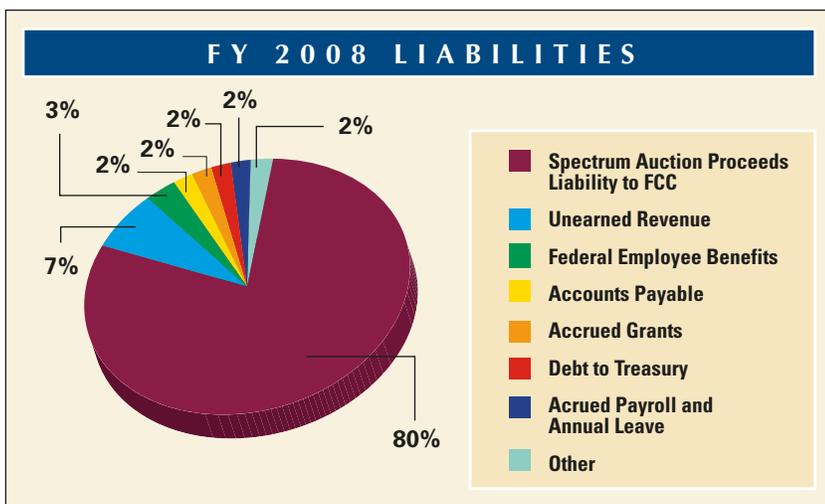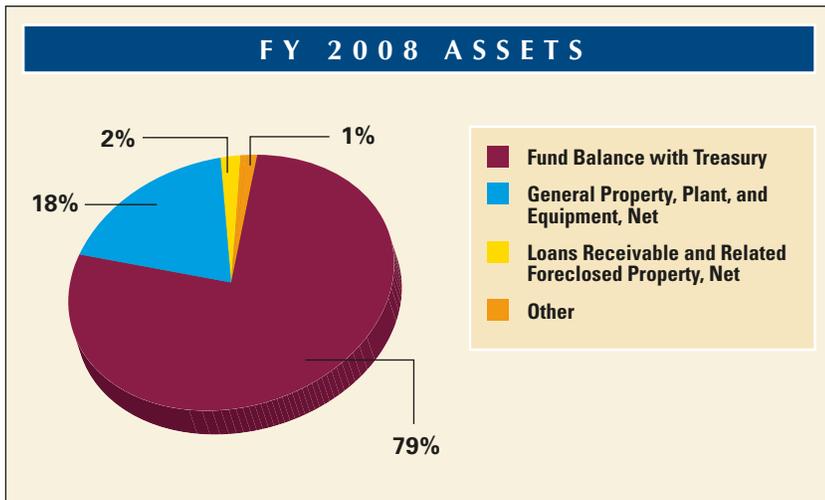[1]*Performance obligations may differ from obligations shown in financial reports because they do not include one-time funds for unexpected events (e.g., Hurricane Katrina) or reimbursable work that cannot be planned. In these cases, these obligations are not factored into bureau performance amounts.*

FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	Percentage Change	FY 2008	FY 2007
As of September 30, 2008 and 2007			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	+251%	$ 26,633,414	$ 7,596,655
General Property, Plant, and Equipment, Net	+8%	6,190,408	5,729,764
Loans Receivable and Related Foreclosed Property, Net	-2%	511,009	519,854
Other	+8%	381,974	354,450
TOTAL ASSETS	**+137%**	**$ 33,716,805**	**$ 14,200,723**
LIABILITIES:			
Unearned Revenue	-1%	$ 1,418,367	$ 1,427,165
Spectrum Auction Proceeds Liability to Federal Communications Commission	N/A	17,177,707	-
Federal Employee Benefits	+7%	666,563	625,816
Accounts Payable	+5%	455,146	432,194
Accrued Grants	-8%	373,525	404,939
Debt to Treasury	-26%	476,653	645,997
Accrued Payroll and Annual Leave	+14%	452,073	396,444
Other	+63%	480,934	295,541
TOTAL LIABILITIES	**+409%**	**$ 21,500,968**	**$ 4,228,096**
NET POSITION:			
Unexpended Appropriations	+14%	$ 5,180,387	$ 4,528,905
Cumulative Results of Operations	+29%	7,035,450	5,443,722
TOTAL NET POSITION	**+22%**	**$ 12,215,837**	**$ 9,972,627**
TOTAL LIABILITIES AND NET POSITION	**+137%**	**$ 33,716,805**	**$ 14,200,723**
For the Years Ended September 30, 2008 and 2007			
Condensed Statements of Net Cost:			
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	+20%	$ 2,198,131	$ 1,834,941
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness	+75%	1,422,763	814,164
Strategic Goal 3: Promote Environmental Stewardship	+8%	4,077,919	3,785,802
TOTAL NET COST OF OPERATIONS	**+20%**	**$ 7,698,813**	**$ 6,434,907**
Total Gross Costs	+15%	$ 10,330,098	$ 8,977,486
Total Earned Revenue	+3%	(2,631,285)	(2,542,579)
Total Net Cost Of Operations	**+20%**	**$ 7,698,813**	**$ 6,434,907**

Total Assets

Total Liabilities

Total Net Position

Total Net Cost of Operations
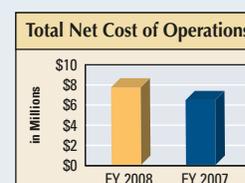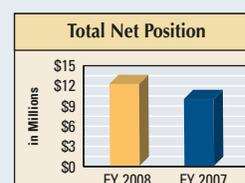
REVIEW OF FINANCIAL POSITION AND RESULTS

FY 2008 ASSETS

- **2%**
- **1%**
- **18%**
- **79%**

Legend:
- Fund Balance with Treasury
- General Property, Plant, and Equipment, Net
- Loans Receivable and Related Foreclosed Property, Net
- Other

FY 2008 LIABILITIES

- **3%**
- **2%**
- **2%**
- **2%**
- **2%**
- **2%**
- **7%**
- **80%**

Legend:
- Spectrum Auction Proceeds Liability to FCC
- Unearned Revenue
- Federal Employee Benefits
- Accounts Payable
- Accrued Grants
- Debt to Treasury
- Acrued Payroll and Annual Leave
- Other

Assets

The Department had total assets of $33.7 billion as of September 30, 2008. This represents an increase of $19.5 billion (137 percent) over the previous year's total assets of $14.2 billion. The increase is primarily the result of Fund Balance with Treasury increasing by $19.0 billion, which mainly resulted from proceeds of $19.0 billion from the Federal Communications Commission (FCC) auction of licenses for recovered analog spectrum held in March 2008. General Property, Plant, and Equipment, Net increased $461 million or 8 percent, from $5.7 billion to $6.2 billion, mainly due to an increase of $632 million in Construction-in-progress, primarily for National Oceanic and Atmospheric Administration (NOAA) satellites/weather systems personal property.

Liabilities

The Department had total liabilities of $21.5 billion as of September 30, 2008. This represents an increase of $17.3 billion (409 percent) over the previous year's total liabilities of $4.2 billion. The increase is primarily the result of the Spectrum Auction Proceeds Liability to FCC of $17.2 billion as of September 30, 2008, resulting from the FCC auction of licenses for recovered analog spectrum held in March 2008. Accrued Payroll and Annual Leave increased $56 million mainly due to an increase in the number of days accrued and normal salary increases. Debt to Treasury decreased $169 million due to significant Digital Television Transition and Public Safety Fund borrowing repayments. Other Liabilities increased $185 million primarily due to accrued coupons of $166 million for converter box coupons not yet redeemed for National Telecommunications and Information Administration's (NTIA) Digital-to-Analog Converter Box Program.

FY 2008 NET COST OF OPERATIONS

53%   29%

Strategic Goal 1
Strategic Goal 2
Strategic Goal 3

18%
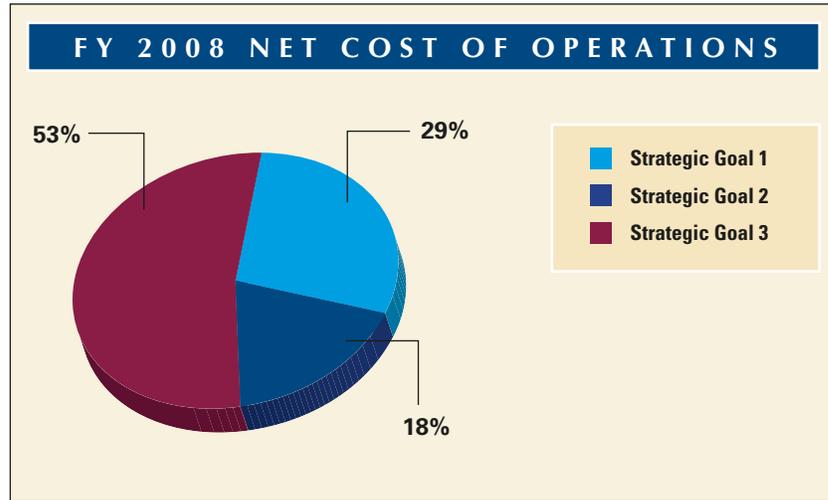
Net Cost of Operations

In FY 2008, Net Cost of Operations amounted to $7.7 billion, which consists of Gross Costs of $10.3 billion less Earned Revenue of $2.6 billion. Strategic Goal 1 includes Gross Costs of $2.5 billion related to maximizing U.S. competitiveness and enabling economic growth for American industries, workers, and consumers. Strategic Goal 2 includes Gross Costs of $3.5 billion related to promoting U.S. innovation and industrial competitiveness. Strategic Goal 3 includes Gross Costs of $4.3 billion related to promoting environmental stewardship. The Strategic Goal 1 increase in Net Cost of Operations of $363 million or 20 percent is primarily due to an increase in Gross Costs of $354 million for Census Bureau's Decennial and Periodic Censuses major program, mainly due to an increase in Gross Costs for the 2010 Decennial Census. The Strategic Goal 2 increase in Net Cost of Operations of $609 million or 75 percent is primarily due to an increase in Gross Costs of $617 million for NTIA's Digital Television and Transition Public Safety Fund, which includes several programs.

THE DEPARTMENT OF COMMERCE PROCESS FOR
STRATEGIC PLANNING AND PERFORMANCE REPORTING

Management Strategic Framework, Performance Planning and Reporting at a Glance

Performance Management Process

An overall performance management process ensures that performance feedback, accountability, performance results, corrective action, and performance planning occur.

DOC MISSION

STRATEGIC GOALS

STRATEGIC OBJECTIVES

PERFORMANCE OUTCOMES AND MEASURES

PROGRAM-SPECIFIC PERFORMANCE MEASURES

PROGRAM-SPECIFIC OUTPUTS

PROGRAM/EMPLOYEE PERFORMANCE

The Department's Strategic Plan provides a comprehensive vision for fostering the conditions that create jobs; increasing the productivity of the U.S. economy; encouraging the economic growth that benefits all U.S. industries, workers, and consumers; enhancing technological leadership and environmental stewardship; and supporting market growth strategies. The plan puts forth broad objectives, targets specific outcomes, and identifies key challenges. The Department issued its strategic plan for FY 2007–FY 2012 in June 2007. It can be found at *http://www.osec.doc.gov/bmi/budget/07strplan/DOC07strplan.pdf.*

The Department's goal structure has three levels. Strategic goals describe outcomes that emerge from the Department's mission. Each of these goals in turn has outcome goals or objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve more than one Department bureau. Within each strategic objective are performance outcomes tied to specific bureaus that support each outcome goal and provide program-level clarity of purpose. Each has associated indicators and targets to measure the Department's impact on a continuous basis. Because Strategic Goal 3 is entirely one bureau (NOAA), and does not cross bureaus, only performance objectives (and not outcomes) appear. Likewise, because the Management Integration Goal is so small (representing one percent of the budget), and refers only to Departmental Management (DM) and the Office of Inspector General (OIG), only objectives appear.

The Strategic Plan and Bureau Annual Performance Plans (APP) provide the Department's bureau-specific performance goals and measures that align with the Department's strategic goals and objectives. These performance goals are linked with the resource requirements for the past, current, and upcoming fiscal years. Each plan is integrated with the President's budget submission to Congress, at the bureau level. Bureau FY 2009 APPs can be found at: *http://www.osec.doc.gov/bmi/budget/.*

This Performance and Accountability Report (PAR) provides a public accounting of the Department's FY 2008 performance results and completes the Department's performance management process. The Web address of the FY 2008 PAR is *http://www.osec.doc. gov/bmi/budget/fy08par.htm*. Appendix A of the FY 2008 PAR provide details of the Department's performance and explanatory materials supporting the program results.

How the Department Selects Its Performance Outcomes and Measures

Performance outcomes articulated in the introductory material for each goal in the Strategic Plan and APP are aimed at achieving one or more strategic outcomes, and convey a sense of how the Department creates value for the U.S. public. Performance measures depict tangible progress by Department program activities toward these goals. The Department has tailored performance measures to be more outcome-oriented (described in the next section). When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of Department programs, and are meant to broadly illustrate how the Department adds value to the U.S. economy. The FY 2008 PAR depicts a top-level, integrated system for managing for results within the Department, but is not an exhaustive treatment of all Department programs and activities. This report must also be read with each Department bureau's own performance results to gain a comprehensive picture of the Department's accomplishments in FY 2008. More in-depth performance results for FY 2008 and prior years are available in Appendix A, and other information about the bureaus can be found on individual bureau Web sites. The directory of Web sites is located on the back cover of this report and provides a good foundation for researching additional information. Descriptions of any changes between FY 2007 and FY 2008 as well as descriptions including validation and verification information of each measure can be found on the Department's Web site at *www.osec.doc.gov/bmi/budget/fy08par.htm*. This Web site provides all measure descriptions for each bureau as part of the FY 2008 annual budgets for each bureau incorporated as Exhibit 3A (APP) of each bureau's budget submission.

Performance Validation and Verification

The Department uses a broad range of performance outcomes and measures to make reporting useful and reliable. It is imperative to demonstrate that performance measures are backed by accurate and reliable data; valid data are important to support management decisions on a day-to-day basis. The data and the means to validate and verify the measures are also diverse. As in the measures descriptions above, validation and verification tables appear in the APPs of each bureau's FY 2008 budget submissions. These tables identify each measure, and the following information: (1) data source, (2) frequency, (3) data storage, (4) internal control procedures, (5) data limitations, and (6) any actions to be taken. This information is available at *www.osec. doc.gov/bmi/budget/fy08par.htm*.

Currently, the Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific performance measures for review each quarter, requiring that the bureaus provide all the data used for determining these measures, reviewing the measures for validity, and then developing recommendations for improving the measures.

Performance Controls and Procedures

Performance Data: The Department's performance measurement data are collected by its 13 bureaus, each with systems to manage their data validation and verification processes. Some of these are automated systems and others are manual processes. Data can be divided into three types: Financial Data, Data Management Methods, and Data from Manual Processes. Some examples include: jobs created or retained (Economic Development Administration [EDA]), lead time of tornado warnings (National Oceanic and Atmospheric Administration [NOAA]), and trademark applications filed electronically (U.S. Patent and Trademark Office [USPTO]).

Financial Data: As stated above, the Department has a high degree of confidence in its financial data. Normal audit and other financial management controls maintain the integrity of these data elements. During FY 2008 Consolidated Financial Statement audit, tests and review of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. Further, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123, and based on the results of this evaluation, the Department provided reasonable assurance that its internal control over financial reporting was operating effectively.

Performance Reviews: The Department also conducts quarterly performance reviews. During these reviews, bureau heads report to the Deputy Secretary on the current status of bureau performance, including PART results and efforts on the President's Management Agenda (PMA), and progress towards Government Performance and Results Act (GPRA) measures that will appear at the end of the year in this report.

MOST IMPORTANT RESULTS

T he Department focuses on three different, yet inter-related aspects of economic growth and opportunity—growth, innovation, and environment—with each aspect reflected in each of the Department's strategic goals. A fourth goal— management integration—is linked to all three goals, focusing on various aspects of improving the management of the Department. This structure is shown below.

The Department promotes growth by developing partnerships with state, local, private, and non-profit enterprise so as to encourage economic growth and development (objective 1.1). The Department also encourages trade by promoting U.S. exports (objective 1.1) while at the same time monitoring those exports to prevent any export of goods that could be used for any activities against the United States (objective 1.2). The Department also develops and publishes the economic statistics and indicators (e.g., gross domestic product [GDP]) that are essential to U.S. business (objective 1.3). Finally, the Department encourages growth by assisting small manufacturers (objective 1.4).

DEPARTMENT OF COMMERCE PERFORMANCE STRUCTURE
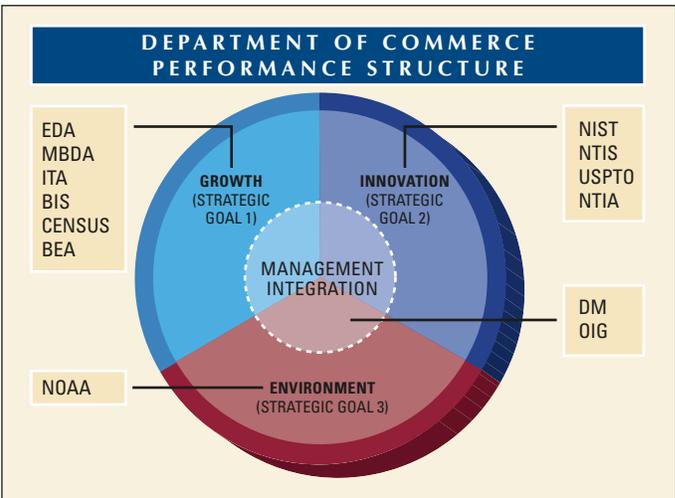
The Department promotes innovation through research and the development of new applications of research (e.g., quantum mechanics) to assist the private sector (objective 2.1). The Department also encourages the development of new technology and the protection of intellectual property (IP) through the issuance of patents and trademarks (objective 2.2). Finally, the Department advances the telecommunication sector by making certain that the allocation of the radio spectrum provides the greatest benefit to all people as well as promoting new sources of advanced telecommunications (objective 2.3).

The Department promotes the use of the environment that both assists the American people while maintaining U.S. natural resources. The Department monitors the fishing industry and U.S. marine habitats to prevent overfishing and maintain and preserve U.S. natural marine habitats (objective 3.1). The Department also researches long-term effects of climate change (objective 3.2). The Department also provides daily weather reports and warnings and tracks the progress of severe storms such as hurricanes and tornadoes (objective 3.3). Finally, the Department also encourages trade and shipping by providing essential navigation maps to the private sector (objective 3.4). The Department also provides mission support activities (e.g., satellites) that support the other four objectives within Strategic Goal 3.

Management Integration promotes greater efficiency within all three strategic goals of the Department through various information technology (IT) activities, financial management oversight and administration, and periodic reviews of programs.

In terms of funding, no strategic goal dominates the other with occasional fluctuations occurring that change the respective percentages. For example, in FY 2007 the National Telecommunications and Information Administration (NTIA) received an authorization of $2.136 billion for Digital Conversion. Likewise as 2010 approaches, Census Bureau funding will increase to where it alone will represent approximately half the Department's budget.

Within each strategic goal is a set of performance objectives that cut across bureau programs, and within each objective are performance outcomes unique to each bureau. Because the National Oceanic and Atmospheric Administration (NOAA) comprises an entire strategic goal, the structure does not go below the performance objective level. Likewise, for the Management Integration goal, because it is so small (representing less than one percent of the budget), the structure goes only to the performance objective level. In previous years, these objectives/outcomes were noted as performance goals. Under Office of Management and Budget (OMB) guidance and in an effort to establish a more outcome orientation to its performance, the Department has to a certain extent modified these outcomes and therefore changed the wording.

On the following page is a listing of the key measures of each of the bureaus in the Department. This list is not all-inclusive. Further information concerning these and other performance measures can be found in Appendix A. The status of a given measure is either exceeded (more than 125 percent of the target), met (100 to 125 percent of target), slightly below (95 to 99 percent of the target) or not met (below 95 percent of target). After this list is a discussion of the Department's most important results, challenges, and action plans by strategic goal.

KEY PERFORMANCE MEASURES

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	STATUS
Strategic Goal 1: Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers	**Strategic Objective 1.1:** Foster domestic economic development as well as export opportunities	Private investment leveraged (EDA)	Exceeded
		Jobs created/retained (EDA)	Met
		Number of export successes made as a result of ITA involvement (ITA)	Met
		Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis (ITA)	Exceeded
		Percent of industry-specific trade barriers addressed that were removed or prevented (ITA)	Exceeded
		Percent of imports by China that are exported from the United States (ITA)	Met
		Percent of imports by India that are exported from the United States (ITA)	Not Met
		Dollar value of contract awards obtained (billions) (MBDA)	Met
		Dollar value of financial awards obtained (billions) (MBDA)	Exceeded
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Percentage of market access and compliance cases resolved successfully (ITA)	Met
		Value of market access and compliance cases resolved successfully (ITA)	Exceeded
		Percent of licenses requiring interagency referral referred within 9 days (BIS)	Met
		Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge (BIS)	Exceeded
	Strategic Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public	Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (Census)	Not Met
		Achieve pre-determined collection rates for Census Bureau censuses and surveys in order to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (Census)	Met
		Correct street features in the TIGER (geographic) database – number of counties completed to more effectively support: Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda (Census)	Met
		Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (BEA)	Met
		Relevance: Customer satisfaction of products and services (mean rating on a 5-point scale) (BEA)	Met
		Accuracy: Percent of GDP estimates correct (BEA)	Met
	Strategic Objective 1.4: Position small manufacturers to compete in a global economy	Increased sales attributed to Hollings Manufacturing Extension Partnership (MEP) centers receiving federal funding (NIST)	Exceeded
		Capital investment attributed to Hollings MEP centers receiving federal funding (NIST)	Exceeded
		Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	Exceeded

(continued)

KEY PERFORMANCE MEASURES (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	STATUS
Strategic Goal 2: Promote U.S. innovation and industrial competitiveness	**Strategic Objective 2.1:** Advance measurement science and standards that drive technological change	Qualitative assessment and review of technical quality and merit using peer review (NIST)	Met
		Customer satisfaction (NTIS)	Met
	Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Patent allowance compliance rate (USPTO)	Met
		Patent in-process examination compliance rate (USPTO)	Met
		Patent average total pendency (months) (USPTO)	Met
		Trademark final action compliance rate (USPTO)	Met
		Trademark average total pendency (months) (USPTO)	Met
		Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards (USPTO)	Exceeded
	Strategic Objective 2.3: Advance global e-commerce as well as telecommunications and information services	Support new telecom and information technology by advocating Administration views in number of FCC docket filings, and Congressional and other proceedings in which Administration views are advocated (NTIA)	Exceeded
Strategic Goal 3: Promote environmental stewardship	**Strategic Objective 3.1:** Protect, restore, and manage the use of coastal and ocean resources	Fish stock sustainability index (FSSI) (NOAA)	Met
		Percentage of living marine resources (LMR) with adequate population assessments and forecasts (NOAA)	Met
		Number of habitat acres restored (annual/cumulative) (NOAA)	Exceeded
		Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)	Exceeded
	Strategic Objective 3.2: Advance understanding of climate variability and change	Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations (NOAA)	Met
		Error in global measurement of sea surface temperature (NOAA)	Met
	Strategic Objective 3.3: Provide accurate and timely weather and water information	Severe weather warnings for tornadoes (storm-based) – Lead time (minutes) (NOAA)	Exceeded
		Severe weather warnings for tornadoes (storm-based) – Accuracy (%) (NOAA)	Met
		Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	Exceeded
	Strategic Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation	Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)	Not Met
		Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity (NOAA)	Met
Management Integration Goal: Achieve organizational and management excellence		Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	Not Met
		Improve the management of information technology (DM)	Met
		Percentage of OIG recommendations accepted by Departmental and bureau management (OIG)	Met
		Dollar value of financial benefits identified by the OIG (OIG)	Exceeded

STRATEGIC GOAL 1

Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Most Important Results

In FY 2008, the Department met or exceeded 86 percent of the targets it had set for the year. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

Through programs within the Economic Development Administration (EDA), the Department generated by FY 2008 approximately $4.2 billion in private investment and 57,700 jobs as a result of approximately $370 million in investments made in FY 1999, a 11-to-1 benefit-to-cost ratio, and a cost of $6,400 per job. EDA data indicate that investments made in FY 2005, FY 2002, and FY 1999 (three, six, and nine years prior to FY 2008) generated $6.6 billion

STRATEGIC GOAL 1

Number of Targets

- **Blue** — *exceeded performance target* (18)
- **Green** — *met performance target* (31)
- **Yellow** — *almost met performance target* (1)
- **Red** — *did not meet performance target* (7)

in private investment and created or retained 103,239 jobs. EDA anticipates that investments of approximately $200 million made in FY 2008 will recoup the original amount by 2011, generating $245 million, and then continue to increase to $612 million by FY 2014, and $1,223 million by FY 2017. EDA expects that those same investments will create or retain 6,256 jobs by 2011, 15,640 jobs by FY 2014, and 31,280 jobs by FY 2017.

Likewise, an investment of $30 million in the area of minority development generated $1.85 billion in terms of the dollar value of contract and financial awards.
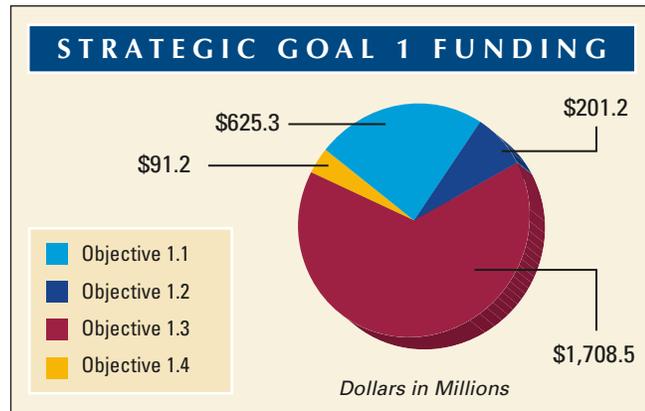
The Department played a leading role in the expansion of U.S. trade, including efforts to strengthen trade promotion by leveraging strategic partnerships, advancing free trade agreements (FTA) to promote U.S. exports in strategic and emerging markets, and advancing transformational commercial diplomacy. These priorities reinforce the Department's desire to broaden and deepen the export base. The International Trade Administration (ITA) began to engage with strategic partners in targeted marketing strategies to assist other U.S. companies wanting to export more or export better. During this past year, the Department continued to expand its outreach to strategic partners, including U.S. cities and states, corporate partners, and trade associations. The Commercial Service increased the number of corporate partners from six in 2007 to 12 in 2008, including TD Commerce Bank, the U.S. Postal Service, City National Bank, Baker & McKenzie, Zions Bank, and Comerica Bank. These partners join the Commercial Service's ongoing partnerships with FedEx, UPS, PNC Bank, M&T Bank, eBay, and Google. In 2007, the Commercial Service maintained active cooperation with the District Export Councils and instituted an Associations Bulletin on Commercial Service activities.

ITA, along with other trade policy agencies, has continued to lower trade barriers through FTAs during FY 2008. Since 2001, the United States has signed over a dozen FTAs and has also sought to improve already existing FTAs, such as the North American FTA (NAFTA). Although countries that the United States has FTAs with only represent 7.1 percent of world GDP, they represent more than 42 percent of U.S. trade. These FTAs are helping strengthen the U.S. manufacturing sector. For example, in 2005, prior to the implementation of the Dominican Republic-Central American-United States FTA (CAFTA-DR), the United States had a trade deficit in manufactured goods of $1.2 billion with these countries. In 2007, after implementation with five of the CAFTA-DR countries

(Costa Rica has yet to enter into force), the U.S. trade balance in manufactured goods improved markedly to a $2.8 billion surplus. Based on the performance of the first five months of 2008, that surplus with CAFTA-DR countries is on track to exceed $4.5 billion this year. ITA has also maintained a concerted effort to open up large developing markets like China and India. Exports to both of these markets are significant. During this past year, China has become the second-largest export market for the United States and exports to India grew at more than 32 percent last year. These two countries have been designated as high-priority markets.

Often companies encounter difficult hurdles when trying to do business in even far less challenging places than India or China. In the past, the efforts of ITA's Commercial Service have been measured primarily by "export successes" tied to specific export transactions of client companies. Overseas posts also devote time and resources to "commercial diplomacy," i.e., working behind the scenes to resolve problems, reduce trade barriers, and cut red tape. Commercial diplomacy benefits not only current ITA clients, but also all U.S. exporters by opening doors and creating paths to success for other exporters to follow. For example, in Bulgaria, ITA's Commercial Service succeeded in having a packaging waste penalty removed that was costing U.S. companies like Coca-Cola, Kraft, and Procter & Gamble millions of dollars per year. Similar efforts helped to get Bulgarian legislation passed to better protect IP rights (IPR).

While the Department seeks to encourage trade, it is balanced by the need to control exports, specifically those "dual-use" exports which have both civilian and military applications. In June 2007, the Department published an export policy rule in the Federal Register that will facilitate U.S. exports to civilian enterprises in China while ensuring that sensitive U.S. technologies do not increase Chinese military capabilities. The rule achieves two important and complementary objectives: supporting U.S. companies in competing in the vast Chinese market for civilian technology while preventing the export of technologies that contribute to China's military modernization. It creates the Validated End-User program, which lifts the burden of individual export licenses from trusted customers in China with a demonstrated record of appropriate use of licensed U.S. items.

STRATEGIC GOAL 1 FUNDING

$625.3
$201.2
$91.2
$1,708.5

- Objective 1.1
- Objective 1.2
- Objective 1.3
- Objective 1.4

Dollars in Millions

The Department also held a meeting of the U.S.-India High Technology Cooperation Group, which identified additional ways to facilitate U.S. high technology exports to India. In addition, the Department prepared to extend the benefits of the Validated End-User program to trusted customers in India.

In an effort to further streamline the dual-use export control system, the Department launched a review of the Commerce Control List of items controlled for export. In addition, the Department announced the results of a study of the sensors and imaging industry which has formed the basis for proposals to update controls of night vision items consistent with technological and market developments in the industry.

The Department has, perhaps, no greater influence over business than in the area of statistics. The Department, through the Census Bureau and the Bureau of Economic Analysis (BEA), provides vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects of public and private sectors, including the distribution of funds to various geographic districts. The Decennial Census, mandated by the Constitution, affects the political makeup of every state in the union and reflects the shifting political power among the states.

In FY 2008, the Census Bureau released nearly 400 economic reports, including 118 principal economic indicators, providing information on retail and wholesale trade and selected service industries, construction activity, quantity and value of industrial output, capital expenditure information, e-commerce sales, foreign trade, and state and local government activities.

In addition, during FY 2008, the Census Bureau began data collection and processing activities for the 2007 Economic Census. Activities included mailing 4.6 million report forms to 3.1 million businesses and conducting a comprehensive program to encourage response.

The Department and the Census Bureau decided to revise the scope of the Field Data Collection Automation (FDCA) project in order to reduce overall program risk. The Census Bureau has taken specific actions to strengthen management and oversight and reduce risks for the 2010 Census.

STRATEGIC GOAL 1 FTE

- Objective 1.1
- Objective 1.2
- Objective 1.3
- Objective 1.4

1,703
911
69
9,576

BEA, a partner agency with the Census Bureau within the Economics and Statistics Administration (ESA), continued to help the world to understand the differences among the economic measures produced by the federal statistical system through its publication, *The Survey of Current Business*. As businesses, governments, and households are provided with better, easier-to-understand economic data, their ability to make key investment decisions that move the U.S. economy forward are significantly improved.

The Department continued to meet the demands of users for more current and timely economic statistics. In the past year, BEA accelerated the release of metropolitan area personal income statistics and further improved its estimates of foreign transactions by utilizing data from the Census Bureau's Company Organization Survey to improve sample frames for BEA surveys of international trade in services.

Also in FY 2008, BEA focused on better integrating its statistics with those of other agencies:

- BEA began work to reconcile its measures of healthcare with measures from the National Health Expenditures Accounts and develop a satellite account for healthcare;

- BEA worked to reconcile and reduce differences between measures of productivity produced by BEA and by the Bureau of Labor Statistics (BLS) and began a national production account integrated with BLS productivity estimates; and,

- BEA updated comparisons of its measures of savings with those from the Federal Reserve Board's Flow of Funds Accounts.

The National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) provides resources to further technological advances within the private sector.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 1.1: Foster domestic economic development as well as export opportunities	Promote private investment and job creation in economically distressed communities (EDA)	6 of 6
	Improve community capacity to achieve and sustain economic growth (EDA)	5 of 6
	Strengthen U.S. competitiveness in domestic and international markets (ITA)	3 of 4
	Increase exports to commercially significant markets including FTA countries, China, and India (ITA)	1 of 2
	Broaden and deepen U.S. exporter base (ITA)	4 of 6
	Increase access to the marketplace and financing for minority-owned businesses (MBDA)	4 of 4
Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Identify and resolve unfair trade practices (ITA)	5 of 5
	Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	7 of 7
	Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	0 of 1
	Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
Strategic Objective 1.3: Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public	Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)	1 of 3
	Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)	2 of 2
	Provide timely, relevant, and accurate economic statistics (ESA/BEA)	6 of 6
Strategic Objective 1.4: Position small manufacturers to compete in a global economy	Raise the productivity and competitiveness of small manufacturers (NIST)	4 of 4

For Strategic Goal 1, in terms of performance, not only did the Department provide significant benefits to the U.S. public, it also met nearly all of its targets in FY 2008. EDA met or exceeded its targets for increasing private investment and creation of jobs for programs that were funded either in 1999, 2002, or 2005 (EDA tracks progress on a three, six, and nine-year basis). These programs focused on economically distressed communities. EDA met nearly all the targets it set for the second outcome. For its outcome, "Increase access to the marketplace and financing for minority-owned businesses," the Minority Business Development Agency (MBDA) met all of its targets.   Furthermore, historically, the targets appear to be stable or aggressive.

ITA had four performance outcomes that applied to Strategic Goal 1: "Strengthen U.S. competitiveness in domestic and international markets," "Increase exports to commercially significant markets including FTA countries, China, and India," "Broaden and deepen the U.S. exporter base," and "Identify and resolve unfair trade practices." ITA missed four of 17 targets for all four outcomes.

For "Strengthen U.S. competitiveness," ITA missed the target for "Percent of agreement milestones completed." Milestones were based on work on two agreements that was suspended by the Administration.

For the "Broaden and deepen the U.S. exporter base" outcome, the targets that ITA missed were for the "Number of new-to-market export successes," and "Number of new-to-export export successes." These targets were sub-elements of an overall target, "Number of export successes made as a result of ITA involvement," that ITA met. ITA missed these sub-elements because ITA moved resources to meet another sub-element they felt was more critical and had not been met for several years, "Number of increase-to-market export successes."

One of the Bureau of Industry and Security's (BIS) key tasks is to either prevent illegal exports or to charge export violators. To that end, a key performance measure for BIS is the "Number of actions that results in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge." BIS has consistently met its targets while raising the targets from year to year. BIS has also consistently maintained an effective export control system, a key to which is the processing of export licenses and the timely issuance of regulations regarding export activity. BIS has consistently met its targets in these areas.

Both the Census Bureau and BEA consistently provide statistical data to the U.S. public in a timely manner. The Census Bureau rarely misses deadlines (it did not this year) for producing data and is currently on track to complete a re-engineered short-form-only census in 2010. Likewise, for the past seven years, BEA has missed only one release date for various economic data, with a total of 372 timely scheduled releases over that period. Not only timeliness but also accuracy is critical to BEA's stakeholders. BEA has exceeded its accuracy target for percent of GDP estimates correct for the past eight years. As a measure of customer satisfaction, the Census Bureau strives to meet or exceed the aggregate federal score on the American Customer Satisfaction Index (ACSI). Since 1999, the Bureau has been below the aggregate score three times (2000, 2001, and 2008). Each year BEA conducts a customer satisfaction survey with a goal of achieving greater than a 4.0 (on a five-point scale). BEA has consistently met that goal, most recently achieving a 4.2.

Hollings MEP transforms thousands of U. S. manufacturers each year by working one-on-one to implement the best combination of process improvements and growth services for each individual company. Hollings MEP is focused on providing the services that reduce manufacturers' bottom-line expenses, increase efficiencies, and build capacity. Process and quality improvements offer reduced expenses while growth services provide the tools to improve top-line sales with the development of new sales, new markets, and new products along with the adoption of new technologies. With a suite of service offerings, Hollings MEP centers provide the tools to keep manufacturers competing and thriving in today's global marketplace. The Hollings MEP program has a strong history of measurably improving the productivity and competitiveness of Hollings MEP clients, and has exceeded the targets for all four measures.

STRATEGIC GOAL 2

Promote U.S. innovation and industrial competitiveness

Most Important Results

In FY 2008, the Department met or exceeded 100 percent of the targets it had set for the year. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following: NIST Standard Reference Materials (SRM) are among the most widely distributed and used products from NIST. The Agency prepares, analyzes, and distributes well over a thousand different materials that are used throughout the world to check the accuracy of instruments and test procedures used in manufacturing, clinical chemistry, environmental monitoring, electronics, criminal forensics, and dozens of other fields.

STRATEGIC GOAL 2

Number of Targets

- **Blue** *exceeded performance target*
- **Green** *met performance target*
- **Yellow** *almost met performance target*
- **Red** *did not meet performance target*

5
24

Each year the National Research Council (NRC) evaluates approximately half of the NIST laboratory programs, including making recommendations for improvements while citing excellent performance. Typically, NIST laboratory programs have consistently done well in these reports. NRC issued their on-site reviews for the FY 2008 assessments of the Physics Laboratory, the Manufacturing Engineering Laboratory, the Materials Science and Engineering Laboratory, the Building and Fire Research Laboratory, and the NIST Center for Neutron Research.

The National Technical Information Service (NTIS) has successfully contributed to the White House initiative prompting improved early childhood development programs for U.S. children, through the storage and distribution of the materials developed by the Departments of Health and Human Services (HHS), Education, and Agriculture (USDA). The "Healthy Start, Grow Smart" program provides easily understood information booklets to parents and caregivers about best practices in early childhood development. The information is published in English, Spanish, Vietnamese, and Chinese providing valuable age-appropriate information about health, safety, nutritional needs, and early cognitive development. NTIS manages the storage and distribution of over 10 million booklets annually, and anticipates increased dissemination in the future.

People worldwide benefit from innovations, both directly on a personal level, and indirectly through economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient IP system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit. The Department promotes the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws. Under this system of protection, industry in the United States has flourished, creating employment opportunities for millions of Americans.

STRATEGIC GOAL 2 FUNDING

$791.4
$1,012.4
$1,852.5

- Objective 2.1
- Objective 2.2
- Objective 2.3

Dollars in Millions

Through the U.S. Patent and Trademark Office (USPTO), the Department provides the examination of patent and trademark applications and dissemination of patent and trademark information. By issuing patents, the Department provides incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Registration of trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of marks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of IP protection and facilitates the development and sharing of new technologies worldwide.

Telecommunications plays a key role in U.S. society as the economy expands into the digital age. The Department, through NTIA, is at the forefront of this expansion. In FY 2008, NTIA examined an array of spectrum management policy issues dealing with innovative approaches to spectrum management and the effectiveness of current processes. NTIA coordinated with federal agencies on the Spectrum Reform Initiative implementation plan with 54 milestones to be completed by FY 2010. This initiative will fundamentally change the business of spectrum management for the federal government. The purpose of the initiative is to promote the development and implementation of a U.S. spectrum policy that will foster economic growth; ensure U.S. national and

STRATEGIC GOAL 2 FTE

2,799
268
8,898

Objective 2.1
Objective 2.2
Objective 2.3

homeland security; maintain U.S. global leadership in communications technology development and services; and satisfy other vital U.S. needs in areas such as public safety, scientific research, federal transportation infrastructure, and law enforcement.
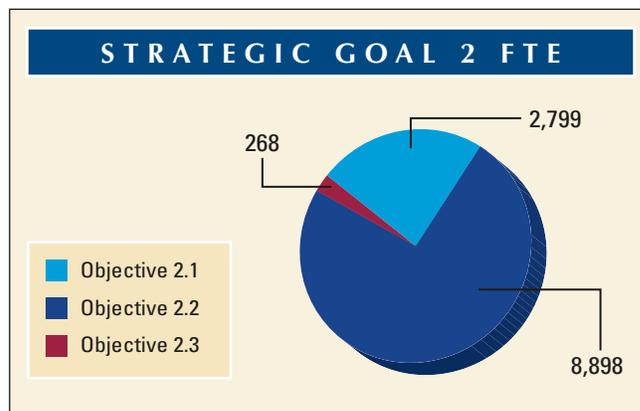
In FY 2008, NTIA completed and released the first Federal Strategic Spectrum Plan, which is a major result of the Spectrum Reform Initiative. The plan provides extensive data on federal spectrum use and plans, including frequency bands, radiocommunication services, and spectrum-dependent systems.

In FY 2008, the Federal Communications Commission (FCC) and NTIA continued to assist coordination in the 1710-1755 MHz band to facilitate the transition of this band from federal government use to non-federal use. Specifically, NTIA released the *First Annual Progress Report on the Relocation of Federal Users from the 1710-1755 MHZ Spectrum Band*, which details progress from the commencement of relocation activity in March through December 2007.

The Digital Television Transition and Public Safety Act of 2005 directed the FCC to require television stations to cease analog broadcasting on February 17, 2009. The act directed NTIA to implement and administer the Digital-to-Analog Converter Box Coupon Program for the purpose of assisting consumers who opt to keep their existing analog TVs working to view over-the-air (OTA) broadcasts using a converter box. The act required that NTIA ensure that requesting households receive a maximum of two $40 coupons to be applied toward the purchase of a digital-to-analog converter box. Since January 1, 2008, the Coupon Program has received requests from 14,630,166 households for 27,457,404 coupons through September 17, 2008. This is equivalent to 105,601 average household requests for each of the 267 days the Coupon Program has been operational. Consumers can expect that coupons will be issued and mailed within 10 to 15 business days from the date in which NTIA receives a coupon application. NTIA works closely with the contractor, IBM, to ensure that coupon requests are processed in a timely fashion. Using the estimate of the Consumer Electronics Association that 60 percent of OTA households are potential purchasers of converter boxes, and of the Nielsen Company that there were 14 million OTA households on January 1, 2008, NTIA has estimated that 79 percent of this target audience—TV households who rely on television with an antenna and expected to purchase a converter box—have already requested coupons as of September 1, 2008. Further, analysis confirms that Coupon Program participation by OTA households is on track in 187 of the country's 210 Designated Market Areas (DMA). NTIA is developing and will implement specific outreach plans in the 23 DMAs where participation rates seem to be lower than average.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Strategic Objective 2.1: Advance measurement science and standards that drive technological change	Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	6 of 6
	Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Optimize patent quality and timeliness (USPTO)	5 of 5
	Optimize trademark quality and timeliness (USPTO)	5 of 5
	Improve intellectual property and enforcement domestically and abroad (USPTO)	3 of 3
Strategic Objective 2.3: Advance global e-commerce as well as telecommunications and information services	Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
	Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2

For Strategic Goal 2, the Department met nearly all of its targets while providing essential services to the U.S. public. As in previous years, NIST did well in the NRC review, performing up to the past standards it has set. SRMs, publications, datasets, and calibrations are a few of the knowledge transfer mechanisms that provide the technical infrastructure in support of the American Competitiveness Initiative. NIST met all of its targets for the measures reflecting these mechanisms.

One other area of technological innovation involves the distribution of scientific and technical information. NTIS serves as a clearinghouse for this information to the public, private, and non-profit sectors. NTIS exceeded all of its 2007 targets, making more than 600,000 new items available, and disseminating more than 27 million information products.

One way that the Department advances technology and business is through the issuance of patents and trademarks thereby protecting IP that serves as a motive to innovate. In this regard, compliance rates (quality) and pendency (timeliness) play a key role in evaluating performance. USPTO met all its targets for their three outcomes. USPTO had the highest production, highest hiring, highest usage of electronic filing and electronic processing, and highest number of examiners working from home in its history. USPTO continued to maintain its high quality compliance rates. Trademark first action pendency times have decreased since FY 2004, and final action trademark pendency times since FY 2002. Despite these significant efforts and successes, reducing the length of time for action on patent applications continued to be a key challenge. The number of patent applications filed increased by 100 percent, or doubled, between 1997 and 2007, reflecting the Nation's strong participation in global business growth and innovation.

Enhancing telecommunications services is a key to advancing technology in the Nation. The radio frequency spectrum is used in a variety of ways, including transportation control and law enforcement. NTIA satisfies the frequency assignment needs of the 63 federal agencies allowing them to operate radio communications that provide the public with national and homeland security, law enforcement, transportation control, natural resource management, and other public safety services during peacetime and emergencies. A key to this is making the assignments available as soon as possible after an agency requests a frequency. In FY 2005, NTIA sought to reduce this time to 12 business days or less. By 2008, NTIA reduced this time to nine business days or fewer. NTIA's long-term goal is to improve spectrum management processes throughout the federal government so that time for spectrum assignments can be reduced from more than 15 days to three days or fewer, and ultimately to near instantaneously, supporting long-term goals for efficiency and effectiveness of spectrum use.

NTIA has also promoted new sources of advanced telecommunications services. In FY 2008, NTIA met the targets for this goal and began administration of programs established by the Digital Television Transition and Public Safety Fund, created by the Deficit Reduction Act of 2005. This fund receives offsetting receipts from the auction of electromagnetic spectrum recovered from discontinued analog television signals, and provides funding for several programs from these receipts. These other programs include the New York City 9/11 Digital Transition, Assistance to Low-Power Television Stations, National Alert and Tsunami Warning Program, and Enhanced 9-1-1 Service Support.

NTIA successfully launched the Coupon Program on January 1, 2008. Since that time, consumers across the Nation have been ordering coupons through one of four convenient methods: via a toll-free number (1-888-DTV-2009), online at www.DTV2009. gov, by mail, or by fax. The level of consumer participation in the Coupon Program has been extremely high.

STRATEGIC GOAL 3

Promote environmental stewardship

Most Important Results

In FY 2008, the Department met or exceeded 90 percent of the targets it had set for the year.

Through NOAA, the Department impacts all Americans. From the development and protection of fisheries to the prediction of severe storms such as hurricanes and tornadoes, all of the United States depends on NOAA programs.

STRATEGIC GOAL 3

Number of Targets

- **Blue** — *exceeded performance target* — 6
- **Green** — *met performance target* — 21
- **Yellow** — *almost met performance target* — 2
- **Red** — *did not meet performance target* — 1

NOAA continued its efforts to eliminate overfishing of stocks important to commercial, recreational, and subsistence fisheries. In FY 2008, overfishing of three commercially valuable stocks ended: Petrale Sole, Bigeye Tuna (Atlantic), and Finetooth Shark (Atlantic). NOAA also set management measures to constrain harvest of red snapper and gray triggerfish to their respective catch levels and added annual catch limits and accountability measures for each species. It also established a gray triggerfish rebuilding plan. In addition, NOAA took important steps to end overfishing of the bottomfish stock complex in the Main Hawaiian Islands, including the establishment of permits and reporting for non-commercial fishermen, total annual catch management, and annual closure and bag limits. Further progress on eliminating overfishing is anticipated from the implementation of annual catch limits for all stocks per the provisions of the Magnuson-Stevens Reauthorization Act.

During 2008, NOAA made significant progress in combating the fraudulent mislabeling of seafood products. Through cooperation with the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection, and U.S. Food and Drug Administration (FDA), NOAA seized thousands of pounds of falsely labeled seafood and successfully indicted or convicted many individuals involved in these illegal activities.

In FY 2008, NOAA finished installing the stations comprising the U.S. Climate Reference Network (USCRN). These 114 stations track national average changes in temperature and precipitation trends with exceptional precision and accuracy. The USCRN

is helping to pinpoint the shifts in the Nation's changing, often unpredictable, climate. The placement of each USCRN station is crucial to obtaining accurate information on current and likely future climatic conditions. All stations are constructed in rural environments, away from urban areas that could confound the interpretation of any precipitation and/or temperature trends observed. Each USCRN station logs real-time measurements of surface temperature, precipitation, wind speed, and solar radiation. NOAA's geostationary satellites relay the data from these ground-based stations to the National Climatic Data Center, which posts the observations online. As a result of installing the additional stations, NOAA exceeded its goal of improving the percentage of explained variance for temperature and precipitation. Its goal was to reach at least 98 percent explained variance for temperature, and it actually reached 98.04 percent; its goal was to reach at least 95 percent explained variance for precipitation, and it actually reached 95.1 percent. (Derived in part from *http://www.noaanews.noaa.gov/stories2008/20080424_climatechange.html*)

Heavy rains triggered widespread flash flooding in Missouri and Iowa in June 2008.   The existence of antecedent wet soils during the spring, resulting from prior heavy winter precipitation including unusually heavy winter snows in the upper Midwest, permitted NOAA to provide early warnings for flash floods. The March 20, 2008, spring outlook by NOAA's Advanced Hydrologic Prediction Service (AHPS) stated that "Major floods striking America's heartland this week offer a preview of the spring seasonal outlook. We expect rains and melting snow to bring more flooding this spring and Americans should be on high alert to flood conditions above-normal flood potential is evident in much of the Mississippi River basin, the Ohio River basin and the lower Missouri River basin..."

The February 5-6, 2008 tornado outbreak that swept across the southeast United States was anticipated by National Weather Service (NWS) forecasters several days in advance. NOAA's Storm Prediction Center began focusing on the possible affected areas six days prior to the event. The Storm Prediction Center continued emphasizing, refining, and enhancing the threat right through the event, ultimately issuing a high risk for a large portion of a possible impacted area. The initial lead time allowed the Weather Forecast Offices (WFO) to gradually ramp up for severe weather operations and tailor their Hazardous Weather Outlooks to include the risk of severe weather and tornadoes as much as four days in advance. All of the offices were also in contact with emergency managers and media the morning of the

STRATEGIC GOAL 3 FUNDING[1]

$1,606.0
$1,324.0
$285.0
$1,009.0
$212.0

- Objective 3.1
- Objective 3.2
- Objective 3.3
- Objective 3.4
- Mission Support

[1]*Estimates*

event. All of the tornado fatalities occurred within the boundaries of Tornado Watches and were preceded by Tornado Warnings. The average Storm Prediction Center Tornado Watch lead time to the first tornado within the watch was two hours. The preliminary average lead time for all verified Tornado Warnings from the WFOs evaluated during this event was 18 minutes, with a 17-minute preliminary average lead time for those warnings that covered deadly tornadoes. The national average lead time for Tornado Warnings for 2007 was 13 minutes.
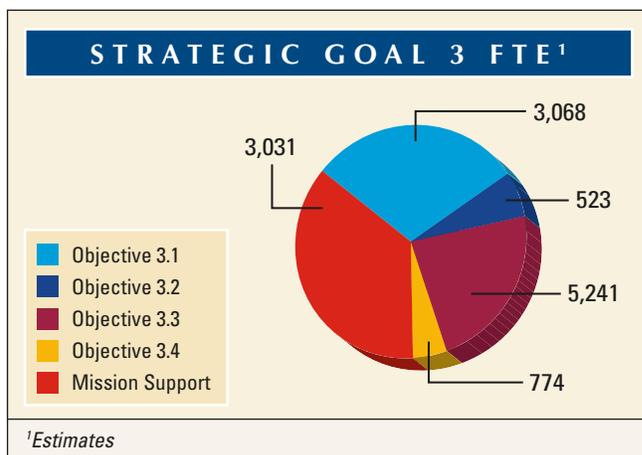
NWS began an initiative to improve aviation weather services for the Federal Aviation Administration (FAA). Each year the NWS prepares and provides approximately four million forecasts for the aviation community, primarily through the Center Weather Service Unit (CWSU) program. In response to the FAA's request for improved services, the NWS's CWSU Improvement Program will deliver new Advanced Weather Interactive Processing System (AWIPS) Remote Display (ARD) capabilities for the aviation weather forecasts. Additionally, NWS will provided advanced communications and forecast presentation software and technology, and improve collaboration between the WFOs and the CWSUs in order to enhance the consistency of cross-product forecasts. NWS's

long-term goal is to increase the accuracy of aviation forecasts to 80 percent. According to the FAA two-thirds of current weather delays are preventable. A 10 percent reduction in delays translates to a savings of $600 million per year.

Efforts initiated by NOAA's Aviation Weather Program have led to a dramatic reduction in the false alarm rate (FAR) for NWS aviation forecasts of ceiling and visibility lower than Instrument Flight Rules (IFR) minimums. This Government Performance Results Act (GPRA) goal reflects the percent of IFR forecasts that do not occur. Target FAR for FY 2008 is 44 percent, but performance for the first three quarters is significantly better, at 36 percent. This performance improvement can be attributed to a number of efforts including forecast training courses, forecaster education efforts to increase awareness of aviation needs, and the development of semi-automated tools to assist the forecasters in the production of Terminal Aerodrome Forecasts.

In FY 2008, through August 8, Search and Rescue Satellite-Aided Tracking System (SARSAT) has led to the rescue of 264 people. Over the years, NOAA's satellites have helped to save people from potentially life-jeopardizing emergencies throughout the United States and its surrounding waters. NOAA currently has over 212,000 406 MHz emergency beacons in their registration database and is currently registering record numbers each month. Older emergency beacons operating on the 121.5 MHz and 243 MHz frequency will cease to be monitored as of February 1, 2009. Mariners, aviators, and individuals using emergency beacons will need to switch to those operating at 406 MHz if they want to be detected by satellites.

STRATEGIC GOAL 3 FTE[1]

3,068
3,031
523
5,241
774

- Objective 3.1
- Objective 3.2
- Objective 3.3
- Objective 3.4
- Mission Support

[1]Estimates

On June 20, 2008, the Ocean Surface Topography Mission (OSTM)/Jason-2 spacecraft launched from the Vandenberg Air Force Base. OSTM/Jason-2 is an international effort between NOAA, the National Aeronautics and Space Administration (NASA), France's Centre National d'Etudes Spatiales (CNES), and the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT).

The OSTM/Jason-2 satellite will monitor the rate of sea-level rise and help measure the strength of hurricanes. NOAA will use data from the OSTM/Jason-2 to extend a 15-year record from its predecessor missions Topex/Poseidon and Jason-1, which shows that sea level is rising at a rate of 3.4 millimeters per year—nearly twice as fast as the previous 100 years. If this rate of sea-level rise continues, it will have a large impact on coastal regions, causing more erosion and flooding. OSTM/Jason-2 will also be used to help scientists predict short-term, severe weather events, such as hurricanes and tropical storms that are fueled by heat energy stored in the upper layer of the ocean. For example, Katrina grew explosively to a Category 5 hurricane as it crossed over an area of anomalously high heat energy in the Gulf of Mexico, visible to the Jason-1 altimeter as an area of high sea surface elevation. NOAA scientists have shown that hurricane intensity predictions can be improved as much as 96 hours into the future using altimeter observations to identify these regions.

NOAA's Integrated Ocean Observing System (IOOS) Program completed phase one of its data interoperability effort with two NOAA program partners and one IOOS regional association. The Center for Operational Oceanographic Products and Services, the National Data Buoy Center, and the Southeast Coastal Ocean Observing Regional Association have implemented preliminary Web services to deliver integrated currents, water level, ocean temperature, salinity, winds, and waves from NOAA and other coastal ocean data providers.

This integration effort is the first step for IOOS to provide decisionmakers easy access to the information which will improve public safety, enhance the economy, and protect the environment. IOOS enhances the efficiency of NOAA's product, service, and research efforts by streamlining data functions through an enterprise data management construct. Under IOOS, implementation data are processed once but used many times, allowing users to shift efforts away from managing data and toward delivering the analyses, forecasts, and models that generate socioeconomic benefits.

Summary of Performance Results

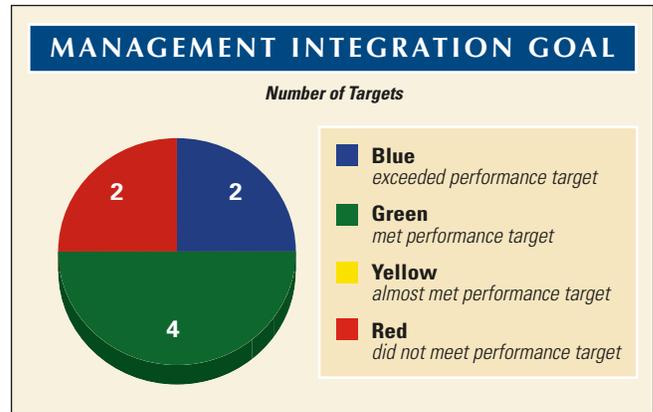| STRATEGIC OBJECTIVE	PERFORMANCE OBJECTIVE	TARGETS MET OR EXCEEDED
Strategic Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources (NOAA)	N/A	8 of 8
Strategic Objective 3.2: Advance understanding of climate variability and change (NOAA)	N/A	6 of 6
Strategic Objective 3.3: Provide accurate and timely weather and water information (NOAA)	N/A	9 of 10
Strategic Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation (NOAA)	N/A	4 of 6
Mission Support: Provide critical support for NOAA's mission (NOAA)	N/A	N/A

For Strategic Goal 3, based upon the key benefits the Department provides to the U.S. public, and with meeting its performance targets, NOAA did remarkably well. Of the 30 performance measures for this strategic goal, NOAA missed three targets. Two of the targets missed—for accuracy of winter storm warnings and aviation forecasts, NOAA was off by only one percent. For square nautical miles surveyed, NOAA surveyed 2,217 miles, 85 percent of its targeted amount of 2,500.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

Most Important Results

Two organizations are involved in the Management Integration goal: Departmental Management (DM) and the Office of Inspector General (OIG). Within DM, most of the performance accomplishments are reflected in the President's Management Agenda (PMA) section of this Performance and Accountability Report (PAR). Key areas that this goal does address include: financial management, contracting, competitive sourcing, and human resource (HR) management. In FY 2008, the Department met 75 percent of the targets it had set for the year.

MANAGEMENT INTEGRATION GOAL

Number of Targets

- **Blue** — *exceeded performance target*
- **Green** — *met performance target*
- **Yellow** — *almost met performance target*
- **Red** — *did not meet performance target*

The Department received an unqualified audit opinion for the tenth consecutive year. In the field of HR, the Department developed and implemented new competency models for use in applicant selections and training in three different mission-critical occupations, while exceeding the 45-day hiring goals mandated by the Office of Personnel Management (OPM), with an average fill time of 31 days for non-SES (senior executive service) vacancies.

Summary of Performance Results

STRATEGIC OBJECTIVE	PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Management Integration Goal: Achieve organizational and management excellence	Ensure effective resource stewardship in support of the Department's programs (DM)	1 of 3
	Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
	Acquire and manage the technology resources to support program goals (DM)	1 of 1
	Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)	3 of 3

For the Management Integration goal, the primary goal/target was to eliminate the Significant Deficiency in IT controls, which impacted the Financial Management measure. DM was not able to fully complete this task in FY 2008. DM also did not meet the target for the percent of performance-based contracts although gains were made for the previous year. A major program, the Commerce Information Technology Solutions (COMMITS), which was all performance-based contracts, was transferred to the General Services Administration (GSA) and therefore the Department's base was reduced. The OIG exceeded the target of $28 million for "Cumulative dollar value of financial benefits identified" by over 300 percent, with an actual figure of $113 million.

STAKEHOLDERS AND CROSSCUTTING PROGRAMS

The Department has numerous crosscutting programs involving multiple bureaus: other federal, state, and local agencies; foreign government; and private enterprise. Federal programs dealing with economic and technological development, the natural environment, international trade, and demographic and economic statistics play a major role in advancing the welfare of all Americans. Commerce continues to work with other government agencies in furthering efforts in these areas for the American public. Examples of crosscutting programs external to the Department's bureaus include the following federal, state, local, and international agencies:

DEPARTMENT OF COMMERCE BUREAU ACTIVITIES	OTHER FEDERAL AGENCIES AND ORGANIZATIONS[1]	
Export controls	Federal Emergency Management Agency/Homeland Security	Federal Reserve Board
Improvements to highways and railroads	Department of Defense	Bureau of Justice Statistics
Improvements to the environment	Department of Energy	Agency for Health Care Research and Quality
Economic distress and recovery efforts	Department of Justice	Bureau of Transportation Statistics
Tracking the U.S. economy through GDP and other statistics	Department of State	Department of Health and Human Services
Market access/improvements	Department of Treasury	
Research	Environmental Protection Agency	Federal Aviation Administration
Telecommunications	Department of Labor	Food and Drug Administration
Technology transfer	Department of Housing and Urban Development	National Institutes of Health
Trade policies		Federal Communications Commission
Environmental programs	Department of Agriculture	National Science Foundation
Homeland security	Delta Regional Authority	Department of Homeland Security
Patents and trademarks and intellectual property	Indian Tribes	European Patent Office
Defense industrial base activities	Department of Transportation	States
Chemical Weapons Convention compliance	Small Business Administration	Other Countries and Organizations
Economic development	Agency for International Development	U.S. Coast Guard
Minority-owned business development	Department of Education	U.S. Postal Service
Measurements and standards	Customs/Border and Transportation Security/ Homeland Security	Central Intelligence Agency
	Department of Veterans' Affairs	Bureau of Immigration
		Federal Bureau of Investigation

[1] Note: This is not an all-inclusive listing.

THE PRESIDENT'S MANAGEMENT AGENDA

I t is the Department's stated mission to promote job creation and improve living standards for all Americans by fostering economic growth, technological competitiveness, and sustainable development. The Department fully appreciates the importance of sound management practices in helping to meet this obligation to the U.S. taxpayer, and is intent on applying them in all aspects of its work.

Through focusing on major management areas—strategic management of human capital, competitive sourcing, improved financial performance, electronic government, and budget and performance integration—Department employees provide comprehensive oversight of the resources with which the Department has been entrusted. This stewardship facilitates continual improvement in the Department's programs.

The President's Management Agenda (PMA) guides these improvements, and the President's Management Scorecard provides a way of keeping track of how agencies are doing in the management of public programs and public funds. Each quarter, federal agencies set goals and establish time frames for meeting their objectives in the major management areas that are the focus of the PMA, and each quarter the Office of Management and Budget (OMB) rates the agencies' status and progress in those areas. Green indicates success—implementation is proceeding according to plans agreed upon with the agencies; yellow means mixed results—some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and red is unsatisfactory—initiative is in serious jeopardy. It is unlikely to realize objectives absent significant management intervention. Progress ratings for each category reflect how the Department is doing in achieving success in that category, and whether it is following through on planned actions. Status ratings indicate the degree to which the Department succeeded in reaching its ultimate goals for each management area.

The table below shows the Department's most recently published progress and status ratings for government-wide initiatives. The sections that follow provide a look at what the Department has accomplished.

DEPARTMENT OF COMMERCE RATINGS		
INITIATIVE	STATUS RATINGS AS OF 9/30/2008	PROGRESS RATINGS AS OF 9/30/2008
Strategic Management of Human Capital	🟢	🟢
Commercial Services Management	🟡	🟢
Improved Financial Performance	🟢	🟢
Electronic Government	🔴	🔴
Improved Program Performance	🟢	🟢

WHAT RATINGS INDICATES: *OMB assesses agency "progress" on a case by case basis against the deliverables and time lines established for the five initiatives that are agreed upon with each agency as follows:*

🟢 GREEN *Implementation is proceeding according to plans agreed upon with the agencies;*

🟡 YELLOW *Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and*

🔴 RED *Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.*

STATUS ●	**Strategic Management of Human Capital**	● PROGRESS

The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in provided services. Leadership priorities for improvement are based on employee feedback to surveys, various skills assessments, and comprehensive workforce analyses. The results of the 2007 Commerce Annual Employee Survey reveal that, while performance management systems are effective in rewarding high performers, more targeted approaches are necessary to close skill gaps in the entire workforce. Training and development programs are based on competency assessments for mission-critical occupations such as Meteorologist, Statistician, Acquisition, Engineer, and Chemist. Among the Departmental Management (DM) accomplishments in FY 2008 are:

● Maintained a green status in "Strategic Management of Human Capital" on the PMA Scorecard.

● Expanded the implementation of the multi-tier performance appraisal system resulting in 88 percent of the Department's full-time equivalents (FTE) being on multi-tier systems. The Department achieved the required standards for organizational alignment, measurable results, credible measures, meaningful distinctions in performance, and consequences for performance.

● Exceeded the required federal government-wide standards for the design, implementation, and results of agency performance management programs by earning a score of 87 points from the Office of Personnel Management (OPM) on the submitted Performance Appraisal Assessment Tool report. The Department was one of only 10 federal agencies that received a passing score of 80 points or higher.

● Consolidated three human resources (HR) servicing offices located in the Herbert C. Hoover Building (HCHB) into a single HCHB HR operations center that combined HR servicing offices from the International Trade Administration (ITA), the Office of the Secretary (OS), and the Economic Development Administration (EDA). The overall results achieved from the consolidation included providing optimal service delivery and consistency to clients, providing clients efficient access to HR services, eliminating supervisory layers, and efficiently managing and leveraging government operating costs.

● Administered the 2007 Commerce Annual Employee Survey to the entire workforce and achieved an overall response rate of 57 percent. Leadership priorities for improvement are based on the results of the survey, including: (1) formulating, refining, and executing strategies to attract and retain a high-performing workforce; (2) promoting effective performance management practices; and (3) ensuring effective and ongoing bureau-level communication from top management to line managers to the entire workforce.

● Conducted, in conjunction with OPM evaluators, comprehensive human capital assessment and accountability audits of six bureau-level units to determine compliance with merit system principles. Findings from the accountability audits are being tracked to ensure that corrective actions are taken and that continuous improvements to the human capital management systems are made throughout the Department.

STATUS 🟡	Commercial Services Management	🟢 PROGRESS

More than half of the Department's budget is used for contracts, grants, and interagency agreements. Therefore, it is imperative that it continues to look at its operations to determine who can best do its commercial work—its own employees or other sources. The Department has examined this issue extensively, and it is working on developing the best approach for making such decisions. Throughout the year, it selects certain activities and conducts public-private competitions to identify the most cost-effective method for getting the job done. Over the past year, the Department:

- Maintained a green status in Progress and a yellow status in "Commercial Services Management" on the PMA Scorecard.

- Developed and submitted to OMB by the November 2007 deadline the Department's 647 Report on competitive sourcing savings.

- Developed, coordinated, finalized, and provided OMB with the Department's 2008 Consolidated Federal Activities Inventory Reform (FAIR) Act Inventory by the June 30 deadline.

- Developed, coordinated, finalized, and provided OMB with the Department's Proud to Be report by the June deadline.

- Developed, coordinated, and submitted the Department's Green Plan to OMB on time.

- Provided OMB with the required data regarding four business process re-engineerings conducted at the Department. These covered: National Oceanic and Atmospheric Administration (NOAA) grants which were completed except for training; NOAA acquisition which has begun implementation; HR consolidation which was completed; and the Office of Acquisition Management's (OAM) organization which has completed its "as is" processes and is reviewing its "to be" processes for implementation.

- Completed two feasibility studies, NOAA's Marine and Aviation Office's clerical study (17 FTEs) and NOAA's National Weather Service's administrative and technical study (6 FTEs). It was determined that neither study was cost effective for an A-76 cost competition.

- Provided Post-Competition Accountability (PCA) training assistance and guidance to the Census Bureau and NOAA regarding their most efficient organization PCA monitoring efforts.

- Since 2001, the Department has completed 14 competitions (including direct conversion). These competitions involved approximately 600 FTEs with the Department estimating savings of $35 million from these competitions.

- Completed the PCA Report which validated the results of the Department's public-private competition and found that NOAA's Telecommunication Gateway Most Efficient Organization and the Census Bureau's Computer Data Center have achieved their projected savings and performance improvements.

- Developed, coordinated, and submitted to OMB the PCA report.

- Led the Department Ad Hoc Working Group of small bureaus to evaluate cross-bureau activities and to determine possible feasibility studies.

- Provided OMB with required updates regarding the Government Accountability Office's (GAO) Audit of Census competitive sourcing area.

STATUS ●	**Improved Financial Performance**	● PROGRESS

The Department continues efforts to be accountable to the taxpayer for how it spends public funds. Readily available financial information helps managers make well-informed operational, policy, and budget decisions. The timeliness and reliability of such information are essential aspects of this effort. Here is what the Department has accomplished in the past year:

● Maintained a green status in "Improving Financial Management" on the President's Management Scorecard.

● Submitted quarterly and year-end financial statements and accompanying information to OMB.

● In FY 2007, the Department enhanced the A-123 program by developing a three-year rotational testing plan to incorporate a three-year, risk-based approach based on FY 2006 assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing; low/moderate-risk cycles are tested every three years, with selected test procedures at specific locations or on specific sub-processes performed as often as needed based specifically identified risks; a limited controls review assessment survey is utilized for cycles that are not being tested in a given year. The Department completed its FY 2008 A-123 assessment, and identified no significant internal control weaknesses.

● In FY 2008, each of the Department's bureaus/reporting entities began performing, over a one-to-three year period (depending on the size of the entity), improper payment risk assessments covering all of its programs/activities as required by OMB Circular A-123, Appendix C. Many of the reporting entities will complete these risk assessments in FY 2008. These improper payment risk assessments of the entity's programs/activities will also include assessments of the corporate control, procurement, and grants management environments.

● Completed the conversion of the ITA to the CBS/CFS (Commerce Business System/Core Financial System).

● On its FY 2008 financial statements, the Department received an unqualified audit opinion for the tenth consecutive year.

● Made progress towards standardizing business processes identified through accounts payable business process re-engineering by implementing an average of 25 processes in all four bureaus out of 70 processes for identifying accounting events. Completed programming for new performance metrics reporting.

STATUS ●	**Electronic Government**	● PROGRESS

The Department has long recognized the advantages afforded by e-government to support its responsibilities in delivering scientific, technical, and statistical information to the public. The Office of the Chief Information Officer (OCIO) works with the Department operating units to pursue opportunities to make transactions with its customers and the public Web-based and fully electronic.

The Department also continues to work with other federal agencies to provide the public with easy-to-find, single points of access to government services; to reduce reporting burdens on businesses; to share information more quickly and conveniently among different levels of government; and to automate internal processes to save money.

Some of the Department's activities and accomplishments in the area of information technology (IT) are listed below:

● IT investments under development have cost/schedule overruns and performance shortfalls averaging less than 10 percent.

● All systems are certified and accredited in accordance with the Department's IT security policy, with acceptable quality documentation in place.

- To promote consistency and strong security for the Department's IT systems, the Office of Inspector General (OIG) and OCIO have jointly developed a two-year plan for improving the certification and accreditation (C&A) process.

- The Department has begun implementation of the Information System Security Line of Business (ISSLoB) Cyber Security Assessment and Management (CSAM) tool to standardize the C&A process and documentation as well as conduct compliance reviews.

- The Department completed IT security and privacy awareness training for all of its employees and contractors, and conducted six role-based security trainings for authorizing officials and system owners.

- The Department has developed an enterprise-wide implementation approach to comply with the OMB Memorandum 08-05 on Trusted Internet Connections. The plan includes Internet portal consolidation alternatives, justifications, and significant milestones.

- The Department continued to address other security initiatives including Federal Desktop Core Configuration, two-factor authentication, and National Communications Security Directive 3-10 for providing communications under emergency situations.

- All operating units have developed full business cases for major IT investments. In support of the Commerce IT Review Board, the business cases ensure that IT funds are managed and invested wisely.

- The Department has collected and submitted IT Infrastructure Line of Business baseline estimates for telecommunications and mainframes/servers to supplement those for desktops/help desks.

- Department operating units have prepared Privacy Impact Assessments (PIA), including procedures to log and verify extracts of sensitive information, and posted them to the Web. These PIAs document for the public the Department's commitment to IT privacy.

- The Department continues to meet its major milestones for and benefit from OMB's E-Government Initiatives and Lines of Business (LoB). These initiatives are critical for providing services to citizens in an electronic world and increasing efficiency within and among federal agencies.

- The Department has submitted to OMB quarterly reports on the E-Government Implementation Plan, high-risk systems, e-government investment non-duplication, and Federal Information Security Management Act (FISMA) security and privacy requirements.

- The Department's Enterprise Architecture, which now highlights two segment architectures, continues to define a blueprint for IT investments, offering a tool to ensure that IT investments are developed following sound directions and plans.

- In FY 2007, the Department completed a target-setting and gap analysis effort, and in partnership with the Office of Human Resources Management, defined an IT workforce development program. Using this information as a basis point, the Department submitted an IT Workforce Development Plan to OMB and, in FY 2008, completed the activities delineated in the plan. The Department's FY 2007 workforce development program resulted in improved skills in risk management and enterprise architecture development.

STATUS ● **Improved Program Performance** ● **PROGRESS**

To ensure taxpayers an appropriate return on investment, the Department looks carefully at how its programs are performing and how much they cost. In FY 2008, the Department:

● Maintained a green status in "Improved Program Performance" on the PMA Scorecard.

● Ensured that improvement plans in PARTWeb are aggressive with the responsible managers identified.

● Underwent four successful Program Assessment Rating Tool (PART) assessments during FY 2008, one of which, the Tsunami program, had one of the highest scores ever for the Department even though it is a relatively new program.

● Revised annual performance plans—to be released with the President's FY 2010 Budget—to be more useful and consistent.

● Held quarterly performance reviews with the Deputy Secretary and the head of each bureau.

MANAGEMENT CONTROLS

T he Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Department is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness as discussed below.

The Department conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control.* Based on the results of this evaluation, the Department identified one material weakness in internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008. This material weakness involves information technology (IT) security issues and the need to improve the quality of certification and accreditation processes and documentation for IT systems. Other than this exception, the internal controls were operating effectively and no other material weakness was found.

In addition, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over financial reporting as of June 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. Further, no material weaknesses related to internal control over financial reporting were identified between July 1, 2008 and September 30, 2008.

Additionally, based on reviews conducted by the Department, it has been able to determine that its financial systems are in conformance with government-wide requirements.

Carlos M. Gutierrez
Secretary of Commerce
November 15, 2008

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

During FY 2008, the Department reviewed its management control system in accordance with the requirements of FMFIA, and OMB and Departmental guidelines. The objective of the Department's management control system is to provide reasonable assurance that:

● obligations and costs are in compliance with applicable laws;

● assets are safeguarded against waste, loss, and unauthorized use of appropriations;

● revenues and expenditures applicable to Agency operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets; and

● programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Section 2 of the FMFIA – Internal Management Controls

Section 2 of the FMFIA requires that federal agencies report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of Inspector General (OIG), and specifically requested studies.

The diverse reviews that took place during FY 2008 relative to non-financial controls provide assurance that Department systems and management controls comply with standards established under FMFIA, with the exception of one material weakness. As discussed in detail below, this material weakness involves IT security issues and the need to improve the quality of certification and accreditation (C&A) processes and documentation for IT systems.

The following table reflects the number of material weaknesses reported under Section 2 of FMFIA in recent years by the Department.

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 2				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2005	1	0	0	1
FY 2006	1	0	0	1
FY 2007	1	0	0	1
FY 2008	1	0	0	1

Information Technology Security Enhancements Continue

Given the significant focus across the federal government, in general, and the Department, specifically, on the need for effective cyber security and the protection of sensitive information, the Department continued making comprehensive efforts to enhance its IT security program during FY 2008.

The Department's Office of the Chief Information Officer (OCIO) oversees the efficiency and effectiveness of Department investment in IT resources to support its mission-related programs and activities. Since it first reported a material weakness under FMFIA regarding IT security in FY 2001, the Department has focused significant effort on completing, and improving the quality of, IT security C&A documentation. In order to strengthen overall IT security and resolve this material weakness, OCIO and the OIG have collaborated to develop a strategy to improve C&A at the Department. The Department has established a 24-month schedule to implement this strategy through 2009. It is designed to incorporate realistic milestones, take measurable steps, and build consistent and repeatable C&A practices. Perhaps the most significant aspect of this strategy is to leverage a mechanized security reporting and monitoring system to improve the quality and consistency of the C&A process.

OCIO and the OIG are committed to improving IT security in the Department. This jointly developed strategy is expected to significantly strengthen the Department's IT security practices and, as a result, make significant in-roads in eliminating the IT security material weakness.

FY 2008 Accomplishments

To ensure the Department effectively manages the ongoing IT security concerns, OCIO developed a roadmap to eliminate the IT security material weakness. To that end, the OCIO security office conducted rigorous bureau C&A compliance reviews based on Federal Information Security Management Act (FISMA) requirements, OMB policy, National Institute of Standards and Technology (NIST) standards and guidelines, and previous OIG recommendations. Through this year's Department-wide C&A improvement effort, 96 percent of the Department's 312 IT systems are operating with full authorization. OCIO determined that all of the C&A packages it reviewed adhere to Department IT security policy and the NIST guidance on risk management framework. The OIG reported a satisfactory quality ranking in its FISMA evaluation of the Department's C&A packages. In addition to completing most significant corrective actions, the following highlight some of the most significant IT security accomplishments in FY 2008:

Cyber Security Assessment and Management (CSAM). The Department has implemented key elements of the Information System Security Line of Business (ISSLoB) CSAM tool to standardize C&A processes and documentation. The Department has populated CSAM with all plans of action and milestones (POA&M) and system inventory information. Also, CSAM was used to compile this year's FISMA C&A metrics report.

IT Security Policy and Procedures. The Department completed a comprehensive, bottom-up review of its 2005 IT security policy. In preparation for revising this policy, the Department IT Security Team benchmarked with various federal agencies, including the Department of Justice and the Department of Housing and Urban Development. The team has produced a draft that is currently being reviewed by the Chief Information Officer (CIO) community. As developed, the draft policy fully aligns Department requirements with FISMA and NIST requirements. In addition, appendices to the policy document have been prepared that address foreign travel, Federal Desktop Core Configuration, continuous monitoring, and role-based training.

Trusted Internet Connection (TIC). The Department has developed an enterprise-wide implementation approach to comply with the OMB Memorandum M-08-05, *Implementation of Trusted Internet Connections.* The plan includes Internet portal consolidation alternatives, justifications, and significant milestones.

Secure Domain Name System (DNS) Standard Deployment. OMB Memorandum M-08-23, *Securing the Federal Government's Domain Name System Infrastructure,* requires agencies to deploy DNS security[1]. The Department conducted an assessment of its DNS infrastructure, and devised a plan to complete full deployment by December 2009.

Two-Factor Authentication. The Department continued to address other security initiatives including Federal Desktop Core Configuration[2], Two-Factor Authentication[3], and implementation of National Communications Security Directive 3-10 for providing communications under emergency situations.

IT Security Training. The Department continued to build on its training accomplishments from last year. It completed IT security and privacy awareness training for all of its employees and contractors, and conducted six role-based security training exercises for authorizing officials and system owners. Additionally, IT security was provided for FISMA database automation (i.e., CSAM), POA&M management, and C&A quality improvement. Strengthening IT security awareness across the Department continues to exceed expectation.

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1 NIST Special Publication 800-81, Secure Domain Name System Deployment Guide
2 *OMB 08-08, Guidance on the Federal Desktop Core Configuration*
3 *OMB 07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information*

Internal Control Review. The Department has conducted an internal control review for all 14 of its operating units that combined FISMA and FMFIA requirements. This review assessed the effectiveness of IT security controls, personally identifiable information management, C&A, IT security training, and the implementation of corrective actions. Department reviews concluded that the operating units generally comply with federal regulations and departmental IT policies.

Achievements during FY 2008 focused on deploying technologies such as the FISMA tool, and the continued development of a strong, lasting IT security program.

Perimeter Protection, Critical Infrastructure, and Continuity of Operations (COOP)

The Department's IT infrastructure is composed of a heterogeneous network of networks. To maintain a secure network environment, the Department utilizes a defense-in-depth strategy that addresses the need for a layered security architecture where IT components are positioned within security layers, each of which has its own set of security requirements and security posture. The Department established the Federation of Computer Incident Response Teams (CIRT) in order to facilitate open communication between operating unit CIRTs. This channel of communication allows for the sharing of information regarding security incidents and current threats to the Department. The CIRT utilizes industry-standard tools to conduct forensic investigations, detect unauthorized and malicious network intrusions, analyze logs, and report security incidents. When a security incident occurs, it is investigated, documented, and reported to organizations such as the U.S. Computer Emergency Readiness Team (US-CERT) and the Department Federation of CIRTs.

The Department is also establishing a Security Operations Center (SOC) to assist in securing the organization. The SOC is responsible for securing the Department's workstations, servers, and infrastructure. In addition to this function, the SOC is responsible for the notifying the CIRT when security incidents occur. This cooperation will help to ensure that the Department's essential functions continue regardless of the nature of the event, and, if an event occurs, that proper communication and handling procedures will be followed. This will also provide situational awareness for the CIRT and SOC, and facilitate effective reporting to appropriate executives and external entities.

In May 2008, the Department participated in the National Level Exercise, *Eagle Horizon*[4]. OCIO responded to numerous exercise tasks, and tested communications capabilities between the normal operating location and alternate operating facilities. The Department continues to conduct monthly COOP working group meetings to share information within the organization and to coordinate the enhancement of COOP support plans. On an ongoing basis, OCIO also conducts situational awareness and roles and responsibilities refresher training for all personnel in its organization. Personnel are updated on the tasks to be performed in the event of COOP activation, as well as the importance of personnel availability and sustainability in order to ensure that the Department's essential functions continue regardless of any event that may occur.

IT Investment Review Process

Since IT expenditures constitute such a large portion of the Department's annual budget (about $1.8 billion, or 20 percent of the total), it is imperative that special management attention be given to the Department's proposed and continuing IT investments. This is done through an OCIO-led Capital Planning and Investment Control Process, which continues to be strengthened to provide broader and deeper analysis of proposed IT investments, projects under development, and projects that have completed deployment as well as the overall performance of the portfolio.

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4 *Federal Emergency Management Agency's (FEMA) National Exercise Program (NEP) led the National Level Exercise 2-08, a combined functional and full-scale exercise from May 1 through May 8, 2008.*

This process is based on OMB Circular A-11, Exhibit 300, *Capital Asset Plan and Business Case Summary,* and Exhibit 53, *Agency IT Investment Portfolio*, and links to all Department IT planning processes and documents. In a cooperative effort with the Departmental Office of Budget and Office of Acquisition, OCIO established the OMB Exhibit 300 as the principal documentation for summarizing the business case for each IT project, and as the foundation for IT budget justifications, IT acquisition approvals, and major system reviews. This provides the Department with a consistent foundation for monitoring the selection, control, and evaluation of major IT investments, helping to ensure that proposed investments contribute to the Department's strategic vision, mission requirements, and performance goals. It also helps to ensure that the operating units employ sound IT investment methodologies, comply with Departmental and federal architectures, and provide the highest return on the investment at acceptable project risk.

OCIO has worked closely with the Office of Budget to establish a framework and schedule for linking the IT investment review of proposed initiatives with the budget process. As initiatives are developed by the Department operating units for submission to the Department, those initiatives that have a significant IT component are reviewed by OCIO. Major proposals are reviewed by the Department IT Review Board, which is chaired by the CIO, co-chaired by the Chief Financial Officer (CFO) and Assistant Secretary for Administration (ASA), and is composed of the Department's Budget Officer, Senior Procurement Executive, Director for Human Resources, and selected operating unit CIOs. The Board evaluates proposals relative to their contribution to Agency mission and goals, performance measures, and President's Management Agenda (PMA); IT security and privacy management; risk management; acquisition strategy; the viability and appropriateness of the IT solution, including conformance to Department and federal architectures; and overall project management. Guidance for improving project proposals is provided by the Board and OCIO staff. This process results in the identification of IT investment initiatives that have sound IT management proposals. As a result of this extensive Departmental review of IT investment proposals, all IT-intensive budget initiatives forwarded to OMB have the best possible IT management plan associated with them.

The Department IT Review Board has continued to place special emphasis on the linkage between proposed IT investments and top-level program performance measures, IT security and privacy, and the qualifications of the IT Project Managers and Contracting Officers who manage the Department's IT programs. The Department IT Review Board ensures that high quality C&A packages, which are critical to the confidentiality, integrity, and availability of the Department's IT investments, are in place. By ensuring that qualified managers are available for these programs, the risk associated with large-scale IT investments is significantly reduced. OCIO leads a continual training process for IT project managers, working together with the Office of Human Resources Management, to ensure that the Department has a pool of well-qualified IT project managers for new and continuing projects.

In the conduct of selection and control reviews, i.e., reviews that address new investments and those under development, the Department IT Review Board is supported by detailed analyses from Department staff in OCIO, the Office of Budget, the Office of Acquisition Management, and others who provide independent assessments. Further, to provide even more rigorous analysis of cost, schedule, and performance, the Department is implementing a systematic system to use Earned Value Management (EVM) analysis for IT investments under development. This will provide regular monitoring of the performance of Department projects and early warning of projects that may not be meeting cost, schedule, or performance goals, allowing course correction to bring the development effort back on track, if needed.

Privacy Impact Assessments (PIA)

The Department is committed to properly safeguarding all information, relating to both individuals and businesses, that it collects and maintains in accordance with the Privacy Act of 1974, the E-Government Act of 2002, and OMB memoranda. It has adopted an IT Privacy Policy to effectively protect and secure identifiable information in its IT systems. OCIO has provided policy and guidance to operating units on the preparation of Web privacy policies, conducted PIAs, and posted privacy policies and PIAs on Department Web sites visited by the public. PIAs are conducted to ensure that the Department and its operating units do not collect, process, or disseminate any identifiable information from or about members of the general public that is not needed or authorized. It also extends this same level of privacy protection to business entities.

As another step to protecting personal and other sensitive information, all of the Department's PIAs now include data extract log and verification procedures. This provision, which was incorporated in the Department IT *Security Program Policy and Minimum Implementation Standards*, requires that operating units log all computer-readable data extracts from databases holding sensitive information and verify each extract including sensitive data has been erased within 90 days or determine that its use is still required.

The Departmental CIO has been designated as the Department's Senior Official for Privacy and works closely with the Privacy Act Officer to protect all privileged-access personal and business information provided to the Department.

Other Internal Control Enhancement Activities Continue

The Department's comprehensive effort to enhance management of internal controls under OMB Circular A-123 continued during FY 2008. Progress made in implementing Appendix A to the Circular, which relates to financial internal controls, included the following:

● The Department continued the OMB A-123 Appendix A process utilizing a three-year rotational testing plan to incorporate a risk-based approach based on assessments of the key processes and results of previous audits. Under this approach, high-risk cycles are selected for annual testing; low/moderate-risk cycles are tested every three years, with selected test procedures at specific locations or on specific sub-processes performed as often as needed based on specifically identified risks; and a limited controls review assessment survey is utilized for cycles that are not being tested in a given year.

● The Senior Management Council (SMC) continued to oversee, direct, and implement the assessment process, and the Senior Assessment Team (SAT) continued to develop planning documentation, administer internal control test plans, and monitor and review test work.

● Updated Department-wide testing templates for selected key processes/sub-processes and modified departmental sampling plan to include the population sources.

● Enhanced the Departmental A-123 Workpapers Guide to include more in-depth guidance and instruction to the bureaus, including obtaining populations, sampling, and documenting workpapers. In addition, the guide provides sample templates to ensure consistency in workpaper standards and presentation throughout the Department.

● Analyzed the results of the overall effort to assess and document the adequacy of Department internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).

The Department also continued its focus on management of non-financial internal controls under the Circular. Through the SAT, the operating units were tasked with identifying and conducting assessments of programmatic and administrative activities meriting review in FY 2008. A wide range of programs and functions were assessed across the Department.

The Department's assessments reflect a system of non-financial and financial controls that is operating effectively. No material weaknesses relative to financial controls were identified for the period July 1, 2007 through June 30, 2008, the reporting period established by the Circular. Further, with limited review and inquiries, no material weaknesses related to internal control over financial reporting were identified between July 1, 2008 and September 30, 2008. As a result of its FY 2008 activities, the Department identified only one material weakness in its internal controls under Section 2 of FMFIA, which, as described above, relates to IT security.

Section 4 of the FMFIA – Internal Controls over Financial Management Systems

Based on reviews conducted by the Department and its operating units for FY 2008, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the CFO Act, and OMB requirements. The Department had no material weaknesses under Section 4 of FMFIA.

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 4				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2005	0	0	0	0
FY 2006	0	0	0	0
FY 2007	0	0	0	0
FY 2008	0	0	0	0

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

Under the Federal Financial Management Improvement Act (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 (USSGL) at the transaction level. In FY 2008, the Department remained in compliance with FFMIA.

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. This report covers Commerce Department audit follow-up activities for the period June 1, 2007, through May 31, 2008.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2007 THROUGH MAY 31, 2008

| | DISALLOWED COSTS[1] | | FUNDS TO BE PUT TO BETTER USE[2] | | NONMONETARY REPORTS[3] | TOTAL |
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	55	$ 8,792,747	19	$ 10,386,811	11	85
New Reports	17	5,224,680	10	34,745,932	14	41
Total Reports	72	14,017,427	29	45,132,743	25	126
Reports Closed	(32)	(4,180,035)	(7)	(4,489,076)	(13)	(52)
Ending Balance	40	$ 9,837,392	22	$ 40,643,667	12	74

1. Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government.
2. "Funds to be put to better use" refers to any management action to implement recommendations where funds should be applied to a more efficient use.
3. Includes management, contract, grant, loan, and financial statement audits with nonmonetary recommendations.

BIENNIAL REVIEW OF FEES

OMB Circular A-25, *User Charges*, requires the biennial review of agency programs to determine whether fees should be charged for government goods or services, and to ascertain that existing charges are adjusted to reflect unanticipated changes in costs or market values.

The Department conducts a review of its programs biennially, with some bureaus conducting annual reviews. In the current review, it was noted that the Department, except for one bureau receiving an exemption from Circular A-25, is substantially in compliance with the requirement to adjust their fees to meet the Circular A-25 requirement of full-cost recovery for user charges.

THE INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT

W*e are providing the management challenges for the Department of Commerce in accordance with the provisions of the Reports Consolidation Act of 2000 (PL 106-531). Detailed information about our work is available on our Web site at: http://www.oig.doc.gov/*

Inspector General
Todd J. Zinser

Challenge 1: Control the Cost and Improve the Accuracy of the Decennial Census

This past April, Secretary Gutierrez informed Congress that the Census Bureau was abandoning plans to automate a major decennial operation—nonresponse follow-up—a major setback in its efforts to re-engineer decennial operations. During nonresponse follow-up, a half-million temporary workers go door-to-door in communities around the Nation to collect census data from households that do not mail back their questionnaires. The Bureau had intended to equip these workers with handheld computers as part of a redesign of traditional census-taking operations proposed at the conclusion of Census 2000. Officials believed such re-engineered processes would improve data accuracy while containing costs. Initial estimates of costs for the entire 2010 Decennial Census Program were roughly $11.5 billion over the course of the decade. But the problems encountered in developing needed handheld capabilities and the cost of reverting to paper processes and retooling associated systems and procedures at this late date are expected to add up to $3 billion to the final decennial tab.

The Office of Inspector General's (OIG) work throughout the decade has documented a host of technical problems with the handheld systems, which were first developed by the Census Bureau as prototypes for the 2004 and 2006 tests and are being developed for the decennial under the Field Data Collection Automation (FDCA) contract. The Bureau had determined in early 2004 to contract for the systems because it did not have the in-house resources to develop them. But it took nearly two years to award the contract. The OIG reported in 2005 that this late decision and initial slow pace in planning the acquisition shortened the amount of time available for developing and testing the handhelds. In addition, the Census Bureau did not have the funds needed to meet the contractor's spending profile for the first two years of the contract. Furthermore, poorly defined requirements for the field systems have plagued their development. Prototype handhelds performed dismally in both the 2004 and 2006 census tests. The Bureau subsequently had to delay the start of the 2008 dress rehearsal address canvassing operation in hopes of improving the devices' performance, yet the handhelds and other critical systems continued to have serious problems, including crashes, slow response times, and lost data.

The Bureau still intends to use the handheld computers for address canvassing in Census 2010, but will now need to equip only 140,000 temporary workers with handhelds instead of 500,000 workers. Yet FDCA costs—originally estimated at $600 million—are expected to increase to just under 800 million, even after eliminating automated nonresponse follow-up.

Automation problems have consumed an inordinate amount of the Bureau's efforts, to the detriment of other decennial areas that need attention, such as paper-based operations targeting hard-to-count populations (American Indians living on reservations, the homeless, etc.). The poor outcome the OIG noted in the Bureau's 2006 test of paper-based procedures for counting reservation populations is a case in point. Despite long-standing challenges to producing accurate reservation counts, the OIG's evaluation found that field staff had a hard time locating housing units because the Bureau's maps were poor and the address lists incorrect.

In the same test, a revision to the survey designed to improve the accuracy of the count for this traditionally undercounted population identified only one additional person who might otherwise have been missed.

The OIG has additional concerns with the ongoing 2008 dress rehearsal. During this final test, the Bureau was supposed to conduct most decennial operations at two representative sites. But it cut the number of tested processes by half—eliminating group quarters enumeration and other paper-based operations to focus on the handheld computers and related automated systems. However, the decision to eliminate the handheld computers for nonresponse follow up has left the Bureau with not enough time to plan a paper-based dress rehearsal test; thus testing of the largest operation of the decennial has been cancelled. Significantly, a number of the excluded paper-based operations either (1) did not work well in 2000 but will be used again without changes, (2) are being modified or will be for 2010 but have not yet been fully tested, or (3) will rely on automation to some degree themselves. Without testing these operations, the Bureau has no data against which to assess and improve them, and this increases the risk for problems during the actual census. Such problems could reduce accuracy if people are missed in the count or increase costs if additional temporary workers are needed to meet decennial deadlines.

As the Bureau retools nonresponse follow-up, it must ensure that it has sufficient management structures and plans in place to address and troubleshoot these other critical operations. The OIG will closely monitor its efforts in this regard.

Challenge 2: Strengthen Department-Wide Information Security

The Federal Information Security Management Act (FISMA) and Office of Management and Budget (OMB) policy require agencies to certify that their systems and data are protected with adequate, functioning security controls before authorizing (accrediting) the system to operate. For the past seven years, information security has been reported as a material weakness at the Department, despite fairly substantial spending to secure its 300-plus information systems. The Department's information technology (IT) security budget for FY 2008 totals $131 million—roughly seven percent of its nearly $1.8 billion IT budget.

The material weakness is the result of poor certification and accreditation (C&A) processes: year after year, the OIG's reviews of the Department's C&A efforts find a process that does not adequately identify and assess needed controls. As a result, authorizing officials do not have the information they need to make sound decisions for allowing systems to operate, and some systems are at risk for compromise.

This year's FISMA work entails reviews of C&A packages for selected systems from the Bureau of Economic Analysis (BEA), Office of the Secretary (OS), Census Bureau, National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and U.S. Patent and Trademark Office (USPTO). But the OIG's focus has broadened to accommodate anticipated changes to NIST Special Publication 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*. NIST officials say the update will place greater emphasis on agencies' efforts to continuously monitor security controls as part of the C&A process. Continuous monitoring is designed to ensure that agencies make appropriate adjustments to security controls and the security plan as changes to the system or external environment occur. So in addition to the OIG's traditional review of the information produced by the system security certification process, the OIG is assessing continuous monitoring activities. The OIG also will assess security controls on a sample of system components to determine if the controls are implemented correctly, operating as intended, and meeting the system's security requirements.

In determining whether a system has been adequately certified and accredited, the OIG will consider the findings of the C&A evaluation, the success of continuous monitoring, and the implementation of security controls on system components. The emphasis on continuous monitoring is part of a joint strategy that the OIG and Office of the Chief Information Officer (OCIO) are collaboratively developing to improve C&A and resolve the material weakness. Another aspect of the strategy is to jointly

develop example test cases for selected operational and technical controls to assist bureaus in improving their IT security testing. OCIO has also begun to implement the Department of Justice's (DOJ) Cyber Security Assessment and Management (CSAM) tool to standardize the C&A process. The OIG established a two-year implementation time frame with completion targeted for the end of calendar year 2009.

Challenge 3: Effectively Manage Departmental and Bureau Acquisition Processes

The Department spends nearly $2 billion a year to procure goods and services so management and oversight of the processes used must be superior. Past OIG audits and evaluations have identified improvements the Department needs to implement to fortify the acquisition process. These include documenting program needs, validating requirements, fully funding contracts, preparing and maintaining cost estimates, performing effective market research, ensuring full and open competition whenever possible, using earned value management to measure progress, establishing effective award fee plans, and selecting the appropriate contract types. Continuity and consistency in acquisition management and oversight are essential to ensuring the government timely and cost-effectively gets what it pays for especially when making complex and costly acquisitions. With that in mind, the Department must ensure that high turnover in upper management and other key acquisition positions at the Department and several of its agencies does not affect the quality of the procurement process. In addition, the Department has had a difficult time achieving discipline in the acquisition process over the past few years. Senior management must take a serious look at the planning and execution processes for procurements and ensure agencies have the ability to promptly hire and adequately train qualified acquisition staff.

In FY 2006, the OIG established a contract audits division to oversee the Department's acquisition activities. The division will monitor the Department's most significant procurements on a continuing basis and conduct audits of those contracts as appropriate. The contract audits team will also scrutinize the Department's revision of departmental and bureau procurement policies to ensure they mirror current federal acquisition regulations and OMB circulars. In its reports, the team will recommend best practices and innovative approaches the Department should adopt. The contract audits division's initial area of emphasis has been the Census Bureau's procurement of products and services to support the 2010 decennial. In April 2007, the OIG began the first of a series of audits of the FDCA and Decennial Response Integration System (DRIS) contracts. FDCA is an effort to automate field data collection and provide logistics, training, and help desk support for 12 regional centers, more than 450 local census offices, and up to 500,000 field staff who will conduct the decennial census. DRIS is intended to standardize and integrate data collected via paper census forms, handheld computers, telephone interviews, and other methods. These two contracts have a combined value of $1.1 billion, representing about 9.5 percent of the $11.5 billion in total estimated costs of the 2010 Decennial Census. In addition to its audit of the FDCA and DRIS contracts, the contract audits division is currently monitoring several high-profile contracts within the Department, including the $200 million 2010 Census Communications Campaign contract.

The OIG is also examining a large contract administered by the National Data Buoy Center, a part of the National Weather Service that designs, develops, operates, and maintains a network of data-collecting ocean buoys and coastal stations. In 2005, the center awarded a five-year contract with potential for five one-year extensions worth up to $500 million for technical services support for its marine observation network. Currently, an OIG inspection team is reviewing the contract's structure and management by NOAA, including oversight of the associated tasks performed to maintain and repair data buoys and other observation platforms for marine weather forecasting.

Challenge 4: Strengthen Internal Controls Over Financial, Programmatic, and Business Practices

To ensure operations are effective, efficient, and in compliance with laws and regulations, agencies implement internal controls. These steps also make certain that financial reporting is reliable and assets are safeguarded from waste, loss, or misappropriation.

In the years since passage of the 1990 Chief Financial Officers (CFO) Act, the Department has been working to fix financial management problems, including overhauling accounting practices and consolidating several financial systems into one. The result has been a more integrated system designed to give Agency managers current, accurate information. In FY 2006, agencies began implementing new internal accounting controls required by OMB's revised Circular A-123, and since FY 2004 they have had to issue audited financial statements within 45 days of the fiscal year's close. The Department has met this deadline each year since 2004, and has continued to receive a clean opinion on its consolidated statements. However, despite positive efforts made by the Department, the FY 2006 financial statement audit found that continued improvements are needed in its IT general control environment. The Department also needs to ensure that the internal controls for programs and business practices provide reasonable assurance that operations are effective and efficient and are consistent with applicable laws and regulations.

The Digital Television Transition and Public Safety Act of 2005 required the Federal Communications Commission (FCC) to auction recovered analog spectrum and deposit the proceeds into a special fund. A portion of the proceeds will be used to fund several new programs within the National Telecommunications and Information Administration (NTIA). Under the act, NTIA, one of the Department's smaller agencies, is slated to manage up to nine new programs, two of which have potential combined budgets totaling $2.5 billion (a grant program for Public Safety Interoperable Communications (PSIC) and a Converter Box Coupon program).

Successfully implementing these new programs is a significant management challenge for the Department. The OIG is sharing its expertise with NTIA to help it design strong, well-structured programs that minimize the opportunities for fraud. In August 2007, NTIA awarded a contract to IBM for Digital-to-Analog Converter Box Coupon Program services. In the next semiannual period the OIG plans to review the contract and develop audit plans to help us evaluate the implementation of this program.

Challenge 5: Ensure that USPTO Uses Its Authorities and Flexibilities as a Performance-Based Organization to Achieve Better Results

Since the Patent and Trademark Office Efficiency Act transformed USPTO into a performance-based organization over seven years ago, the OIG has devoted significant resources to oversight of the Agency. The OIG has issued nearly a dozen reports examining USPTO program, operational, and administrative issues. While USPTO plays a critical role in promoting the Nation's technological progress and protecting intellectual property rights, its task is often viewed as daunting given the increasing number and complexity of patent applications. The Agency's 2007-2012 Strategic Plan provides a set of focused initiatives to help reduce its large backlog of applications, ensure the quality of granted patents, and improve the productivity of its examiner corps. An earlier OIG report on USPTO's patent examiner production goals, performance appraisal plans, and awards highlighted actions that the Agency could take to stimulate and reward examiner production.

A June 2005 Government Accountability Office (GAO) report on USPTO's recruitment and retention efforts also called on Agency managers to reassess examiner production goals, but noted that examiners often cited those goals as a primary reason for leaving the Agency. GAO also reported that attrition is continuing to offset USPTO's hiring progress, even with the use of many incentives and flexibilities to retain the workforce for longer periods. In an Agency response in December 2007, USPTO outlined programs and improvement undertaken to address the GAO recommendations. One of those workplace incentives has been USPTO's expansion of its telework program, allowing examiners to use laptops to work at offsite locations. Lost laptops and data security problems at other Department bureaus underscore the need for strong policies, procedures, and controls at USPTO to avoid similar problems and the potential compromise of sensitive patent information. Recently, the OIG completed an audit of accountable property at the Agency. The OIG concluded USPTO has made a commitment to the safeguard of the Agency's assets and there is a need to strengthen the procedures for inventory of accountable property.

The long-standing and growing backlog highlights other issues for USPTO and OIG attention: the need to expedite a fully electronic patent examination process and to carefully monitor the Agency's billion dollar investment in high-risk time and materials and award fee contracts for related IT services. The OIG may conduct reviews of selected USPTO contracts to ensure vendors are complying with contract terms and conditions, containing costs, and delivering the required services on time.

Clearly, recruitment, attrition and IT remain serious challenges for the Agency. The OIG will continue to monitor USPTO's progress in those areas as well as its training programs and human resources or personnel operations, where the OIG earlier found some questionable practices and the need for improved management controls. The OIG also plans to conduct follow-up work on some of the Agency's other initiatives, such as the new patent peer review process. Recently, the OIG completed an audit of the Agency's overseas attaché program and recommended the Agency develop an operating plan that addresses recruitment and continuity at the attaché posts.

Challenge 6: Effectively Manage the Development and Acquisition of Environmental Satellites

NOAA is in the midst of modernizing its environmental monitoring capabilities, spending billions of dollars on two critical satellite systems: the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and the next-generation Geostationary Operational Environmental Satellite (GOES-R). The $12.5 billion NPOESS project will provide continuous weather and environmental data for civilian and military needs through the coming two decades. The $7.7 billion GOES-R system will offer an uninterrupted flow of high-quality data for weather forecasting, severe storm detection, and climate research through 2028.

NPOESS, a joint project of NOAA, the National Aeronautics and Space Administration (NASA), and the Department of Defense (DOD), had to be restructured in 2006 after cost estimates soared and launch dates slipped. The OIG's evaluation identified serious shortcomings in the satellite contract's incentive structure as well as in program oversight from top leadership at the three partner agencies. Because of insufficient oversight, the partner agencies failed to address major problems with development of the critical Visible/Infrared Imager Radiometer Suite (VIIRS), which is intended to collect images and data on the earth's clouds, atmosphere, ocean, and land surfaces. The problems with VIIRS were responsible for much of the cost increase. In the end, estimates were revised from $6.5 billion to $12.5 billion and the first launch delayed from 2009 to 2013. The number of satellites has dropped from six to four, the number of instruments from 13 to nine, and climate monitoring capabilities have been reduced. Despite these changes, technical challenges with the VIIRS instrument continue. Consequently, the launch date for a pilot mission to test the new VIIRS instrument and bridge any gaps in data may be pushed back. The NPOESS program continues to work forward to mitigate this risk.

GOES-R is wholly funded by the Department, though the satellites will be developed and acquired jointly with NASA. The Department's investment in GOES-R for FY 2009 to 2013 is projected to be about $3.7 billion. The structure of the program has introduced a new element of risk: NOAA has the lead management role over the entire program (ground and space segments) for the first time, giving the Department direct oversight authority for the entire development as well. These are roles for which neither the Department nor NOAA have experience. The OIG evaluated whether NOAA and the Department have established effective mechanisms for handling their expanded responsibilities and found that they had not adopted some crucial best practices for managing satellite acquisitions. The OIG concluded these omissions cost the Agency time and money and recommended, among other things, that the Department and NOAA bring GOES-R oversight and management practices in line with those used by NASA and DOD in satellite acquisitions, and that the Department delegate decision-making authority at key decision points to NOAA. Since the OIG's review, the Secretary of Commerce delegated key decision-making authority to the NOAA administrator while retaining overall oversight of the program. NOAA exercised this authority in January 2008, authorizing requests for proposals for the spacecraft and ground system and entering the Acquisition and Operations phase of the program. Also, NOAA agreed to incorporate NASA oversight and management procedures for the GOES-R program. NOAA and NASA have defined these procedures

in a bi-agency Management Control Plan, which now includes additional key decision points and a distinguished independent review team that conducts assessments and advises the Agency. While these actions are major steps, proper execution of this next phase is crucial: the Department and NOAA must be vigilant in overseeing contractors and managing systems development with realistic cost and schedule goals. The OIG will continue to monitor cost, schedule, and technical progress on both GOES-R and NPOESS and report its findings in future semiannual reports.

Challenge 7: Promote Fair Competition in International Trade

The Department accomplishes its goals of promoting trade, opening overseas markets to U.S. firms, and protecting U.S. industry from unfair trade practices primarily through the work of the International Trade Administration (ITA). ITA also works with USPTO and NIST to advise U.S. companies on intellectual property rights and standards issues.

During this semiannual period, the OIG decided to revise the title of the challenge facing the Department. Although the Department has a primary role in enforcing U.S. antidumping and countervailing duty (AD/CVD) laws and countering foreign unfair trade practices, greater emphasis and resources are focused on promoting U.S. exports and ensuring access to world markets for U.S. companies. Hence, the OIG has modified this challenge to better reflect the Department's and ITA's responsibilities for promoting exports and reducing trade barriers. Over the past several years, the OIG has conducted several reviews of the Department's efforts to increase U.S. market opportunities, provide assistance to U.S. exporters, and overcome trade barriers in difficult foreign markets. A number of these reviews have also included evaluations of ITA's process for reporting export success claims resulting from its assistance to U.S. businesses. The OIG's findings have prompted ITA to strengthen its controls related to export success reporting.

In March 2007, the OIG released a report reviewing various aspects of the Department's trade promotion efforts and the coordination of those efforts among various offices within the Department and with other federal and state trade agencies and other trade partners. The OIG found effective collaboration on trade promotion in many instances, but its also identified areas where the Department and other members of the federal interagency Trade Promotion Coordinating Committee (TPCC) could enhance their cooperation on specific activities, such as trade finance assistance, Internet resources for exporters, and trade assistance at overseas posts that do not have a commercial officer. Many of the recommendations in that report require long-term efforts and/or interagency cooperation for completion, so none of them has yet been fully implemented.

During this past year the OIG followed up on recommendations made in its reports on Commercial Service (CS) operations in Brazil, Argentina, Uruguay, and China. ITA and CS have made progress on many of the recommendations in the OIG's CS Brazil review, and the OIG has closed 18 of its 43 recommendations. Those that remain open include recommendations for improving coordination with other embassy sections, clarifying export success reporting, and developing a strong marketing plan and financial management practices. In addition, the OIG has closed the two recommendations made to USPTO but have kept open a recommendation to NIST regarding coordination with CS on regional activities. CS and ITA each have three open recommendations out of a total of 20 in the OIG's 2006 review of CS operations in Argentina and Uruguay. The open recommendations involve financial management improvements and effective coordination with the Department of State's partnership posts. Finally, only three recommendations remain open of the 35 originally made in the OIG's review of CS China, although the OIG recently received information indicating additional action may be required on one of the closed recommendations. The open recommendations deal with the American Trading Center initiative and an evaluation of language proficiency requirements for CS officers assigned to China.

Challenge 8: Effectively Manage NOAA's Stewardship of Ocean and Living Marine Resources

NOAA spends billions of dollars each year supporting a vast array of programs designed to protect and enhance the resources in 3.5 million square miles of coastal and deep ocean waters and the Great Lakes. These programs require long-term commitments and years of funding to show their full effect. And they must operate in balance with the economic interests of the Nation: one of every six jobs is marine related and more than one-third of the gross national product is generated by economic activity tied to coastal areas.

NOAA offers several financial assistance programs to support the commercial fishing industry's viability while working to reduce overfishing and rebuild compromised fisheries. The Fisheries Finance Loan Program is one such initiative. Operated by the National Marine Fisheries Service (NMFS), the program provides direct loans to refinance or refurbish fishing vessels, shoreside processing facilities, and aquaculture facilities. Program regulations and Congressional appropriation language restrict the program from making loans for vessel construction or refurbishing loans that increase a vessel's fishing capacity. Since 1998, NMFS has made approximately 200 loans, for a total of nearly $300 million. The OIG is currently evaluating the Agency's management of the loan program to determine if it affects NOAA's ability to help end overfishing and rebuild fisheries. Also under way are reviews of NOAA's National Marine Sanctuary Program and the National Data Buoy Center's ocean observation system.

The sanctuary program manages and protects 13 sanctuaries and a marine national monument in northwestern Hawaii, which is the largest protected marine area in the world. The entire sanctuary system encompasses 158,000 square miles of U.S. ocean and Great Lakes marine habitat that have conservation, historical, or scientific importance; their protected waters offer safe breeding grounds for threatened species and harbor underwater archeological sites. The program's primary mission is resource protection, but it must also facilitate compatible public and commercial uses along with conservation and research activities. The sanctuary program coordinates its efforts with the U.S. Coast Guard, Environmental Protection Agency (EPA), Department of Interior (DOI); and a broad range of other federal, state, local, and private partners. The OIG is evaluating whether the program is meeting its core objectives, with a primary focus on marine conservation and research.

The National Data Buoy Center manages four marine observation systems: weather buoys, coastal marine observing stations, tsunami detection buoys, and climate monitoring buoys. Weather forecasting depends on the reliability and accuracy of these systems. In addition, the Tropical Atmosphere and Ocean buoys and weather buoys with oceanographic sensors provide climate data and information for researchers. The OIG is assessing the quality and availability of data generated by the observational buoys and coastal stations and the center's management of them. The sanctuary and data buoy reviews were completed in May 2008.

Challenge 9: Aggressively Monitor Emergency Preparedness, Safety, and Security Responsibilities

The Department has more than 35,000 employees and hundreds of facilities it must keep safe. As a cabinet-level Department, it also has a number of programs critical to national preparedness and recovery efforts, and it must support U.S. efforts to prepare for, respond to, and recover from major disasters. The OIG continues to monitor the Department's progress in resolving weaknesses in emergency preparedness and security. As of August 2007, the Department had addressed virtually all outstanding recommendations from the OIG's 2002 and 2005 reviews of its preparedness programs. But a dynamic security environment continues to challenge the Nation: the Department, like all federal agencies, must be vigilant in maintaining effective oversight of emergency plans and programs, identifying and mitigating new security vulnerabilities, and protecting critical assets. It must be able to continue essential operations under all circumstances.

In May 2007, President George W. Bush issued National Security Presidential Directive 51 (also known as Homeland Security Presidential Directive 20) that updates long-standing continuity directives to ensure that governing entities are able to recover from operational disruptions, thus maintaining continuity of operations. The OIG will keep a close watch on the Department's efforts to comply with this directive, as well as on its ongoing oversight of preparedness procedures, its response to emerging threats, and the broad range of public safety responsibilities inherent in its mission.

Challenge 10: Enhance Export Controls for Dual-Use Commodities

The Department's Bureau of Industry and Security (BIS) is responsible for the federal government's export licensing and enforcement system for goods and technologies with both civilian and military uses. Because of the importance of export controls to national security, the OIG has consistently devoted a great deal of time and resources to challenges facing BIS. For the past eight years, the OIG has been working to fulfill the requirements of the National Defense Authorization Act (NDAA) for FY 2000, as amended, which directed the inspectors general of the Department, DOD, Energy, and State, in consultation with the directors of Central Intelligence and the Federal Bureau of Investigation (FBI), to report to Congress each year through 2007 on the adequacy of current export controls and whether they are effectively preventing entities of concern from acquiring sensitive U.S. technologies. The Department of Homeland Security's (DHS) OIG has also participated in these reviews since that agency was formed. The group of OIGs is currently completing the eighth and final NDAA interagency review of export controls. During this past year the OIG continued to monitor BIS's progress in implementing NDAA recommendations. For example, the OIG has closely followed the activities and deliberations of the Deemed Export Advisory Committee, which is reviewing BIS's deemed export control policy and relevant recommendations made by this office. Deemed export controls are designed to prevent the transfer within the United States of controlled U.S. technologies and technical information to foreign nationals from countries or entities of concern.

ACTIONS TAKEN TO ADDRESS THE MANAGEMENT CHALLENGES

Each year, the Department's Office of Inspector General (OIG) reviews the Department's and its component bureaus' program activities to ensure that the management, financial, and operational activities are sound and meet the requirements of the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA).

The emphasis by the President, the Office of Management and Budget (OMB), and Congress on improved government accountability underscores the Department's resolve to enhance transparency within the Department while promoting improved efficiency and effectiveness. Progress in these endeavors requires strong commitment from the Department's senior leadership and staff at all levels.

The following is the Department's description of its actions to address the management challenges identified by the Inspector General (IG).

2008 MANAGEMENT CHALLENGES	
CHALLENGE	**RESPONSE**
1. Control the cost and improve the accuracy of the decennial census	● The Census Bureau has instituted a new management approach to strengthen planning and oversight relative to risk management, issue identification, product testing, communications, and budget/cost management. This includes increasing the intensity and pace of senior management involvement, including daily status assessments and problem resolution sessions chaired by the Associate Director, weekly status assessment meetings with the Director and Deputy Director, and periodic but unscheduled reviews by the MITRE Corporation (MITRE) and Department specialists in information technology (IT), project management, and contracting. The Census Bureau also holds regular discussions with the Secretary, the Deputy Secretary, the Under Secretary for Economic Affairs, and the Deputy Under Secretary.
	● On April 9, 2008, in Congressional testimony, Director Steve H. Murdock committed the Census Bureau to meeting three significant deliverables: in 30 days the Census Bureau would produce the detailed plan for the paper-based nonresponse follow-up operation; in 45 days it would complete development of the integrated schedule for all 2010 Census operations; and in 60 it would establish the testing plan for the Address Canvassing operation. The Census Bureau met the deadlines for completing each of these three key building blocks. It also finalized the 2010 Program Management Plan, developed the 2010 Census Risk Register, and outlined the 2010 Census Risk Management Plan.
	● In response to these OIG identified management challenges, and in response to the Government Accountability Office's (GAO) decision to place the 2010 Census on its list of High Risk federal programs, the Census Bureau has developed a High Risk Improvement Plan. That plan encompasses four action areas: (1) developing an integrated and comprehensive plan to control costs and manage operations, (2) strengthening risk management activities, (3) strengthening systems testing, and (4) improving management of the field data collection automation effort. For each of these action areas, the plan documents accomplishments to date, milestones for future efforts, and metrics that will be used to determine success. The plan also was developed based on Bureau analysis of recommendations from several studies and reviews, including MITRE, GAO, the OIG, an internal expert software assessment team, a task force headed by the former Deputy Director of the Census Bureau, William Barron; and the Secretary's expert panel.

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2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
1. Control the cost and improve the accuracy of the decennial census *(continued)*	● The Census Bureau recently responded to the OIG's concerns on the matter of enumerating hard-to-count populations of the homeless and American Indians living on reservations in its action plan addressing the recommendation to assign a senior headquarters official to reexamine the Census Bureau's enumeration approach and decrease the undercount. While the Census Bureau still contends that the OIG has not accurately characterized the level of effort it has made in the past two decennial censuses to improve coverage on American Indian reservations, it stands committed to repeating and building on those successful efforts for 2010 to enumerate this population group.

● The Census Bureau was working towards an automated nonresponse follow-up for the Dress Rehearsal when the decision was made to drop this approach for 2010. At that point, there simply was not enough time to develop and test a paper-based nonresponse follow-up for the Dress Rehearsal—an operation that would have needed to begin less than one month later. However, the Census Bureau has conducted a paper-based nonresponse follow-up for many decades now, so this will not be a new or unknown operation for the 2010 Census. The Census Bureau still must develop and integrate these changes to the nonresponse follow-up operation into the overall census plan and schedule, but it believes it has the experienced staff and necessary program management structure in place to accomplish that.

● Regarding other Dress Rehearsal operations that had to be cancelled in the spring of 2008, all of the cancelled operations are ones the Census Bureau has tested earlier this decade, or conducted in previous censuses. Because it did not have an opportunity to use the Dress Rehearsal to conduct a single integrated test of most of the planned operations, systems, and interfaces for the 2010 Census, it now is developing plans for additional testing during FY 2009. |
| **2. Strengthen Department-wide information security** | ● The Office of the Chief Information Officer (OCIO) and the OIG collaboratively developed a strategy to improve certification and accreditation (C&A), identifying the following improvement activities:

　● Standard assessment procedures can promote consistency and improved security for the Department's IT systems. The OIG and OCIO will jointly develop example assessment cases for selected operational and technical controls to supplement the Department's compliance and oversight program.

　● The C&A package documents the security posture of a system as a snapshot in time, but OCIO must monitor it to ensure that appropriate adjustments are made to security controls and the system security plan as changes to the information system and external environment occur. The Department is undertaking a more proactive approach to C&A by emphasizing continuous monitoring. OCIO will develop Department-wide continuous monitoring policy and guidance to help achieve consistency and compliance. |

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2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
2. Strengthen Department-wide information security *(continued)*	● The Information Systems Security Line of Business (ISSLoB) initiative requires that agencies use a designated Federal Information Security Management Act (FISMA) automated tool to standardize tracking and reporting. The Department began to implement the Department of Justice's (DOJ) Cyber Security Assessment and Management (CSAM) tool to standardize the C&A process and documentation as well as conduct compliance reviews.
	● IT security is one of the Department's highest priorities. To ensure this effort is on track, both OCIO and the OIG will report progress at the Department's Senior Management Council (SMC) and the CIO Council on a quarterly basis.
	● OCIO coordinated with the Federation of Computer Incident Response Team (CIRT), US-CERT (U.S. Computer Emergency Readiness Team), and GFIRST (Government Forum of Incident Response and Security Teams) at the Department of Homeland Security (DHS) to ensure timely security alerts and notifications. As a result of this collaboration, the Department detected malicious cyber attacks against its network and has since developed corrective actions to remediate identified threats and vulnerabilities.
	● The Department developed an enterprise-wide implementation approach to comply with the OMB memorandum 08-05—Trusted Internet Connection (TIC). The plan includes Internet portal consolidation alternatives, justifications, and significant milestones. TIC implementation cost requirement has been submitted through the Department's FY 2010 budget process.
3. Effectively manage Departmental and bureau acquisition processes	The Department:
	● Revised the Acquisition Career Management Program to incorporate training and certification requirements of the Federal Acquisition Certification Program for contracting officer representatives (COR) and program/project managers.
	● Continued COR training in the four required areas of expertise: business/industry, general management, project management, and procurement knowledge. For individuals who spend more than 20 percent of their time working on contracts, the Department ensured that the COR element was included in their performance plan.
	● Continued training of contracting/purchasing professionals and CORs in the required competency areas in order to close competency gaps.
	● Continued to refine the database to track the education and training of the acquisition workforce, including the CORs. In the first quarter of FY 2009, the Office of Acquisition Management (OAM) will determine which database will be used to track education and training. The three systems are: OAM's Workforce Acquisition Data System; Commerce Continuing Learning Center System; and the Government-wide Acquisition Career Management Information System.
	● Continued to utilize the Direct Hire authority obtained in January 2006. The program was suspended from October 2007 to March 2008. Since March 2008, Department acquisition offices are using it again because they can bring contract specialists on board quickly in an increasing competitive market for contracting personnel.

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2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
3. **Effectively manage Departmental and bureau acquisition processes** *(continued)*	● Continued the Acquisition Review Board which met nine times this fiscal year and reviewed 18 cases with an estimated value of $2.17 billion (as of September 30, 2008). ● OAM has developed a draft Departmental Administrative Order (DAO) for the Department Investment Review Board which would handle all major departmental programs in partnership with the CIO and the Office of Budget. ● Implemented the revitalized FY 2008 Balanced Scorecard surveys of acquisition employees and customers and reporting of performance metrics, and developed a draft Balanced Scorecard Manual. Conducted surveys in August and September 2008. Results are anticipated for the first quarter 2009. ● Conducted training sessions for contract specialists to improve the quality and timeliness of Department Federal Procurement Data System-Next Generation (FPDS-NG) data entry. ● Made the Enterprise Acquisition Reporting System more user-friendly and developed reports that are used as a tool to support data accuracy efforts. ● Implemented new hardware and software to the Enterprise Acquisition Reporting System which improved the reliability of the system and expanded potential users of the system to 1,000 and allows for multiple data sources. ● Implemented a requirement in the Acquisition Career Management Program that an element be incorporated into the performance plans of all contracting professionals that requires FPDS-NG data be entered accurately and in a timely way. ● Continued to participate in the government-wide task force to implement the Federal Funding Accountability and Transparency Act (FFATA). ● Participated in monthly Commerce Information Technology Review Board and Decennial Program Management Reviews. ● Participated in the Tiger Team to resolve the contractual and management challenges of the Census Bureau contract for handhelds which are needed for the Decennial Census. ● Applied a business process re-engineering methodology to the entire OAM organization. The "as is" documentation has been completed and the "to be" recommendations will be reviewed in FY 2009 to determine how and when they will be implemented. ● Began implementation of the new OMB A-123 requirements for acquisition assessments. ● Revised Commerce Acquisition Regulations which updated all Department acquisition policy. Final review and codification will be conducted in FY 2009. ● Transferred the Commerce Information Technology Solutions (COMMITS) NextGen program to the General Services Administration (GSA) as of October 1, 2007, and continued to close out the COMMITS program and its old contracts at the Department. ● Led a cross-functional team to develop Department requirements for its SMART card. This team will assist in the transition to the new contract for Purchase, Travel, and Fleet card services.

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2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE

4. **Strengthen internal controls over financial, programmatic, and business processes**	• In 2008, the Department received an unqualified opinion on the financial statements for the tenth consecutive year. The Department met the various financial statement submission deadlines. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One significant deficiency cited relating to deficiencies in general IT controls remained from the prior years. A corrective action plan (CAP) was developed and is being implemented and monitored for this significant deficiency. Further, the Department requires and monitors CAPs for Management Letter Comments to address issues before they are raised to the level of significant deficiency.
	
	• The Department continues to participate in the government-wide initiative to strengthen internal controls. While revisions to the government-wide guidance contained in OMB Circular A-123 focus on financial controls, efforts are under way to enhance both financial and non-financial controls. Within the Department, this activity is being coordinated between the Office of the CFO/ASA (Assistant Secretary for Administration), bureau CFOs, and the OIG. The Department successfully implemented the requirements under OMB Circular A-123, *Management's Responsibility for Internal Control Appendix A*, including documentation of the internal controls over financial reporting and an assessment of the effectiveness of the internal controls. A SMC and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 implementation process. The final report for 2008, which reported no material weaknesses under A-123 Appendix A, was incorporated into management's overall assurance statement provided under the requirements of the Federal Manager's Financial Integrity Act (FMFIA). Actions taken during FY 2008 include the following:
	
	  • Continued using a Departmental risk-based cyclical testing approach. High risk cycles are tested annually while low/moderate risk cycles are tested every three years with selected test procedures at specific locations or on specific sub-processes. Controls not fully tested annually will have a limited controls review assessment survey. The bureaus began testing key controls during the third quarter and were completed by the end of the fourth quarter.
	
	  • Enhanced the Departmental sampling plan to include detail on population sources and to expand Personal Property, Plant, and Equipment (PP&E) samples to differentiate between capitalized and accountable property.
	
	  • Review of the testing results and determination of the significance of any deficiencies (i.e., whether they constitute an internal control deficiency, reportable condition, or material weakness) by the SMC and SAT.
	
	  • Bureaus will develop CAPs as needed to address any deficiencies and they will be monitored and tracked throughout the year at the Departmental level.
	
	  • Evaluation of the results and documentation of the adequacy of the Department's internal controls in order to develop the annual statement of assurance issued by the Secretary.
	
	  • Engaged contractor to conduct a programmatic internal control review of the administrative and financial operations of each applicable bureau's user charges for products and/or services.

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2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
4. Strengthen internal controls over financial, programmatic, and business processes *(continued)*	● In response to OIG recommendations, the National Institute of Standards and Technology (NIST) has taken the following actions: ● The NIST Administrative Manual Subchapter for Precious Metals has been completed and is now going through the final review process. An approved Administrative Manual Subchapter for Precious Metals will be completed by October 31, 2008. NIST staff has trained Precious Metal Custodians on the new policy. This has given the Precious Metal Custodians a foundation and understanding of their responsibilities in order to improve the use, and management of Precious Metals. Training of Precious Metal Custodians has taken place as of June 30, 2008. NIST rewrote the Administrative Manual Subchapter governing Shipping and Receiving. ● Temporary corrections are in place to safeguard the precious metals awaiting final action of the end user to move to a permanent solution. ● NIST intends to fill all but one of the remaining vacancies in the Logistics Group by the end of the year. The additional vacancy will be filled if additional funding is approved. ● NIST is identifying further training to Logistics Group staff on the chemicals and gases they handle, to be conducted on site for the Administrative Services Division (ASD) and other participants. Regarding bankcard purchases, currently, there is only one Bank Card holder in Logistics. All purchases are made to maintain on-shelf stock for the NIST staff. NIST is developing a new blanket order contract which will allow authorized individuals to order on an agreed line by line cost. This will minimize the number of Bank Card purchases being made. Additionally, a new position was assigned to Logistics for a store manager. This new person will be able to better manage on-hand supplies and minimize the need for last minute purchases. In addition, better management controls are in place to insure all Bank Card procedures will be followed. ● Following the publication of OIG Report No. OA-18200-7-001, *Aggressive Economic Development Administration (EDA) Leadership and Oversight Needed to Correct Persistent Problems in RLF Program*, EDA took numerous steps to improve the management and oversight of its revolving loan fund (RLF) portfolio, including: ● Conducted an on-site internal controls review of EDA's Regional Office's RLF records. ● Conducted training—including single audit training delivered by the OIG—for EDA Regional Office staff involved in the administration of EDA's RLF portfolio. ● Issued detailed program and procedural guidance to standardize and enhance internal controls over EDA's management of its RLF portfolio. The guidance addressed all of the deficiencies identified in the OIG report and has been fully implemented by all Regional Offices. ● Created a Statement of Work for an automated RLF reporting, tracking, and data analysis system. Contract was awarded in August 2007, and system development is 80 percent complete. EDA expects to go live in time for the March 31, 2009 reporting period. ● EDA participated in the Department internal control review of the property management program within the Department in FY 2007. In FY 2008, EDA revised its internal control procedures to reflect any findings discovered during the internal control review or new guidance issued by the Department.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
5. **Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results**	● The U.S. Patent and Trademark Office (USPTO) is continuing the transformation to a performance-based organization and to its credit, the Agency reports it accomplished 100 percent of its key performance measures in FY 2008. USPTO has also had a clean audit opinion for 16 consecutive years. ● USPTO faces numerous challenges, such as continuing workload increases, hiring and training over 1,200 patent examiners, and continuing a transition to an electronic processing environment. USPTO must fully utilize its expanded authority over personnel decisions and processes, procurement, and IT operations. The OIG has assessed systemic human resources and program issues, and has examined USPTO's computer systems security. A recent evaluation found that while most USPTO contracts include information security clauses, important requirements are not implemented properly or enforced. USPTO has taken corrective actions to address problems the OIG identified.
6. **Effectively manage the development and acquisition of environmental satellites**	*National Polar-orbiting Operational Environmental Satellite System (NPOESS)* ● Over the next five years, the National Oceanic and Atmospheric Administration (NOAA) will spend several billion dollars in contracts for the purchase, construction, and modernization of environmental satellites. These satellites, operated by the National Environmental Satellite, Data, and Information Service (NESDIS), collect data to provide short and long-range weather forecasts and a variety of other critical environmental and climate information. NPOESS will replace the current generation of civilian and military weather satellites as they reach the end of their useful lives. ● On July 30, 2007, the government's tri-agency integrated program office completed the restructure of NPOESS. Critical development activities now form the basis for the objective schedule and technical milestones that are the basis for the contractor's fee management plan. The restructured contract ties corporate profit to more objective measures of cost, schedule, and performance while still retaining a small subjective assessment of management performance, replacing the previous award fee structure. ● A number of management changes have subsequently been instituted within the program to improve the quality and amount of government oversight. A new program executive officer (PEO) was assigned by NOAA in September 2007, with the concurrence of the NPOESS executive committee. A new System Program Director has recently been selected. The chief executive officers (CEO) of Northrop Grumman and Raytheon attend the regularly scheduled executive committee meetings to ensure that the total resources of these corporations are focused on the development and test issues of the program. ● The NPOESS integrated program office continues to coordinate through its three lead agencies (Department of Defense [DOD], Department of Commerce, and National Aeronautics and Space Administration [NASA]) for finalization of all Acquisition Decision Memorandum actions that direct revisions to program documents. Much progress has been made and the NPOESS integrated program office anticipates completing the Acquisition Decision Memorandum directed actions by the fall of 2008.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
6. Effectively manage the development and acquisition of environmental satellites *(continued)*	● The Visible/Infrared Imager Radiometer Suite (VIIRS) sensor is being developed for the NASA NPOESS Preparatory Project (NPP) and NPOESS. Earlier this year, problems with the VIIRS sensor were identified during initial flight unit testing. An intensive management plan has been put in place to actively manage VIIRS issues. NPOESS schedules have recently been adjusted and now reflect an April 2009 VIIRS delivery to NPP. NASA has evaluated the impacts of the new delivery date and established a new NPP launch date of June 2010. The Ozone Mapping and Profiler Suite (OMPS) and Cross-track Infrared Sounder (CrIS) sensors are in final environmental testing. Both are on schedule to be delivered to the NPP spacecraft contractor in FY 2008. NPOESS remains on track for a 2013 launch of the Constellation-1 (C-1) spacecraft.
	● Several key climate sensors are being re-manifested on NPP and/or NPOESS satellites. The Clouds and Earth Radiant Energy System (CERES) will be manifested on NPP, the Total Solar Irradiance Sensor (TSIS) will now be flown on C-1 (the first NPOESS satellite), and the OMPS-Limb portion of the sensor is being added back and will fly on the NPP. Additionally, the Microwave Imager/Sounder (MIS) was awarded in May 2008 to the Naval Research Lab as a lower risk alternative to the Conical-Scanning Microwave Imager/Sounder (CMIS); the MIS will be flown on NPOESS satellites C-2 and C-3. Work is currently underway to integrate all of these sensors.
	● Extensive independent reviews have been instituted to assess the NPOESS program. In 2007, an Alternative Management Study began a periodic assessment of organizational structure (both government and contractor) in support of a 2010 production decision. Additional independent reviews have been conducted of: the NPOESS system design, the NPOESS system architecture, the ground system design, the VIIRS readiness to enter ambient testing, the VIIRS and CrIS test programs, and the realistic VIIRS schedule for delivering the first flight unit. In 2008, similar reviews are planned, including another assessment by the Alternative Management Study team; an independent assessment of the readiness of the VIIRS flight unit to enter thermal vacuum testing; an assessment of the status of readiness for system critical design review in 2009; and a comprehensive senior review to assess the PEO, integrated program office, and contractor performance.
	Geostationary Operational Environmental Satellite Series R (GOES-R)
	● The GOES-R series is the next generation of geostationary satellites that will replace existing GOES satellites in the next decade. In 2006, the OIG initiated a joint review of the GOES-R program with NASA's OIG. The OIG's acquisition focus has been in the program office's overall approach to procuring key satellite instruments, identifying potential risks, and implementing associated mitigation strategies. The OIG also assessed the acquisition contracts' award fee plans to determine whether they are structured to promote excellent performance.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**
6. **Effectively manage the development and acquisition of environmental satellites** *(continued)*	● The GOES-R program is applying lessons learned from the NPOESS program and other recent reviews of space systems and is currently implementing these lessons into management and acquisition strategies. There have also been significant changes to the GOES-R program management and oversight based on direction from Congress, reviews from GAO, the Department IG), the recent NPOESS Nunn-McCurdy certification process, Independent Review Teams, and GOES-R internal program reviews. In addition to the strategies identified above, additional activities have been successfully implemented by the GOES-R Program Office to include: ● Meeting regularly with the NOAA satellite data users, who developed the initial requirements for GOES-R, to assess the extent to which the program remains responsive to their requirements. ● Engaging a team of independent satellite experts to conduct independent reviews and address specific concerns raised by NOAA senior leadership. ● Locating the GOES-R Program Office at NASA Goddard Space Flight Center to better leverage the full capabilities and processes at NASA, including access to NASA's processes for independent technical and engineering reviews. The program reports monthly at the NASA monthly status review chaired by the Goddard Deputy Director. ● Increasing staff to support robust systems engineering and oversight of the contractors. After the prime contracts are awarded, this will include on-site representatives at the prime contractors and at the major subcontractors. ● NOAA commissioned an Independent Cost Estimate (ICE) as a check on the Program Office Estimate (POE) and based the GOES-R budget on the results of the ICE-to-POE reconciliation to ensure sufficient management reserves to support risk mitigation activities and timely responses to development issues reducing the potential impacts associated with these issues. ● As a result of all these activities, NOAA made significant steps forward in the GOES-R acquisition in the past year. Procurement requests for the space and ground segments of the program were issued by NASA and NOAA respectively, and both are planned for award in the coming fiscal year.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
7. **Promote fair competition in international trade**	● The International Trade Administration (ITA) recognizes the significance of the management challenges regarding program operations to "Promote Fair Competition in International Trade." ITA works closely with its U.S. and Foreign Commercial Service (US&FCS) program to implement export success verification. ITA supports IG findings in China and India questioning export success numbers. Commercial Service has improved documentation of export successes and adherence to the export success guidelines at all locations. Substantial efforts are underway to roll out improved outcome-oriented performance metrics that replace output measures such as export successes. ● ITA has instituted an independent ongoing verification process for its performance metrics that includes random sampling of metrics and data sources. ● ITA concurs that the IG raised substantial issues in the Brazil report as well as several previous inspection reports regarding the export success metrics and the collection/reporting process. ITA senior management concluded that ITA will include the conduct of a detailed program evaluation of export successes and the export success business processes as part of the next US&FCS Program Assessment Rating Tool (PART) review. The PART review has been completed, the independent evaluation study scope has been developed, and a request for information will be issued in September 2008.

8. **Effectively manage NOAA's stewardship of ocean and living marine resources**	● In response to the OIG audit of the National Marine Sanctuary Program (NMSP) mission and resource protection, NOAA addressed several key findings awaiting closure from the OIG:
	
	   ● NMSP Director holds the superintendents at each sanctuary accountable for completing their management plan reviews within the established time frames by ensuring the fiscal year performance plans for site superintendents contain an element requiring timely completion of management plan reviews. Related charter agreements have been finalized.
	
	   ● The Office of Law Enforcement (OLE) Director requires sanctuary liaisons to attend Sanctuary Advisory Council (SAC) meetings in their region. The Director for National Marine Fisheries Service (NMFS), signed and issued a directive for NMFS/OLE employees requiring the division sanctuary liaison/enforcement person or a designated alternate to attend all SAC meetings.
	
	● OLE has implemented a mandatory sanctuary reporting field within its Law Enforcement Accessible Database System (LEADS). Agents and officers are required to mark the appropriate sanctuary box in LEADS when non-sanctuary-related cases occur in a sanctuary.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*	
CHALLENGE	**RESPONSE**

8. Effectively manage NOAA's stewardship of ocean and living marine resources *(continued)*	● NMSP, National Ocean Service (NOS), and NMFS senior officials develop and issue clear guidance on how NMFS and NMSP will work together on specific matters, including (1) Fishery Management Council (FMC) staff participation on SACs, research advisory groups, and other relevant work groups; (2) sanctuary staff participation on relevant NMFS working groups, such as those on habitat, coral reef, and bottom mapping; and on FMC advisory committees, such as those on science and statistical, habitat, and education and outreach; and (3) FMC members and NMFS staff participation in the early development of sanctuary management plan reviews and condition reports. Compliance with the new guidance should be a priority of all appropriate NMFS and NOS managers.
	
	   ● In terms of interactions between NMFS and NMSP on fishing issues, NOS and NMFS approved a "wiring diagram" for final consultation and subsequent dissemination that outlines how NMSP staff as well as SAC members should participate in the Magnuson-Stevens Act FMC and fishery management plan development process. Conversely, it outlines how NMFS staff and FMC members and staff should participate in the National Marine Sanctuaries Act process.
	
	● NMSP, NOS, and NMFS senior officials disseminate specific examples of successful collaboration between NMSP and NMFS at several sanctuary sites and take action to expand these opportunities.
	
	   ● In June 2008, the Office of National Marine Sanctuaries, NOS, and NMFS disseminated to their staffs the first quarterly "Examples of Successful Collaborations between NOAA's Office of National Marine Sanctuaries, National Marine Fisheries Service, and Regional Fisheries Management Councils."

9. Aggressively monitor emergency preparedness, safety, and security responsibilities	● Focused on optimizing security at the Department, the Office of Security (OSY) has aggressively worked to monitor the emergency preparedness, safety, and security responsibilities of the Department.
	
	   ● Conducted quarterly Department Security Council meetings with key personnel from each bureau to discuss current and ongoing security issues.
	
	   ● Developed enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 744 facilities, thus far completing 371 in the current four-year cycle.
	
	   ● Developed and implemented an annual self-assessment program for all Department facilities in order to complement the review of facility OEPs.
	
	   ● Tracked implementation of recommended countermeasures designed to mitigate risks identified in the 461 anti-terrorism risk assessments (based on criticality, threat, and vulnerability) that have been conducted thus far in the current four-year cycle for the Department's 744 facilities.

(continued)

2008 MANAGEMENT CHALLENGES *(continued)*

| CHALLENGE	RESPONSE
9. Aggressively monitor emergency preparedness, safety, and security responsibilities *(continued)*	● Piloted interface between the Office of Personnel Management (OPM) and the Department, becoming the first department agency to use electronic means of transferring investigative case files through Direct Connect and conducting data exchanges with the Personnel Investigations Processing System. ● Undertook an effort to re-evaluate the Department's primary mission essential functions necessary to support Continuity of Operations and Continuity of Government responsibilities. ● Implemented various security countermeasures in and around the Department's headquarters to improve the overall security posture. ● Partnered with OCIO to enhance overall security awareness by distributing security tips that randomly are pushed to employee workstations and appear when individuals log on to initiate work. ● Improved the guidance provided to international travelers through an updated Defensive Travel and Counterintelligence briefing that is now required for all overseas travelers. ● Advised and assisted Department bureaus in providing 3,049 pre-travel counterintelligence briefings for select Department travelers going overseas.
10. Enhance export controls for dual-use commodities	● On April 28, 2008, the Bureau of Industry and Security (BIS), working with the Census Bureau and the U.S. Customs and Border Protection, instituted a new validation in the Automated Export System (AES) designed to enhance exporter compliance with the Export Administration Regulations (EAR). ● BIS anticipates that exporter compliance with the EAR will increase from 85 percent in FY 2007 to 97 percent in FY 2010 for AES filings. ● In FY 2008, BIS identified the validation effort as a new performance measure, i.e., percent of shipped transactions in compliance with the licensing requirements of the EAR with annual performance targets of 87 percent for FY 2008, 95 percent for FY 2009, and 97 percent for FY 2010.

PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

The Program Assessment Rating Tool (PART) is a component of the President's Management Agenda (PMA) that the Office of Management and Budget (OMB) developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps identify a program's strengths and weaknesses to inform management decisions aimed at making the program more effective.

OMB conducted the following PART reviews during 2008. The results of previous PART reviews are available at *http://www.whitehouse.gov/omb/expectmore/agency/006.html*. The results of PART reviews are used to inform the participants in the planning and budgeting process and are published in the annual President's Budget submitted to Congress.

TABLE 1: RESULTS OF THE OMB PART PROCESS [1]

RATING	RESULTS
Effective	6
Moderately Effective	15
Adequate	10
Results Not Demonstrated	2
Totals	33*

*Amount reflects the total number of Department programs OMB reviewed to date. If OMB reviewed a program a second time, only the score of the second review was included.

Percentage of PARTs Rated "Adequate" or Better
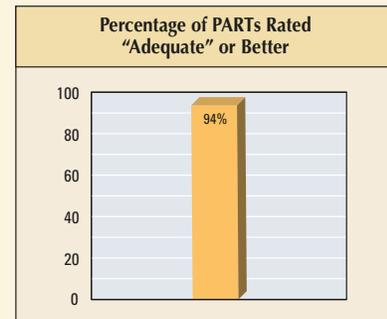
PART RATINGS AND SCORES BY PROGRAM - 2008	
PROGRAM	**RATING AND SCORE**
Trade Promotion and U.S. and Foreign Commercial Service (ITA) (re-PART)	Adequate – 68%
Intellectual Property Protection Activities (USPTO)	Adequate – 67%
Patents (USPTO) (re-PART)	Moderately Effective – 74%
Tsunami Monitoring, Forecasting, and Warning Program (NOAA)	Effective – 93%

1 Source: Office of Management and Budget – http://www.results.gov

TABLE 2: PART SUMMARIES BY STRATEGIC GOAL

STRATEGIC GOAL 1: MAXIMIZE U.S. COMPETITIVENESS AND ENABLE ECONOMIC GROWTH FOR AMERICAN INDUSTRIES, WORKERS, AND CONSUMERS

PROGRAM NAME	TRADE PROMOTION AND U.S. AND FOREIGN COMMERCIAL SERVICE (US&FCS)
Year	● 2008
Score and Rating	● Adequate – 68%
Lead Bureau	● International Trade Administration (ITA)
Major Findings/ Recommendations	● The US&FCS has improved program efficiency. In recent years, US&FCS has taken steps to improve program efficiency, such as co-locating offices with state and local economic development offices and partnering with private sector companies. ● The program is taking steps to perform an impact evaluation. US&FCS has had process evaluations that have complemented aspects of the program's administration, but it has not had an impact evaluation assessing achievement of program mission and goals. An impact evaluation and the relatively new performance measures will make determining actual program impact and performance better. ● While the Trade Promotion Coordinating Committee (TPCC) coordinates effectively on many ad hoc issues, the group could strengthen its strategic planning by incorporating shared performance measures into the National Export Strategy. This will help to ensure that the government-wide export strategy includes measurable performance outcomes and documents the impact of U.S. government trade promotion activities on a government-wide basis.
Actions Taken/ Planned	● Completing an impact evaluation that assesses achievement of the program's mission and goals. ● Developing a plan for performance assessment with other TPCC agencies to assess the overall U.S. government's impact on export expansion, especially among small and medium-sized enterprises (SME). ● Implementing a financial system to better track how resources are applied to program goals and the actual cost of services provided.

STRATEGIC GOAL 2: PROMOTE U.S. INNOVATION AND INDUSTRIAL COMPETITIVENESS

PROGRAM NAME	INTELLECTUAL PROPERTY PROTECTION ACTIVITIES
Year	● 2008
Score and Rating	● Adequate – 67%
Lead Bureau	● U.S. Patent and Trademark Office (USPTO)
Major Findings/ Recommendations	● The number of foreign officials trained and making positive changes in intellectual property policy has increased. The Office of Intellectual Property Protection and Enforcement (OIPPE) is training more foreign officials, especially from Brazil, Russia, India, and China, and the percentage of these officials making positive changes in intellectual property policy in their home countries exceed targets. ● A lower percentage of countries on the U.S. Trade Representative's (USTR) 301 list or awaiting World Trade Organization (WTO) accession have positively amended their intellectual property systems. This indicates that U.S. efforts to strengthen global intellectual property protections can be improved. Countries on USTR's 301 list or awaiting WTO ascension have intellectual property systems that can be improved. ● OIPPE will begin to track new outcome measures related to their intellectual property protection activities, but results are not available yet. OIPPE has developed measures to track their program activities' performance. However, very few actual results are available, which makes evaluating program performance difficult.
Actions Taken/ Planned	● Contracting with an independent organization to conduct an evaluation on the long-term outcomes and impact OIPPE assistance has on intellectual property protection and enforcement.
PROGRAM NAME	PATENTS
Year	● 2008
Score and Rating	● Moderately Effective – 74%
Lead Bureau	● U.S. Patent and Trademark Office (USPTO)
Major Findings/ Recommendations	● The Patents organization has improved the quality of examinations. USPTO improved its final allowance compliance rate, which measures whether decisions made by examiners are correctly made according to applicable statutes. Also, the in-process compliance rate, which measures the accuracy of initial examiner decisions, has increased since 2001. ● The percentage of applications filed and managed electronically has greatly increased. The percentage of applications filed electronically has increased nearly five-fold since 2006. Also, nearly all patent applications are managed electronically while they are at USPTO. ● Improvements still need to be made on patent wait times. While USPTO is receiving record patent applications, more process improvements need to be made to alleviate wait times.
Actions Taken/ Planned	● Undertaking an evaluation of the underlying assumptions used to establish examiner production goals. ● Reviewing the current patent fee structure. ● Undertaking an examination of the impact of the patent system.

STRATEGIC GOAL 3: PROMOTE ENVIRONMENTAL STEWARDSHIP

PROGRAM NAME	TSUNAMI MONITORING, FORECASTING, AND WARNING PROGRAM
Year	● 2008
Score and Rating	● Effective – 93%
Lead Bureau	● National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	● The program is designed to have a unique and significant impact. The program consolidates components related to the research, operation, and outreach regarding tsunamis under a central leadership and emphasizes activities accordingly. Advances made by the research team quickly migrate into the program's operations. ● The program is meeting ambitious targets. The overall goal of the program is to provide timely and accurate warnings of tsunamis to well-prepared communities. The program has reduced warnings times and increased the accuracy of predictions, while establishing cost-saving measures to improve efficiency. ● Emphasis on highest risk communities and measures regarding international collaboration could be improved. The Government Accountability Office (GAO) concluded in 2006 that the program needed to prioritize communities located in regions where the risk of tsunamis is high. The program has only recently established performance measures to track performance in this area.
Actions Taken/ Planned	● Implementing recently developed measures to ensure that the operation and maintenance targets are met and continue to be ambitious. ● Targeting hazard assessments and improving quality of decision tools for highest-risk communities. ● Improving outcome-oriented measures regarding international partnerships and exchange of data. ● Track performance measures and implement plans to track improvements in inundation model forecasts, data archival, and inundation mapping. ● Implement newly developed measures to ensure that warning operations and maintenance targets are met and continue to be ambitious.

HIGH RISK ISSUE/2010 CENSUS

Automation problems and uncertain costs and plans may jeopardize the success of the 2010 Census, and warrant immediate attention. The decennial census is a Constitutionally-mandated activity that produces critical data used to apportion Congressional seats and to allocate over $200 billion in federal assistance each year.

Goal

Strengthen management and oversight, and reduce risks for the 2010 Census.

Challenges/Actions

- **Develop an integrated and comprehensive plan to control costs and manage operations**

  - Continue to improve management practices and communications (both internal and external).

  - Manage the schedule with weekly analysis of the activities and milestones contained in the integrated project schedule.

  - Finalize detailed cost estimate and assumption matrices for all operations.

- **Strengthen risk management activities and systems testing**

  - Develop mitigation and contingency plans to accompany the risk management plan and ensure ongoing involvement of senior management in risk review.

  - Develop detailed testing plans, including gap analysis.

  - Implement and monitor system testing across the 2010 Census program.

- **Improve management of the Field Data Collection Automation (FDCA) effort**

  - Finalize scope of the FDCA contract, and finalize plan for completing work de-scoped from the FDCA contract, including any additional risk reduction milestones.

  - Conduct and monitor extensive testing, including coding and unit testing, field testing, production integration testing, and operational readiness testing (by the Census Bureau and contractors).

  - Oversee deployment, by the FDCA contractor, of equipment and systems to the local census offices.