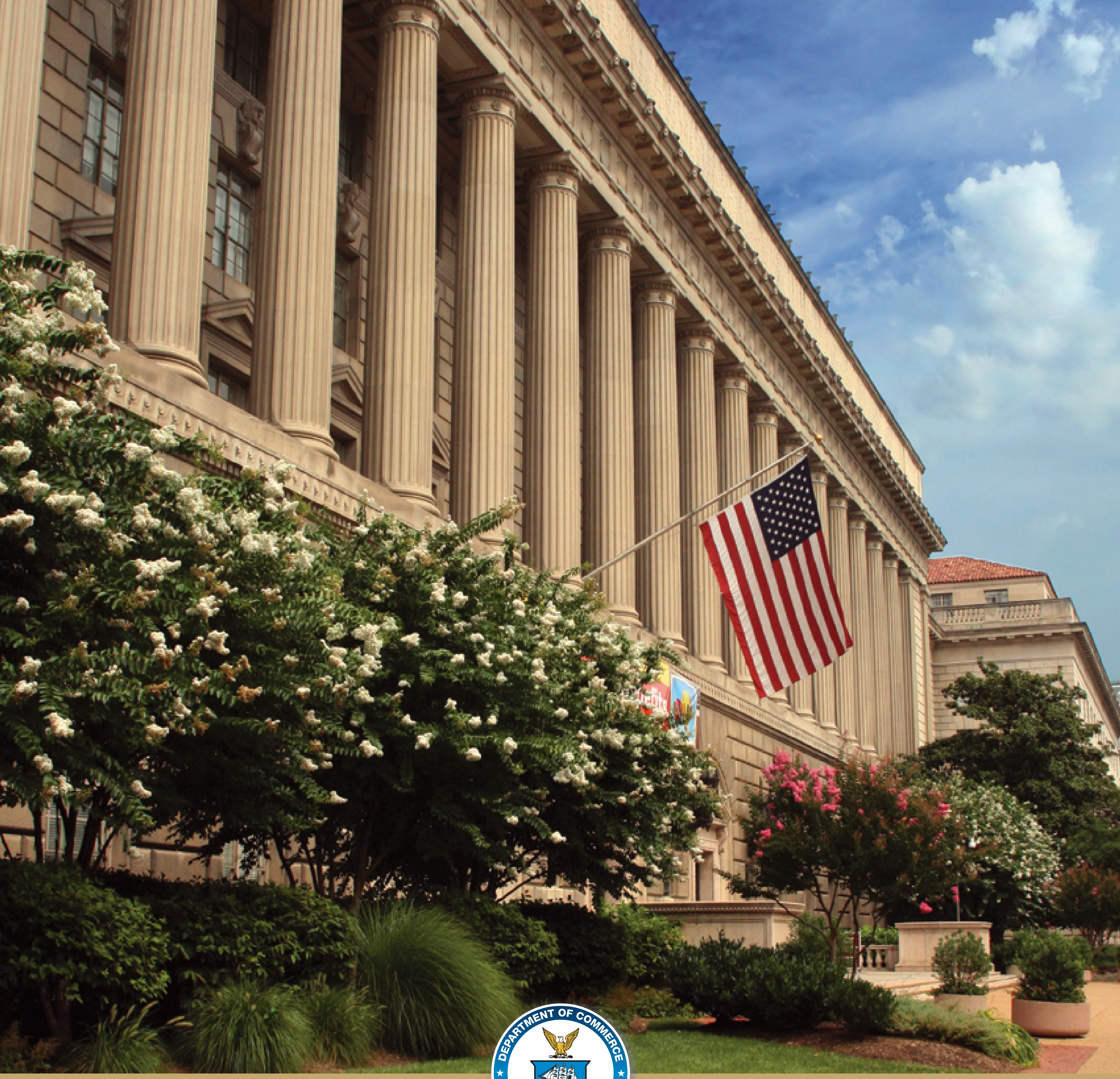

U.S. DEPARTMENT OF COMMERCE

FY 2008 PERFORMANCE & ACCOUNTABILITY REPORT

AMERICAN JOBS, AMERICAN VALUES

The Department at a Glance

History and Enabling Legislation

The Department of Commerce is one of the oldest cabinet-level departments in the United States Government. Originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591), it was subsequently renamed the U.S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. Section 1512). The defined role of the new Department was "to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States."

Mission

The Department of Commerce 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*.

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.

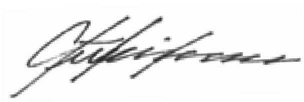
The Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process that reviews performance measurement data as well as the measures themselves. This process includes selecting specific 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.

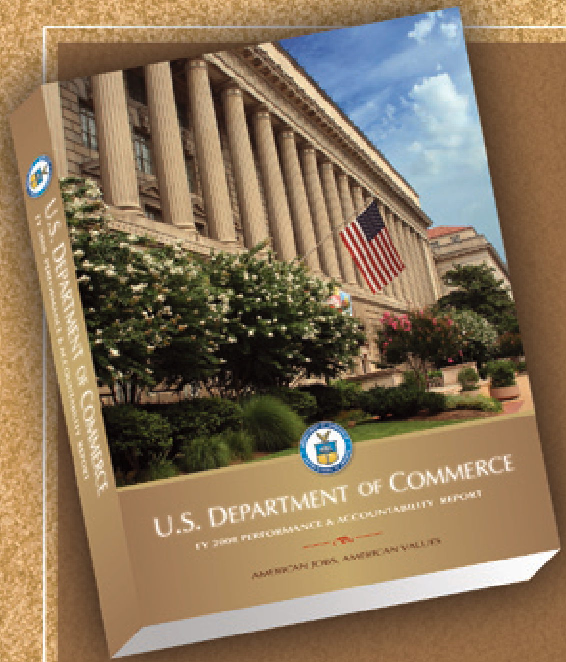
In our efforts to make our programs more efficient, effective, and results-oriented, we continue to be guided by the President's Management Agenda (PMA). We have made significant progress in implementing the core government-wide initiatives: strategic management of human capital, competitive sourcing, 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

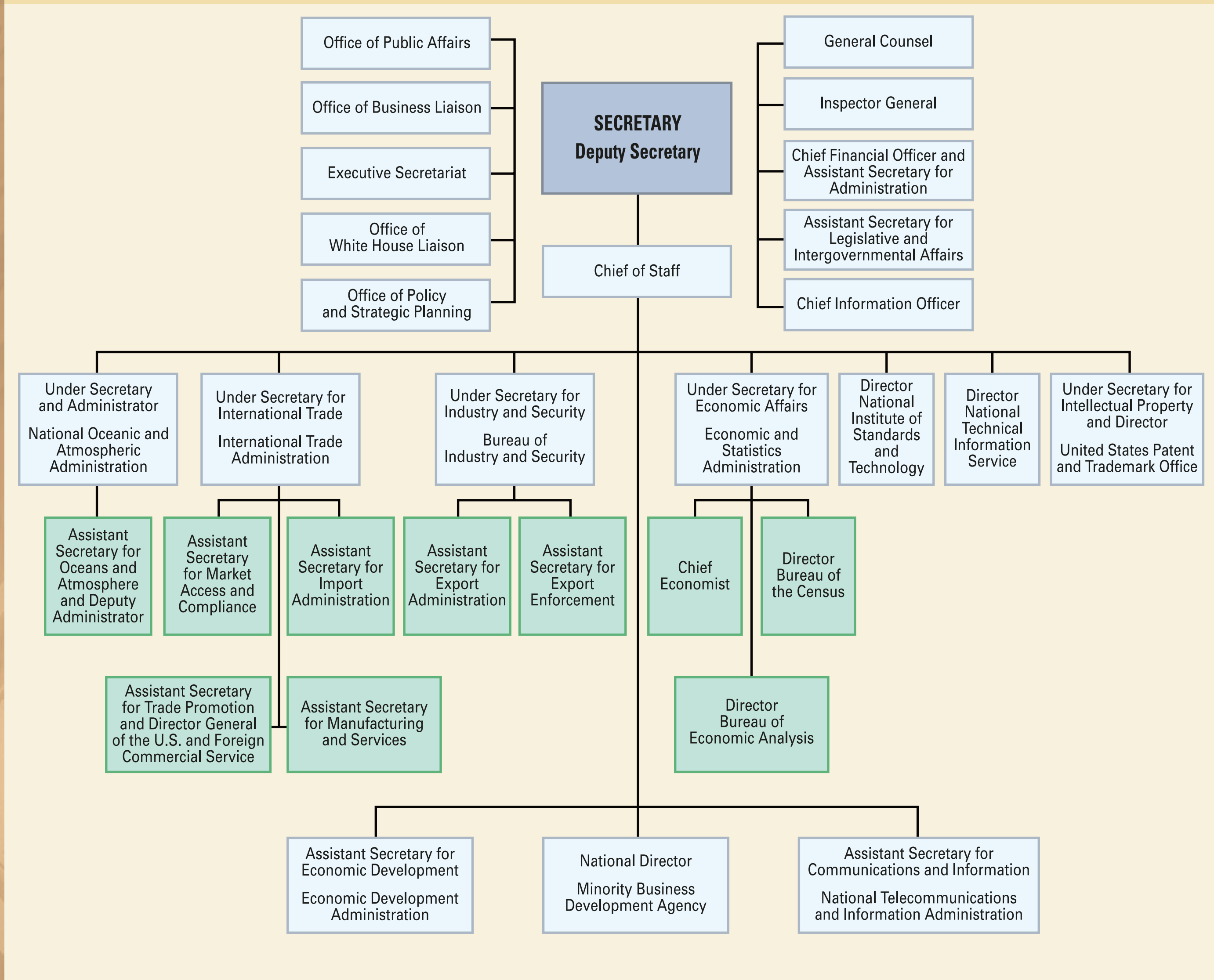
This section provides a discussion of the data sources used in this report, summary chart of performance information, financial information, and a glossary of acronyms.

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



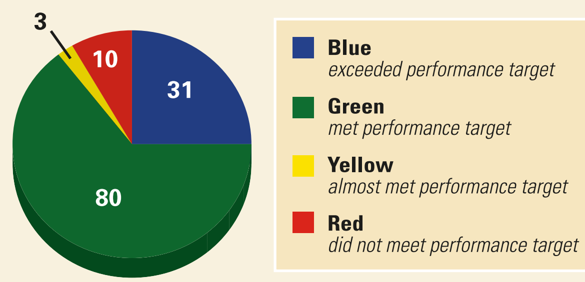
FY 2008 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

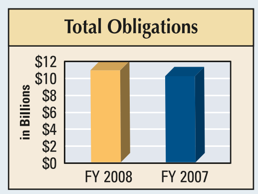
Overall performance results for the Department show that of the 124 performance targets, 90 percent were at or above target, one percent slightly below target, and seven percent not on target. These results are better than last year, when 86 percent were at or above target. Below are the performance 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.

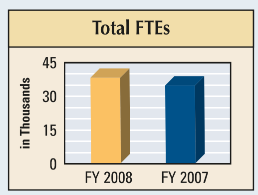
PERFORMANCE RESULTS

Number of Targets



(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

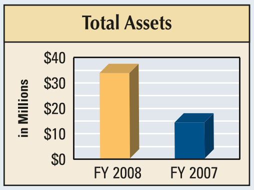


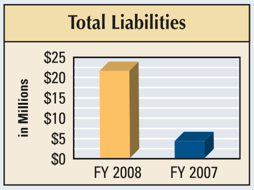


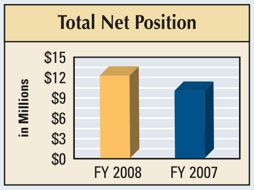
[1] *Performance obligations may differ from obligations shown in financial reports because they do not include one-time funds for unexpected events (e.g., Hurricane Katrina) or reimbursable work that cannot be planned. In these cases, these obligations are not factored into bureau performance amounts.*

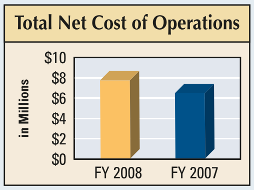
FINANCIAL HIGHLIGHTS

(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**

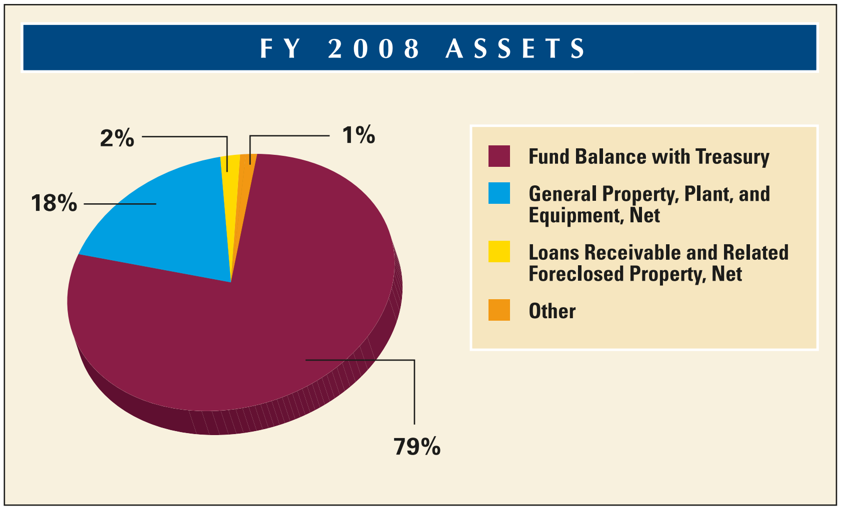


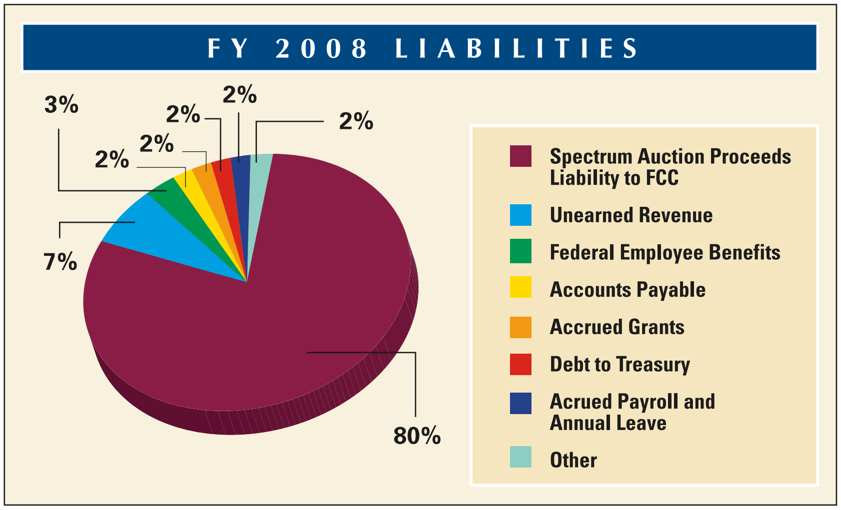






REVIEW OF FINANCIAL POSITION AND RESULTS





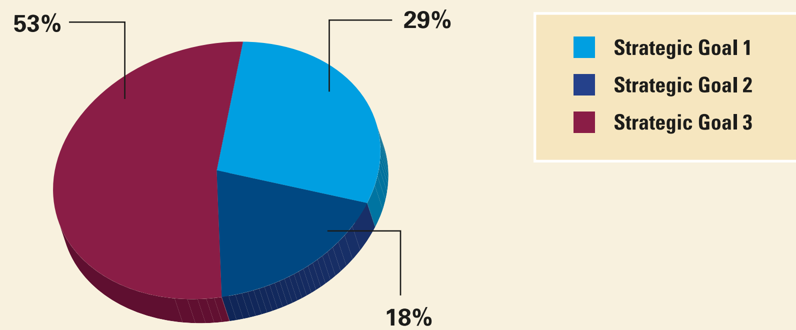
Assets

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



Net Cost of Operations

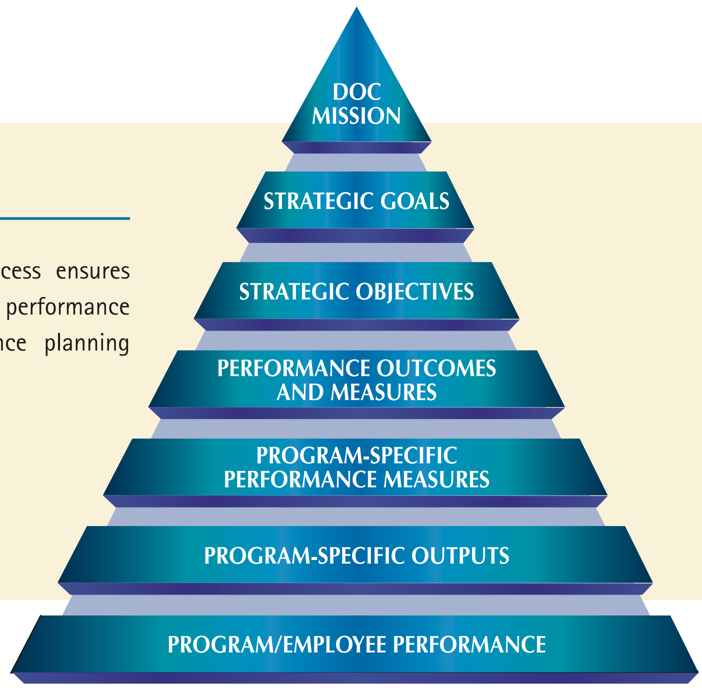
In FY 2008, Net Cost of Operations amounted to $7.7 billion, which consists of Gross Costs of $10.3 billion less Earned Revenue of $2.6 billion. Strategic Goal 1 includes Gross Costs of $2.5 billion related to maximizing U.S. competitiveness and enabling economic growth for American industries, workers, 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.



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.

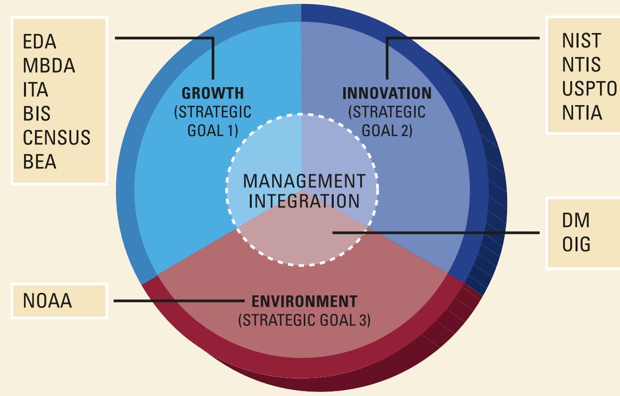
Performance Reviews: The Department also conducts quarterly performance reviews. During these reviews, bureau heads report to the Deputy Secretary on the current status of bureau performance, including PART results and efforts on the President's Management Agenda (PMA), and progress towards Government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

MOST IMPORTANT RESULTS

The 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 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.

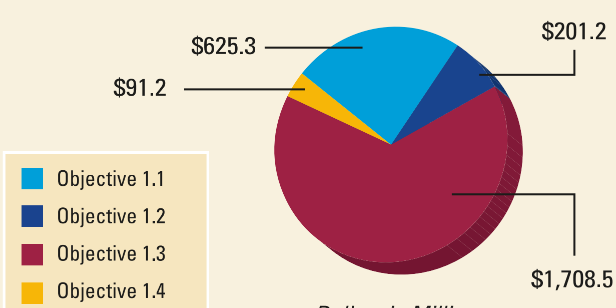
ITA, along with other trade policy agencies, has continued to lower trade barriers through FTAs during FY 2008. Since 2001, the United States has signed over a dozen FTAs and has also sought to improve already existing FTAs, such as the North American FTA (NAFTA). Although countries that the United States 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



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.

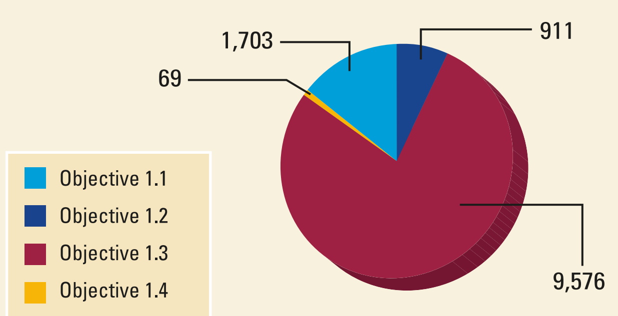
The Department has, perhaps, no greater influence over business than in the area of statistics. The Department, through the Census Bureau and the Bureau of Economic Analysis (BEA), provides vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects 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



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

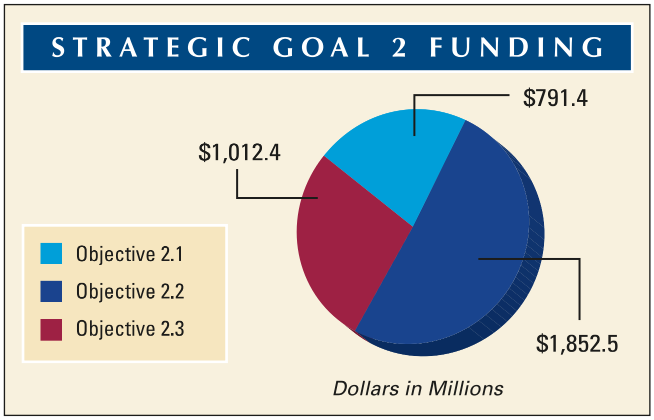
Most Important Results

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.

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.

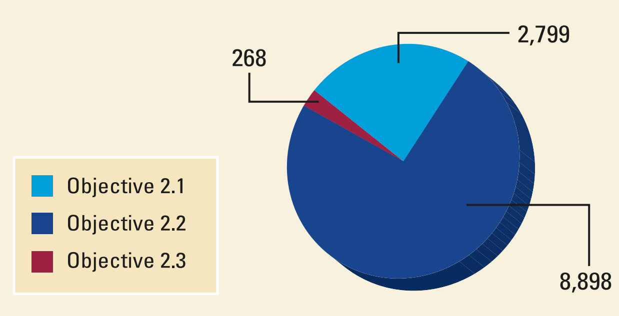
The National Technical Information Service (NTIS) has successfully contributed to the White House initiative prompting improved early childhood development programs for U.S. children, through the storage and distribution of the materials developed by the Departments of Health and Human Services (HHS), 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.



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.

STRATEGIC GOAL 2 FTE



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 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.

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.

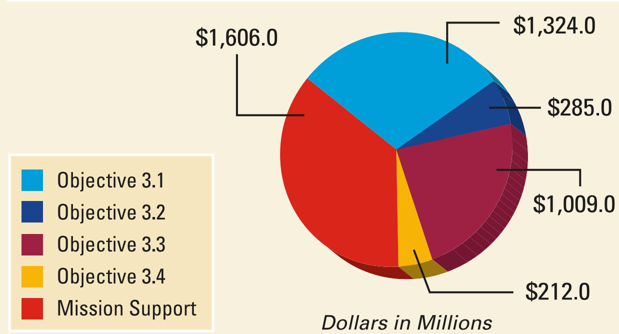
During 2008, NOAA made significant progress in combating the fraudulent mislabeling of seafood products. Through cooperation with the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection, and U.S. Food and Drug Administration (FDA), NOAA seized thousands of pounds of falsely labeled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

STRATEGIC GOAL 3 FUNDING

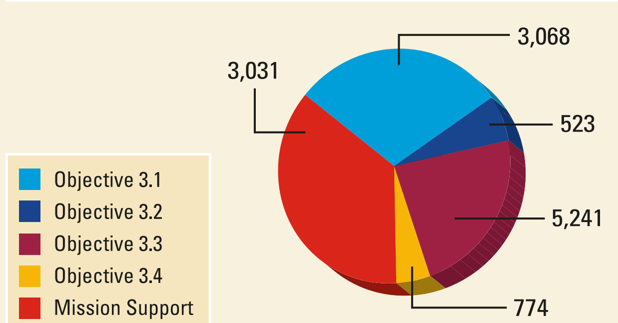


NWS began an initiative to improve aviation weather services for the Federal Aviation Administration (FAA). Each year the NWS prepares and provides approximately four million forecasts for the aviation community, primarily through the Center Weather Service Unit (CWSU) program. In response to the FAA's 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



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

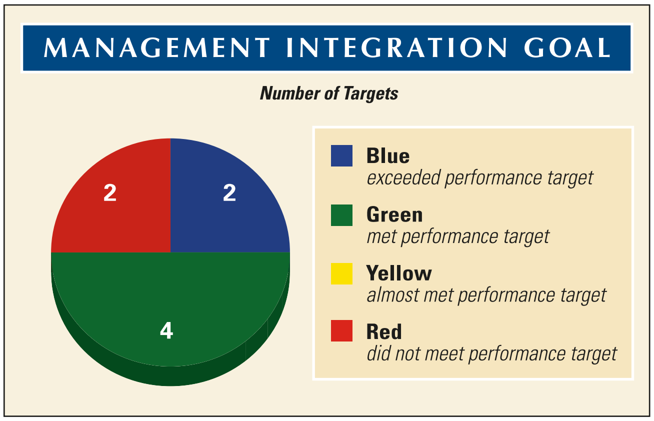
For Strategic Goal 3, based upon the key benefits the Department provides to the U.S. public, and with meeting its performance targets, NOAA did remarkably well. Of the 30 performance measures for this strategic goal, NOAA missed three targets. Two of the targets missed—for accuracy of winter storm warnings 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.



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	Federal Aviation Administration
Research	Environmental Protection Agency	Food and Drug Administration
Telecommunications	Department of Labor	National Institutes of Health
Technology transfer	Department of Housing and Urban Development	Federal Communications Commission
Trade policies	Department of Agriculture	National Science Foundation
Environmental programs	Delta Regional Authority	Department of Homeland Security
Homeland security	Indian Tribes	European Patent Office
Patents and trademarks and intellectual property	Department of Transportation	States
Defense industrial base activities	Small Business Administration	Other Countries and Organizations
Chemical Weapons Convention compliance	Agency for International Development	U.S. Coast Guard
Economic development	Department of Education	U.S. Postal Service
Minority-owned business development	Customs/Border and Transportation Security/Homeland Security	Central Intelligence Agency
Measurements and standards	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

It 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

The 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.

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 CHALLENGES

We 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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<tr><th colspan="2">2008 MANAGEMENT CHALLENGES (continued)</th></tr>
<tr><th>CHALLENGE</th><th>RESPONSE</th></tr>
<tr><td>1. Control the cost and improve the accuracy of the decennial census (continued)</td><td>

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.

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<tr><td>2. Strengthen Department-wide information security</td><td>

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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<tr><th>CHALLENGE</th><th>RESPONSE</th></tr>
<tr><td>2. Strengthen Department-wide information security (continued)</td><td>
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.
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<tr><td>3. Effectively manage Departmental and bureau acquisition processes</td><td>
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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<tr><th>CHALLENGE</th><th>RESPONSE</th></tr>
<tr><td>4. Strengthen internal controls over financial, programmatic, and business processes (continued)</td><td>

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.

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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

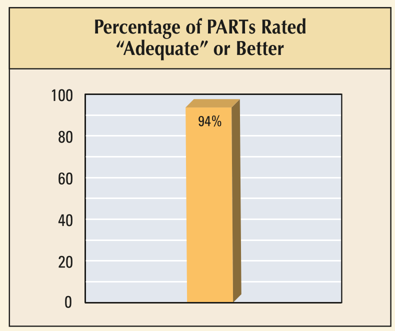
The Program Assessment Rating Tool (PART) is a component of the President's Management Agenda (PMA) that the Office of Management and Budget (OMB) developed to assess and improve program performance so that the federal government can achieve better results. A PART review helps identify a program's strengths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



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.

Performance Section

INTRODUCTION TO THE PERFORMANCE SECTION

In fiscal year (FY) 2008, the Department accomplished its mission through three strategic goals and an overarching management integration goal that articulate long-term outcomes, as well as performance outcomes that represent shorter-term outcomes and priorities. Performance outcomes include specific targets designed to achieve specific performance results within a given fiscal year.

The Performance Section of the report is composed of subsections for each of the strategic goals and is organized in the following manner:

SUBSECTION	PURPOSE
Strategic Goal	Overall summary of the strategic goal.
Strategic Objective	Overall summary of outcomes, program obligations, and performance outcomes that fall under each objective. The information contained in the objective provides the performance outcomes and the activities associated with them. Discussions of the Strategies, Plans, and Challenges for the Future for the strategic objective conclude the section.
Performance Outcome	Performance Outcome Description and Achievements. The information contained in each performance outcome is designed to provide the reader with the overall achievements of the performance outcome.

Within each Strategic Goal section, there are summary charts that provide the historical trend data for financial obligations and full-time equivalents (FTE) resources, and overall performance results. At the beginning of each strategic goal section and each objective section is a table summarizing the performance outcomes. In the description of each performance outcome is a performance table (with shaded status cells) that shows the status of the performance measures associated with that outcome: exceeded (more than 125 percent of target), met (100 to 124 percent), slightly below target (95 to 99 percent) and not met (below 95 percent of target). Status cells for exceeded measures are shaded blue; met, green; slightly below, yellow; and not met, red. In addition, a new category, "improved, but not met," has been added for FY 2008. Status cells for this category are shaded orange, with this category applying to any year in which the actuals for the given year are better than the previous year, but the target still was not met. All dollar amounts shown are in millions, unless otherwise indicated.

Historical details on each performance result are located in Appendix A, which provides individual measurement results and descriptions of actions to be taken if the measure does not achieve positive results. It includes explanations and strategies to address performance deficiencies. A list of program evaluations, inspections, and audits can be found at *http://www.osec.doc.gov/bmi/budget/.*

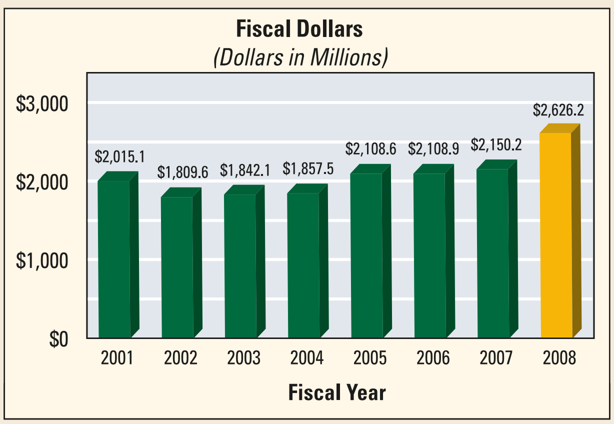
Strategic Goal 1

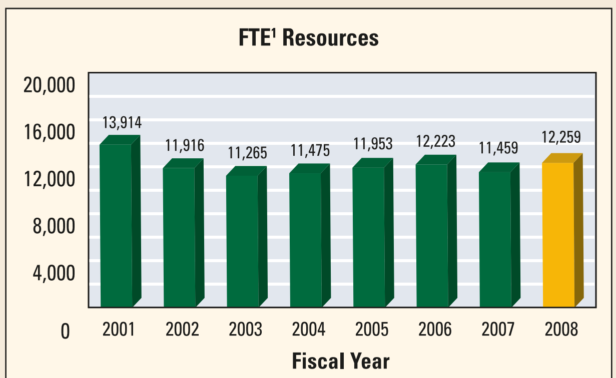
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote private investment and job creation in economically distressed communities (EDA)	6 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	5 of 6
Strengthen U.S. competitiveness in domestic and international markets (ITA)	3 of 4
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
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
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
Raise the productivity and competitiveness of small manufacturers (NIST)	4 of 4

STRATEGIC GOAL 1

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

STRATEGIC GOAL 1 TOTAL RESOURCES

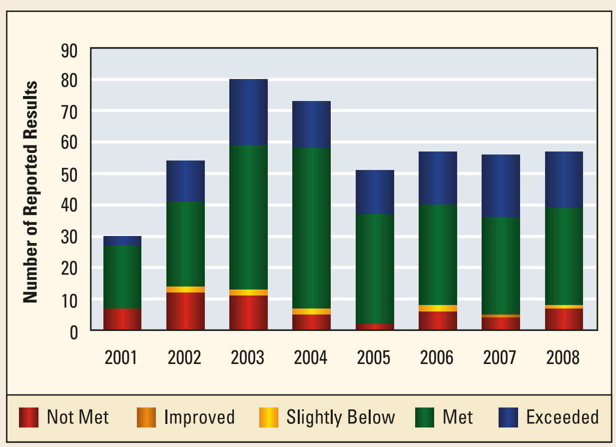




[1]*FTE—Full-Time Equivalent*

The Department is committed to opening and expanding foreign markets for U.S. goods and services and improving the Nation's export performance. The International Trade Administration (ITA) promotes U.S. export growth through the implementation of the Trade Promotion Coordinating Committee's (TPCC) National Export Strategy, ensuring that policies and priorities are consistent with national security and U.S. foreign policy objectives. The Department enhances cooperation with its partnership organizations so that U.S. businesses benefit from global business through free market trade negotiations and through identified priority markets. The Department continues to focus on fostering a level playing field for U.S. firms through development of trade policy positions, advancement of negotiating positions, and effective execution of U.S. trade laws intended to curb and combat predatory trading practices such as dumping and subsidies.

STRATEGIC GOAL 1 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

The Bureau of Industry and Security (BIS) ensures that export controls do not unduly disadvantage U.S. firms in world markets by eliminating outdated controls and streamlining the process for obtaining export licenses for products that remain under export controls. These continual improvements are being made while being mindful of the dual-use nature of some commercial technologies and the national security implications of those technologies.

The Economics and Statistics Administration (ESA), composed of the Census Bureau and the Bureau of Economic Analysis (BEA), provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population with the Department at the forefront of national efforts to continually improve these statistics. The Census Bureau provides current and baseline population information that affects everything from redistribution of Congressional seats to the distribution of federal funds. In addition, the Department seeks to understand the strength and direction of the economy as well as the determinants of growth as the Nation shifts to more knowledge-based and skill-based industries. Through investments in the improvement of the accuracy of gross domestic product (GDP) and international trade in goods and services measures by BEA, the Department can supply the economic statistics essential to sound business forecasting and monetary policy.

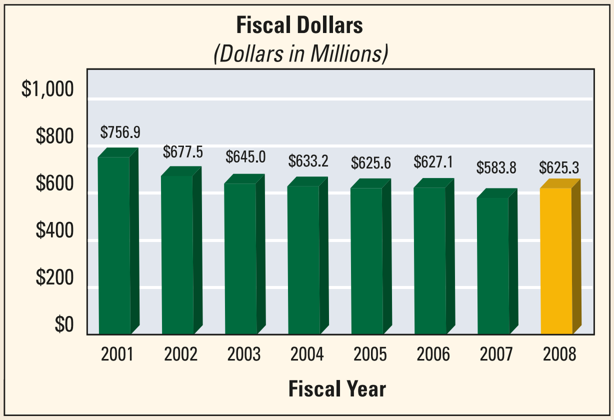
In support of disadvantaged individuals and communities, the Economic Development Administration (EDA) promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and leverage private capital investment. Likewise, the Minority Business Development Agency (MBDA) promotes private enterprise and investment within minority communities.

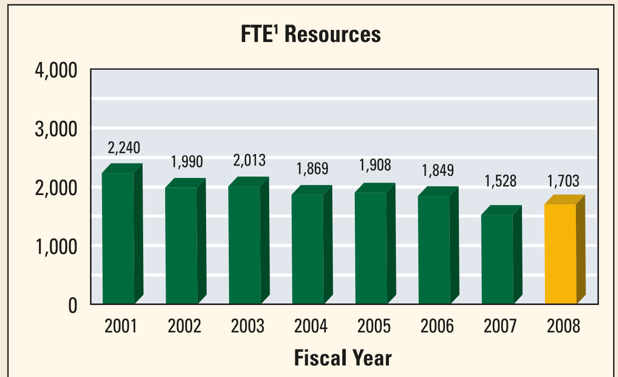
In support of manufacturing against a backdrop of coping with accelerating technological change and global competition, the National Institute of Standards and Technology (NIST), through the Hollings Manufacturing Extension Partnership (MEP) program's nationwide network of manufacturing centers, helps smaller firms adopt new and advanced manufacturing and management technologies and innovative business practices to position them to compete in the global economy.

STRATEGIC OBJECTIVE 1.1

Foster domestic economic development as well as export opportunities

STRATEGIC OBJECTIVE 1.1 TOTAL RESOURCES

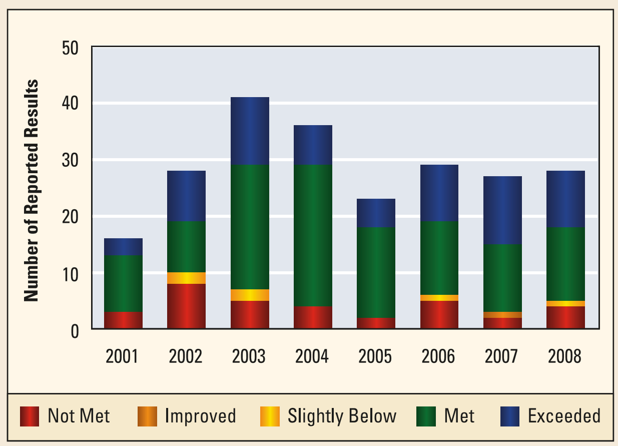




[1]FTE—Full-Time Equivalent

This objective focuses on increasing private enterprise and job creation in economically distressed communities and regions, improving community capacity to achieve and sustain economic growth, increasing trade opportunities for U.S. firms to advance U.S. international commercial and strategic interests, expanding the U.S. exporter base, improving the U.S. competitive advantage through global e-commerce, and increasing opportunities and access for minority-owned businesses to the marketplace and financing. EDA, ITA, and MBDA all support this objective.

STRATEGIC OBJECTIVE 1.1 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Performance Outcome:* *Promote private investment and job creation in economically distressed communities (EDA)

EDA tracks the amount of private investment generated and jobs created or retained as a result of EDA investments at three, six, and nine-year intervals following the award. The following table shows the targets and actuals for the amount of private investment generated and jobs created or retained for funding provided in FY 1999, FY 2002, and FY 2005. Preliminary data collected for investments made in FY 1999, FY 2002, and FY 2005 indicate that these EDA investments have helped generate more than $6.6 billion in private sector investment and create and retain 103,239 jobs.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Private investment leveraged – 9 year totals (in millions)	$2,080	$4,173	Exceeded
Private investment leveraged – 6 year totals (in millions)	$970	$1,393	Exceeded
Private investment leveraged – 3 year totals (in millions)	$270	$1,013	Exceeded
Jobs created/retained – 9 year totals	56,900	57,701	Met
Jobs created/retained – 6 year totals	28,900	30,719	Met
Jobs created/retained – 3 year totals	7,227	14,819	Exceeded

RESULTS

EDA met or exceeded all of the targets for this outcome.

An EDA investment of $1.5 million in the Keystone Hotel business incubator in McCook, NE, is assisting the nurturing of entrepreneurs and incubation of new businesses in a rural region of southeastern Nebraska where economic diversification is badly needed. In addition to its direct economic benefits, the EDA award is funding half of the cost of renovating the historic Keystone Hotel. An initial estimate indicates it has exceeded its private investment and job creation forecasts of $24.8 million and 52 jobs respectively, and was consistent with the region's Comprehensive Economic Development Strategy (CEDS). Most importantly, the investment addressed EDA's investment funding priorities by promoting regionalism and entrepreneurship. The Keystone project allows the expansion of 21st Century Systems, a software application firm now operating on the McCook Community College campus and will also house the McCook Entrepreneurship Center, a full-service support program for entrepreneurs which offers resources and support for startup businesses.

Performance Outcome: Improve community capacity to achieve and sustain economic growth (EDA)

EDA continues to build upon partnerships with local development officials: Economic Development Districts (EDD); University Centers; faith-based and community-based organizations; and local, state, and federal agencies. Through these partnerships, EDA supports local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, and leverage outside resources to improve the local economy to sustain long-term economic growth. EDD funding supports local officials to develop or revise and implement their CEDS. The CEDS is a long-term strategic plan for the economic growth of the region, and communities therein, that identifies projects that will attract private investment and create and retain higher-skill, higher-wage jobs, particularly for the unemployed and underemployed in the Nation's most economically distressed regions. EDA's 11 Trade Adjustment Assistance Centers (TAAC) provide technical assistance to manufacturers and producers that have lost employment, sales, or production due to increased imports of competitive goods. The goal of the technical assistance is to assist these U.S. companies to become more competitive in the global economy.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percentage of economic development districts (EDD) and Indian tribes implementing economic development projects from the comprehensive economic development strategy (CEDS) that lead to private investment and jobs	95%	92%	Slightly Below
Percentage of sub-state jurisdiction members actively participating in the economic development district (EDD) program	89-93%	90%	Met
Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center	75%	80%	Met
Percentage of those actions taken by University Center clients that achieved the expected results	80%	84%	Met
Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs	90%	92%	Met
Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results	95%	95%	Met

RESULTS

EDA met all but one target for this outcome. The actual for the first measure was impacted by an unusually high number of non-reporting Tribes and EDDs. EDA's regional offices are working with those entities to increase their response rate in the future.

Trade Adjustment Assistance for Firms (TAAF) funds technical assistance for U.S. manufacturers seeking to be globally competitive. As recently reported in the *Wall Street Journal*, baseball had been good to Roman Art Embroidery Corp., a company that makes caps for sports fans. Then came the foreign competition, and the manufacturer was hopelessly undercut. "Imports were burying us," said Robert Mazzola, president of the Brockton, MA company. Needing advice, Roman Art turned to the New England TAAC, one of 11 government funded organizations around the country that help companies devise ways to survive against imports. The center and the consultants it retained worked together with Roman Art to develop an entirely new specialty, something foreign competition would have a harder time invading. The solution: go into vintage baseball caps. Relying partly on its own archives, Roman Art now reproduces nostalgia treasures such as caps of the 1946 Dodgers and the 1927 Yankees. By next year, sales of the vintage caps will exceed "the best sales we ever had with the old product line," Mr. Mazzola said. "Without the help, we would have been forced out of the field," he added.

Performance Outcome: Strengthen U.S. competitiveness in domestic and international markets (ITA)

The Manufacturing and Services (MAS) unit of ITA is dedicated to enhancing the global competitiveness of U.S. industry, expanding its market access and increasing its exports. MAS industry experts and economists perform strategic research and analysis in order to shape and implement trade policy, create conditions that encourage innovation, lower the cost of doing business, and promote U.S. economic growth.

MAS strives to:

- Support U.S. industry's global competitiveness through critical analysis of domestic regulations, legislation, trade policy development, and negotiations;
- Ensure U.S. industry input into the interagency trade policy, regulatory, and promotion process;
- Analyze trade data and economic policy to support trade negotiations and bilateral and multilateral discussions;
- Work with industry and government agencies to reduce costs of regulation and other government policies.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis	$350M	$497M	Exceeded
Percent of industry-specific trade barriers addressed that were removed or prevented	15%	29%	Exceeded
Percent of industry-specific trade barrier milestones completed	55%	73%	Exceeded
Percent of agreement milestones completed	100%	0%	Not Met

RESULTS

ITA exceeded three of the four targets. It did not meet the target for the fourth measure because the Administration chose to suspend work on the two agreements ITA was working on.

MAS continues to focus on analysis that evaluates key aspects of competitiveness. The program maintains efforts to assess the impact of regulations on competitiveness and currently is advancing issues related to six major rules from the Environmental Protection Agency (EPA), the Occupational Health and Safety Administration (OSHA), the Department of Transportation (DOT), and the Department of Justice (DOJ). Cost savings to industry this year amount to $497 million.

The MAS program advanced a key initiative related to sustainable manufacturing during this past year. Sustainable manufacturing practices in the United States have become increasingly popular in recent years as companies look for new ways to make more efficient use of resources, ensure compliance with domestic and international regulations related to environment and health, and enhance the marketability of their products and services. As the trend towards sustainable manufacturing practices grows, so does its implications for U.S. global competitiveness and firm profitability.

Evidence has shown that firms incorporating both environmentally and economically sustainable manufacturing processes can gain competitive advantages in that they reap inherent cost savings (i.e. improving their energy efficiency, minimizing raw materials usage, etc.) while at the same time reap societal benefits for being good stewards of the environment. Many U.S. firms have demonstrated that being environmentally sustainable can also mean being profitable.

In order to offer effective and continued support to U.S. companies in their sustainable manufacturing efforts, MAS launched a Sustainable Manufacturing Initiative and Public-Private Dialogue that aims to (1) identify U.S. industry's most pressing sustainable manufacturing challenges, and (2) coordinate public and private sector efforts to address these challenges.

Performance Outcome: *Increase exports to commercially significant markets including FTA countries, China, and India (ITA)*

ITA has sought to open up large, developing markets like China and India. Exports to both of these markets are significant. During this past year, China became the second largest export market for the United States and exports to India grew at more than 32 percent over last year. These two countries are high priority markets and ITA maintains its focus through trade missions, targeted dialogues to enhance commercial opportunities, and provision of business counseling to help U.S. companies in these fast-growing, but often challenging markets.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percent of imports by China that are exported from the United States	7.5%	7.7%[1]	Met
Percent of imports by India that are exported from the United States	5.5%	4.9%[1]	Not Met

[1] Estimate. Actual will be available in December 2008.

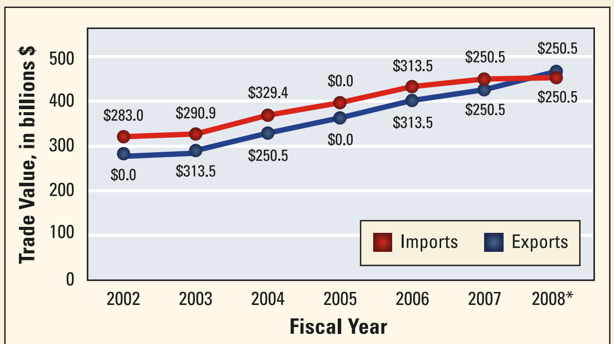
RESULTS

ITA met one of two targets.

For the first time, the U.S. trade balance in manufactured goods with its 14 free trade agreement (FTA) partners is in a surplus. In the first five months of 2008, the trade balance in manufactured goods with U.S. FTA partners rose to a $2.7 billion surplus, from a $12.3 billion deficit during the same period last year.

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.

Manufactured Goods Trade with FTA Partners



***Note:** *Manufacturing goods based on NAICS 31-33, total exports and general imports customs value. 2008 figure is annualized from the first seven months of data.*
Source: *U.S. Department of Commerce, Census Bureau, Foreign Trade Division.*

The U.S. trade balance in manufactured goods improved with all U.S. FTA partners year-to-date through May 2008, except Israel (when compared to the same period of 2007). Nearly half of the $15.0 billion trade balance improvement was due to increasing exports to North American FTA (NAFTA) partner Canada. With Canada alone, the United States went from a $1.8 billion deficit in manufactured goods year-to-date 2007 to a $5.3 billion surplus in the same period of 2008. The U.S. trade balance in manufactured goods also improved significantly with FTA partners Singapore (up $3.0 billion year-to-date), Chile (up $2.0 billion), and Australia (up $1.3 billion).

Performance Outcome: Broaden and deepen U.S. exporter base (ITA)

The health of the U.S. economy depends on U.S. small and medium-sized enterprises (SME). ITA continues to focus on this base because 97 percent of all U.S. exporters are SMEs. Many of these firms have also been successful in doing business in countries that have recently negotiated FTAs with the United States. The Commercial Service program seeks to create a supportive environment in which all U.S. firms, including SMEs, can flourish. In order to achieve this, the Commercial Service seeks to increase export opportunity awareness among U.S. companies by identifying potential exporters who need assistance; leveraging electronic and traditional media; enhancing relationships with customers; and developing alliances and partnerships with state, local, and private partners to deliver export assistance. The Commercial Service helps U.S. companies take advantage of world market conditions to find new buyers around the world. A growing list of FTAs provides price and market access benefits. ITA offers four ways to help U.S. firms grow their international sales by: (1) providing world-class market research, (2) organizing trade events that promote products or services to qualified overseas buyers, (3) arranging introduction to qualified buyers and distributors, and (4) offering counseling through every step of the export process.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of export successes made as a result of ITA involvement	11,385	12,659	Met
Number of new-to-market (NTM) export successes	4,760	3,627	Not Met
Number of increase-to-market (ITM) export successes	5,925	8,606	Exceeded
Number of new-to-export (NTE) successes	700	426	Not Met
Dollar value of advocacy cases completed successfully (based on a three-year moving average)	$30.0B	$30.1B	Met
Commercial diplomacy success (cases) (annual)	160	181	Met

RESULTS

ITA met or exceeded three of six targets. ITA is shifting its emphasis to "increase-to-market" successes, thus, it missed the targets for "New-to-market" and "New-to-export" successes;

In 2008, the Department continued to expand its outreach to strategic partners, including U.S. cities and states, corporate partners, and trade associations. The Commercial Service is incorporating states' course content and participants in trade specialist training programs. 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 Commercial Service's ongoing partnerships with FedEx, UPS, PNC Bank, M&T Bank, eBay, and Google. In 2008, the Commercial Service maintained active cooperation with the District Export Councils and instituted an Associations Bulletin on Commercial Service activities.

In 2008, the Commercial Service helped generate over 12,000 export successes worth billions of dollars in U.S. export sales, including firms that (1) exported for the first time, (2) entered a new market, or (3) increased their market share in an existing market.

Performance Outcome: *Increase access to the marketplace and financing for minority-owned businesses (MBDA)*

MBDA's strategic programs and management objectives have been aligned to successfully execute its tasks and assignments. A large measure of its continued success has been a result of the performance of its national network of funded projects and the support provided by its regional staff.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Dollar value of contract awards obtained (billions)	$0.90	$0.91	Met
Dollar value of financial awards obtained (billions)	$0.50	$0.94	Exceeded
Number of new job opportunities created	3,000	4,603	Exceeded
Percent increase in client gross receipts	6.0%	6.0%	Met

RESULTS

MBDA met or exceeded all of its targets.

In 2008, MBDA met its targets for contract awards and financial packages obtained for minority business enterprises (MBE). Over $1.8 billion in combined transactions were obtained for minority firms. Much credit is given to the Agency Strategic Growth Initiative (SGI) established by the Agency to attract mid-to-large minority firms capable of competing for larger contract awards. This had a direct impact on new jobs created within minority communities and wealth creation nationwide. MBDA exceeded new jobs created by 53 percent, totaling over 4,600.

This past year MBDA continued to fund four centers in the Gulf Coast region (New Orleans (2), Mobile, and Biloxi) to support the Department and the Katrina recovery effort. MBDA also maintained a temporary district office in New Orleans to oversee Gulf operations and respond to needed services for minority clients. MBDA continued its strategic partnerships and alliances with other federal agencies, such as the Federal Emergency Management Agency (FEMA), the U.S. Army Corps of Engineers, the Department of Homeland Security (DHS), Small Business Administration (SBA), and the Department of Housing and Urban Development (HUD); with state governments, such as Louisiana, Mississippi, and Alabama; with private organizations, such as the Kauffman Foundation, Microsoft, and Lockheed Martin; and finally with national Chambers of Commerce, to include the National Urban League, the U.S. Hispanic Chamber of Commerce, and the National Black Chamber of Commerce. These organizations have provided opportunities, mentoring, training, and other business services to support MBDA program objectives.

MBDA continued to focus on communities requiring immediate assistance and targeted its strategic goals to ensure the most effective allocation of resources to obtain performance results. Business-to-Business (B2B) events attract ready-to-grow minority firms eager to form joint ventures and partnerships to compete for larger prime procurement opportunities in critical areas.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

EDA targets assistance to projects that can provide direct and lasting benefits to economically distressed communities and regions. EDA programs are not intended to work alone, but to increase the availability of outside capital (both public and private) for sustainable development strategies to create and retain private enterprise and jobs in economically distressed areas. EDA's strategies include strengthening local, state, and sub-state partnerships to assess and respond to long-term economic trends, sudden and severe dislocations, and emergencies; establishing flexible program and funding authorities that respond to local priorities; developing partnerships with other federal agencies to improve assistance for distressed communities; and working directly with those communities to achieve long-term development objectives and address sudden and severe economic dislocations.

By generating U.S. exports, ITA supports the development of a stronger market-oriented economic system in areas of the world, contributing both to U.S. economic goals and global stability. ITA supports the President's economic program of export expansion by reasserting leadership in international trade through negotiations, through compliance, and by seeking the removal of nontariff trade barriers. ITA assists in the development of commercial infrastructure in target markets such as China, Turkey, Brazil, India, and through the 14 FTAs.

While contributing to the success of U.S. workers and firms, ITA has led the federal government's export assistance programs at large. The success of the National Export Strategy has depended on ITA's ability to leverage public and private partners to serve more SMEs. Large portions of ITA's resources are directed toward ensuring that U.S. SMEs, service industries, and manufacturers can compete and win in the global economy. With the help of partner organizations ITA has been able to raise general awareness and provide individual companies the help they need to realize their export potential.

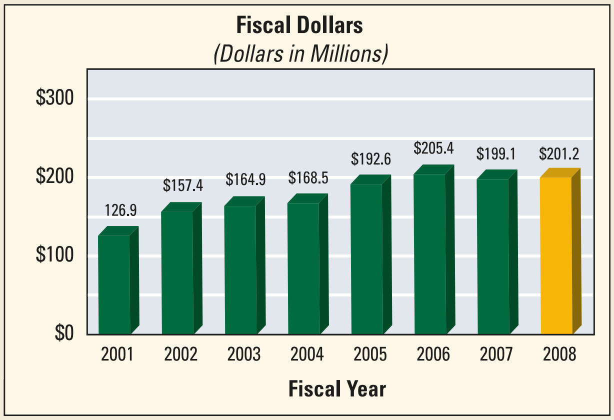
Domestic and international economic conditions affect ITA's success in achieving the outcome "to broaden and deepen the U.S. exporter base." Economic shocks in foreign markets and exchange rate fluctuations can affect U.S. exports and demand for U.S. products. The cooperation of other TPCC member agencies affects the level of services provided to SMEs.

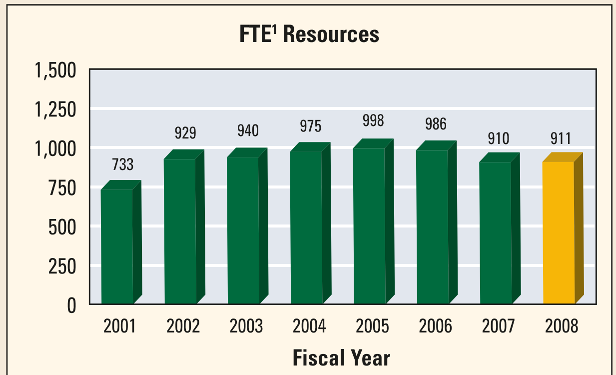
MBDA's challenges include: maintaining a high return on investment (ROI) for its performance measures, encouraging large corporate organizations to sponsor B2B events and open new opportunities to support their supply chain, identifying new SGI minority firms ready to grow and participate in competitive events, and improving the MBDA American Customer Satisfaction Index (ACSI) score. Through its knowledge management efforts, MBDA will ensure that data and information concerning minority business development continue to be published and communicated.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

STRATEGIC OBJECTIVE 1.2 TOTAL RESOURCES



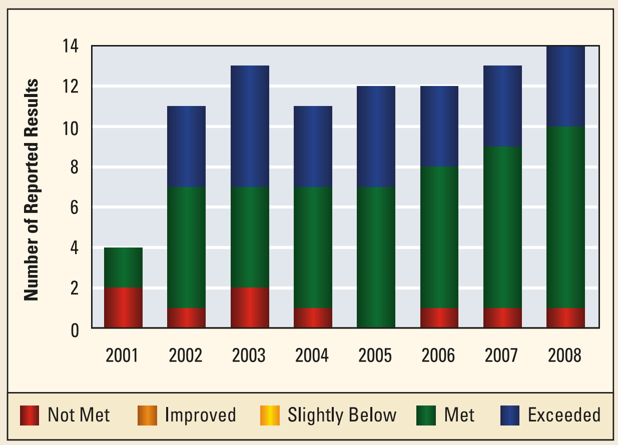


[1]*FTE—Full-Time Equivalent*

Supported by ITA and BIS, this objective focuses on the following tasks:

- Ensuring fair competition in international trade;
- Advancing U.S. national security and economic interests by enhancing the efficiency of the export control system;
- Preventing illegal exports;
- Identifying violators of export prohibitions and restrictions for prosecution;
- Enhancing the export and transit control systems of nations that lack effective control arrangements;
- Ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) Agreement; and,
- Undertaking a variety of functions to support the viability of the U.S. defense industrial base.

STRATEGIC OBJECTIVE 1.2 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

ITA supports the President's foreign policy goals to promote freedom and liberty through free and fair trade, while expanding profitable markets for U.S. goods and services. ITA works extensively with U.S. businesses on a regular basis to help them understand U.S. trade laws related to dumping and foreign government subsidies. The Department takes appropriate actions it identifies as violations. The Unfair Trade Practices Team in ITA's Import Administration (IA) tracks, detects, and confronts unfair competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions.

Dual-use items, subject to the Department's regulatory jurisdiction, have predominantly civilian uses, but could also have conventional military, weapons of mass destruction (WMD), and terrorism-related applications. BIS administers the dual-use export control system by (1) writing and promulgating regulations, (2) processing license applications, (3) enforcing adherence to U.S. law and regulations, (4) conducting outreach to exporters, (5) strengthening the export control systems of other countries, (6) assessing the viability of key sectors of the defense industrial base, and (7) assuring the timely availability of industrial resources to meet national defense and emergency preparedness requirements. Further information on these tasks is available on *www.bis.doc.gov/news/index.htm#annual*.

Performance Outcome: *Identify and resolve unfair trade practices (ITA)*

U.S. industries are entitled to the benefits of trade agreements negotiated by the United States. They are also entitled to the aggressive investigation of unfair trade practices that undercut those agreements. Two program units in ITA, Market Access and Compliance (MAC) and IA, work to ensure that the U.S. firms receive those benefits and obtain prompt relief from unfair trade practices. Trade compliance with negotiated trade agreements and access to foreign markets are existing problems faced by U.S. businesses that choose to sell their products overseas.

IA administers, in conjunction with the U.S. International Trade Commission, antidumping (AD) and countervailing duty (CVD) laws to ensure compliance of foreign governments and exporters with AD/CVD sections of international trade agreements and applicable U.S. statutes. IA also shares responsibility with USTR in World Trade Organization (WTO) rules negotiations, WTO dispute settlement proceedings challenging IA decisions, and subsidy enforcement activities. Although IA's primary function is to administer AD and CVD cases, IA also assists U.S. exporters with foreign unfair trade cases, and operates the Steel Import Monitoring and Analysis (SIMA) system.

MAC seeks to obtain market access for U.S. firms and workers and to achieve full compliance by foreign nations with trade agreements they sign with the United States. MAC ensures market access for U.S. businesses; advances the rule of law internationally; and creates a fair, open, and predictable trading environment. MAC also conducts critical trade policy analysis and negotiation support for the Office of the U.S. Trade Representative (USTR) and represents the Department in trade-related dealings with other U.S. government agencies. Based on customer needs, MAC has a sizable caseload from U.S. firms that have encountered a trade barrier.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percent reduction in trade distorting foreign subsidy programs	>0.5%	1.6%	Exceeded
Percentage of AD/CVD determinations issued within statutory and/or regulatory deadlines	90%	90%	Met
Percent of ministerial errors in IA's dumping and subsidy calculations	< 12%	10%	Met
Percentage of market access and compliance cases resolved successfully	35%	39%	Met
Value of market access and compliance cases resolved successfully	$1.5B	$12.3B	Exceeded

RESULTS

ITA met or exceeded all five measures.

IA evaluates its results annually by measuring case error rates as well as the percentage of AD/CVD determinations issued within statutory and/or regulatory deadlines The second measure assesses the quality of the program's work while the third reflects the vigilance of IA staff to complete its casework within the statutory/regulatory time frame. Domestic industry generates AD/CVD cases, and timeliness of case activity is a critical factor for delivering customer satisfaction. Timeliness of casework is also essential for upholding the integrity of the AD/CVD laws as a credible and fair legal mechanism to address unfair trade actions by foreign interests.

In FY 2007, MAC initiated 187 cases from U.S. industry and concluded 158. For the past four years, ITA has met or exceeded targets for the number of cases initiated and the number of cases resolved. In 2007, ITA's trade compliance team received 180 formal inquiries from individuals or companies through the STOP! (Strategy Targeting Organized Piracy) Fakes Web site.

Performance Outcome*: *Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)

The Department administers and enforces controls on exports of dual-use goods and technologies to counter proliferation of WMDs, combat terrorism, and pursue other national security policy goals. The Department also serves as the lead agency for ensuring U.S. industry compliance with CWC. The Department processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with Export Administration Regulations (EAR). The Department engages in activities to prevent violations before they occur and to investigate and prosecute violators to dismantle illicit proliferation networks. Preventive activities include screening license applications for enforcement concerns; conducting end-use checks abroad to confirm the *bona fides* of parties to export transactions, confirm compliance with license conditions, and uncover diversions to unauthorized end-users/uses; and reviewing Shippers Export Declarations and foreign visitors' visa applications to identify potential export control issues. Outreach activities include educating U.S. businesses on export control requirements and identifying suspicious transactions leading to successful preventive and investigative actions. Investigation and prosecution activities involve Department Special Agents conducting cases focused on significant proliferation, terrorism, and military end-use export violations; and the vigorous pursuit of criminal and administrative sanctions. Finally, an integral part of BIS's mission is to facilitate compliance with U.S. export controls by keeping U.S. firms informed of export control regulations through an extensive domestic and foreign outreach program.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percent of licenses requiring interagency referral referred within 9 days	95%	99%	Met
Median processing time for new regime regulations (months)	3.0	2.0	Exceeded
Percent of attendees rating seminars highly	85%	93%	Met

(continued)

PERFORMANCE MEASURE *(continued)*	TARGET	ACTUAL	STATUS
Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time for so the United States can meet its treaty obligations	100%	100%	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	675	881	Exceeded
Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)	87%	87%	Met
Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification	215 PSVs/80%	136 PSVs/93%	Met

RESULTS

BIS met or exceeded all seven targets for this outcome.

The Department continued to process export license applications in a timely manner, thereby benefiting exporting companies and industries, while protecting national security and foreign policy interests.

In FY 2008, the Department exceeded its target by completing 881 actions that resulted in a deterrence or prevention of a violation. The Department also ensured that its investigation case load was targeted on the priority areas of WMDs, terrorism, and military diversion.

In FY 2008, the Department successfully promulgated regulations that adapted export controls to the evolving national security and economic situation. Many of these efforts are directly linked to the President's dual-use trade reform directive of January 22, 2008. Noteworthy regulations published include multilateral export control regime changes from 2007/2008, plenary meetings, extension of the Validated End-User (VEU) program to India, identification of the first VEUs for China, revisions of encryption rules and an expansion of the Entity List to provide exporters with information on end-users involved in proliferation and other (e.g., conventional arms, terrorism support) activities contrary to U.S. interests. The Department also initiated a comprehensive review of the Commerce Control List, which to date has resulted in regulatory changes and a new guidance to exporters to facilitate compliance with EAR, and a plan to conduct such reviews on a routine basis. The Department added a new performance measure in FY 2008 to evaluate exporter compliance with EAR through review of the Automated Export System (AES) data. The Department provides guidance to the exporting community regarding the EAR and antiboycott regulations through public outreach and its telephone and e-mail advice line. In addition, the Department published a proposed rule to implement treaty obligations under the Additional Protocol to the U.S.-International Atomic Energy Agency (IAEA) Safeguards Agreement.

Performance Outcome: *Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)*

The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to improve the participation and compliance of existing members of the multilateral export control regimes and cooperates with other countries to help them establish effective export control programs.

The Department helps improve the effectiveness of the multilateral export control regimes (Australia Group for chemical and biological weapons items, Missile Control Regime, Nuclear Suppliers Group, and Wassenaar Arrangement for dual use technologies and conventional weapons) by participating in U.S. efforts to update and adapt their control lists to the threats facing the United States.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of end-use checks completed	850	490	Not Met

RESULTS

BIS did not meet the target for "Number of end-use checks completed." This was due in part to BIS not completing any Sentinel visits and having less staff to complete these tasks.

The Department worked with other countries to encourage and support their development of effective export control systems consistent with obligations under United Nations Security Council Resolution 1540. In FY 2008, the Department continued its efforts with India and the United Arab Emirates. In addition, the Department assists in implementing its international activities by participating in the U.S. government's Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective export control systems.

Performance Outcome: *Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)*

The Department works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to national security. To this end, it analyzes the impact of export controls and trade policies—including deemed export policy—on strategic U.S. industries, studies the impact of defense trade offsets, advocates for U.S. defense companies competing for international sales opportunities, and evaluates the security impact of certain proposed foreign investments in U.S. companies. The Department also administers the federal government's Defense Priorities and Allocations System (DPAS), which assures the timely availability of industrial resources to meet national defense and emergency preparedness program requirements and provides an operating system to support rapid industrial response in a national emergency.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls	100%	100%	Met

RESULTS

BIS met the target for the measure associated with this outcome.

In FY 2008, the Department announced the results of an important study of the space industrial base published by the Center for Strategic and International Studies based on data collected and analyzed by BIS. In addition, the Department supported administratively the Secretary's Deemed Export Advisory Committee, which provided its recommendations for policies that will continue to provide U.S. industry, academia, and research institutions with access to talented foreign researchers while ensuring that U.S. security requirements are met. In response to these recommendations, the Department published a Notice of Inquiry soliciting public comment on the treatment of foreign nationals and technologies that should be subject to control, and chartered the Emerging Technology and Research Advisory Committee to provide advice on technologies and research activities that may be of interest from an export control perspective. The Department also issued its annual report on the impact of defense offsets on U.S. industry and actively participated in an interagency committee to develop and implement policies for mitigating the use of offsets by U.S. trading partners.

STRATEGIES, PLANS, AND FUTURE CHALLENGES

The Department continues to refine U.S. export controls in light of geopolitical and global market realities to ensure that they meet U.S. national security requirements. The Department also seeks to enhance the effectiveness of the EAR by educating exporters and other stakeholders in the export licensing process, thereby improving industry compliance with export control regulations. These efforts will increase the efficiency of the license processing system and thus enable exporters to be more competitive in the global economy while deterring transactions that threaten U.S. security interests.

The Department will also continue its efforts to strengthen multilateral cooperation on export controls to help strengthen U.S. security by extending controls over sensitive items beyond U.S. borders, and to help ensure a level playing field for U.S. exporters and otherwise permit them access to foreign markets. The Department will continue to develop and implement policy initiatives to integrate other key countries, such as China and India, more tightly into the global dual-use export system, thereby increasing U.S. security and facilitating the export of sensitive U.S. items to these markets.

Strong enforcement of U.S. export regulations is critical to protect U.S. national security interests. The Department will continue to focus on preventing, investigating, and prosecuting the most significant export violations involving proliferation, terrorism, and military end-uses. Focused partnerships with U.S. businesses will be maintained regarding specific goods and technologies sought for hostile acquisition, and the deemed export compliance program will be finalized and implemented.

The Department will also continue to strengthen its ability to promote U.S. competitiveness by improving deemed export policy, studying the impact of export controls and other factors on strategic industries, and evaluating the effects on national security of imports of certain items and foreign investments in U.S. companies.

ITA faces new demands as the international trade environment changes from year to year: new barriers are erected, the role of international organizations and alliances is strengthened, and other foreign regulatory measures are implemented that have a negative impact on ITA exports. Market access cases frequently arise from these foreign regulatory measures as U.S. companies experiencing overseas barriers to U.S. exports, not covered by trade agreements, complain to ITA. Compliance cases rise from complaints received by ITA from U.S. companies regarding failures by foreign governments to implement trade agreements negotiated by the United States and through monitoring efforts by ITA compliance officers.

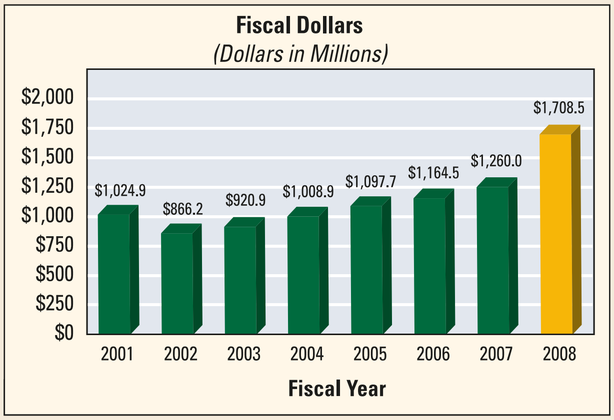
BIS faces the challenges of implementing an export control system that advances U.S. national security, foreign policy, and economic objectives in a dynamic technology and geopolitical environment. This includes strengthening the legal foundation of the dual-use export control system. The Export Administration Act (EAA) lapsed on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Compo 783 (2002), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 FR 44551 (August 7, 2006)), continues the regulations in effect under the International Emergency Economic Powers Act (IEEPA). While the Department effectively exercises its authority under IEEPA, the legal foundation for the dual-use export control system can be strengthened. The Administration has vigorously advocated a streamlined and strengthened export control system that effectively promotes both U.S. national security and U.S. economic interests. To address this challenge, the Department continues to work with Congressional members and staff on export control reforms that enhance the Department's ability to facilitate legitimate global trade while reducing illicit traffic in dual-use items and targeting export control resources on transactions of greatest risk.

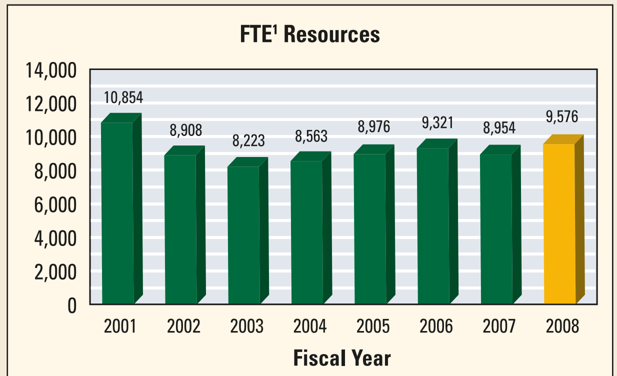
This challenge also includes managing export controls to maximize security with minimum impact on U.S. competitiveness. Trade must rest on a firm foundation of security, yet controls on trade must not disadvantage U.S. exporters needlessly. To meet this challenge, the Department will use BIS's Office of Technology Evaluation and other resources to understand better the impact of technology, markets, and geopolitical developments on U.S. security and competitiveness.

STRATEGIC OBJECTIVE 1.3

Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public

STRATEGIC OBJECTIVE 1.3 TOTAL RESOURCES



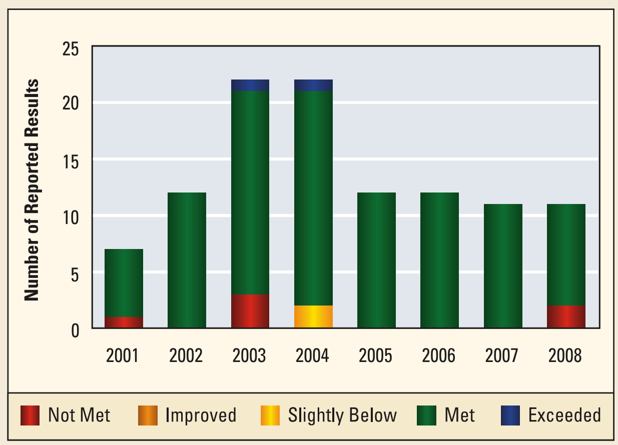


[1]FTE—Full-Time Equivalent

Current and benchmark measures of the U.S. population, economy, and governments play a vital role in the Nation's economic well being. This objective focuses on meeting the needs of policymakers, businesses, nonprofit organizations, and the public for this information while respecting individual privacy, ensuring confidentiality, and reducing respondent burden. The result of achieving this objective is a better understanding of the U.S. economy in that the activities involved provide timely, relevant, and accurate economic data in an objective and cost-effective manner.

The Department's statistical programs and services are widely used by policymakers, business leaders, and the U.S. public. As a primary source for measures of macroeconomic activity, the Department provides the Nation with the picture of its economic health.

STRATEGIC OBJECTIVE 1.3 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Performance Outcome: ***Provide benchmark measures of the U.S. population, economy, and governments (ESA/Census)***

The Census Bureau provides benchmark measures of the Nation's economy and population to help decisionmakers and the public make informed decisions. The Census Bureau's cyclical programs provide the foundation for critical national, state, and local data. These include the Economic Census and Census of Governments, which are conducted every five years, and the Decennial Census program.

The decennial census is used to provide the official population counts for determining the allocation to states of seats in the U.S. House of Representatives and for determining how the districts are defined for those seats. The Census Bureau provides to each state the data necessary to determine Congressional, state, and local legislative boundaries. The decennial census provides comprehensive and useful demographic information about all people living in the United States, Puerto Rico, and the U.S. Island Areas. The program also provides data for small geographic areas and population groups that federal agencies need to implement legally mandated programs. Approximately $300 billion a year is distributed to state and local governments using formulas that are based on data such as state population and personal income.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
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	320	320	Met
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	>89% of key activities completed on time	Some of the planned dress rehearsal activities were cancelled	Not Met
Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI) (This measure applies to the second performance outcome in this objective as well)	73.9	66.0	Not Met

RESULTS

The Census Bureau met one of three targets. While the results of the federal score are not due before December, the Census Bureau does not anticipate meeting its target.

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.

The 2010 Decennial Census program did not complete all key activities for cyclical census programs on time due to the elimination of certain portions of the Dress Rehearsal and the revision of operations for the 2010 Census. Some of the revisions included the rescope of the Field Data Collection Automation (FDCA) project in order to reduce overall program risk. This rescoping effort is a result of concerns raised regarding the ability to meet deadlines and budgets for the FDCA activities. To address these concerns, the Census Bureau undertook an in-depth review of the FDCA program. After receiving the review outcome, it was determined that the Census Bureau should move to a paper-based nonresponse follow-up operation.

The 2010 Decennial Census program conducted mailout/mailback data collection operations for the 2008 Census Dress Rehearsal as well as completed receiving updates from 2010 Census Local Update of Census Address (LUCA) participants.

The Economic Census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The 2007 Economic Census covered some 27 million business locations and 84 percent of the Nation's economic activity. The data help build the foundation for GDP and other indicators of economic performance. During FY 2008, the Census Bureau began collection and processing activities for the 2007 Economic Census. Key accomplishments during FY 2008 included:

- Mailing 4.6 million report forms to 3.1 million businesses;
- Conducting a comprehensive program to encourage response, including focused personal contact and assistance to 200 of the top Fortune 500 companies;
- Conducting the necessary mail and telephone follow-ups with late respondents, which required an additional 3.6 million correspondence packages; answering over 300,000 inquiries from businesses about their reports;
- Providing a 24/7, full-service, one-stop-shop Web site to handle the expected millions of hits; processing over 500,000 referrals for inconsistency among reports; assigning classification codes on the 2007 North American Industry Classification System (NAICS); and assigning geographic location codes to each establishment;
- Increasing the level of electronic reporting so that by the time data collection is complete, over a quarter of the total economic census responses and more than a half of the large multi-unit responses will have been collected electronically.

The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments. The 2007 Census of Governments covered about 90,000 local governments, including thousands of subordinate agencies. This complex and ever-changing government universe is a major economic factor totaling 12 percent of GDP and nearly 16 percent of the U.S. workforce. During FY 2008, principal activities included the creation of the Census of Governments universe frame; release of the preliminary counts of local governments in March 2008; collecting, editing, and processing data for the Employment Phase; and collecting and processing data for the Finance Phase.

Performance Outcome:* *Provide current measures of the U.S. population, economy, and governments (ESA/Census)

The Census Bureau collects and disseminates a wide range of current demographic and economic information to help decisionmakers and the public make informed decisions. The Census Bureau's current economic statistics program provides public and private data users with monthly, quarterly, and annual national statistical profiles of the U.S. economy. Agencies like the Federal Reserve Board and BEA are two of the major users of these data. These data are used to develop the GDP, production indexes, and Congressional economic projections. Also, these data allow users to gauge competition, calculate operating ratios, analyze changes in the Nation's economic structure, calculate market share, locate business markets, and design sales territories.

The Census Bureau's current demographic statistics program provides elected officials and government and business managers with reliable social and economic data to make informed and cost-effective decisions. Data from these programs are used to create official U.S. measures of employment, unemployment, and poverty and widely used measures of income and health insurance coverage.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
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	90% of key censuses and surveys meet/ exceed collection rates/levels of reliability	Met percentages	Met
Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time	Met

RESULTS

The Census Bureau met both of its targets.

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.

Also, during FY 2008, the Census Bureau completed preparatory steps required for the introduction of a new Survey of Income and Program Participation (SIPP) Panel in September 2008.

The Census Bureau met its targets to achieve at least 90 percent of the planned response rates and dissemination targets for Census Bureau surveys. Response rates are a measure of the quality of survey data. Dissemination targets are a measure of timeliness of the data. By meeting these targets the Bureau is providing its users with the high quality and timely data they need to make important policy decisions that help improve the Nation's social and economic conditions.

The Intercensal Demographic Estimates program provides updated estimates of the U.S. population for the country, states, counties, cities, and townships in the years between the decennial censuses. Based on population estimates stakeholders' meetings, the Census Bureau continued to review alternative population estimate methodologies and alternative data sets during FY 2008.

In FY 2008, the Census Bureau also continued to research the potential use of the Master Address File (MAF) as a sampling frame for demographic surveys through the Demographic Surveys Sample Redesign (DSSR) program. The DSSR program provides updated samples for most major recurring household surveys conducted by the Census Bureau to account for changes in the population and demographics, survey requirements and objectives, and survey methods and technology. The Census Bureau completed data analysis and a report on the New Construction Study, an evaluation of the coverage and currency of new housing units on the MAF.

The American Community Survey (ACS), which collects and tabulates long-form data every year throughout the decade, achieved a 98.2 percent weighted response rate, using three modes of data collection (mail-out, telephone, and personal interview). The ACS also released social and demographic data for all places with a population of 65,000 and larger for the third time. The

Boundary and Annexation Survey (BAS) program achieved an 85.9 percent response rate. BAS is used to update information about the legal boundaries and names of all governmental units in the United States.

Performance Outcome: *Provide timely, relevant, and accurate economic statistics (ESA/BEA)*

ESA's BEA produces some of the Nation's most important and closely-watched economic statistics, including the GDP, the broadest measure of economic activity. BEA produces economic statistics for four major program areas: National Economic Accounts, Industry Economic Accounts, Regional Economic Accounts, and International Economic Accounts. Greater descriptions of these accounts can be found on the BEA Web site at *www.bea.gov*. BEA draws on the data collection and analyses conducted by the Census Bureau, Bureau of Labor Statistics (BLS), Internal Revenue Service (IRS), Federal Reserve, and others to produce over 50 public releases of economic statistics a year. Using these data, BEA estimates the Nation's economic accounts. These estimates provide a comprehensive, integrated, and consistent measure of U.S. economic activity and are used as critical ingredients in budget appropriations and forecasts, international trade and policy formulation, and business and personal financial strategies. Without these measures, the Nation's leaders would have little objective information on which to base monetary and fiscal policy decisions, and the domestic and global markets would have few statistics with which to understand the health of the U.S. economy.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)	58 of 58	57 of 58[1]	Met
Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)	> 4.0	4.2	Met
Accuracy: Percent of GDP estimates correct	> 85%	94%	Met
Improving GDP and the economic accounts	Completion of strategic plan milestones	Completed	Met
Meeting U.S. international obligations	Completion of strategic plan milestones	Completed	Met
Budget Related: Preparation of Innovation Accounts	Completion of strategic plan milestones	Completed	Met

[1] See explanation below in Results.

RESULTS

BEA met each of its FY 2008 targets. The Annual Industry Accounts statistical release was rescheduled from December 13, 2007 to January 29, 2008, in order to include important information from the 2006 Annual Survey of Manufactures (ASM) that BEA received from the Census Bureau. Those census data, which provide the most accurate picture of manufacturing production, were originally scheduled to be provided in early December 2007—too late to be included in the statistics if they were to be released on the original December date. So the Census Bureau devoted resources to upgrade its survey processing to provide BEA with the data one month early, and BEA made the decision to reschedule the release to January. If BEA had not reasonably delayed the release, then that information would not have been made available to the public until December 2008. Therefore, the delay resulted in a better product for BEA's data users, so this measure is considered "Met."

BEA has worked to make these critical measures more accurate and more accessible for all users. Great progress has been made in recent years to accelerate the release of BEA's key economic statistics and to expand the level of detail of both new and historical data available. Additionally, BEA has continued to upgrade its electronic survey data collection system, reducing respondent burden and decreasing reporting errors in data collection.

BEA has modernized its statistical processing systems and has made great progress in addressing the significant long and near-term challenges that the organization faces. During FY 2007, BEA achieved a number of important data improvement and availability targets, including:

- Developing satellite accounts for innovation and healthcare;
- Began work on a national production account that is integrated with BLS measures of productivity;
- Reconfigured international service surveys to improve estimates of international transactions, including the use of Census Bureau data to improve the sample frames for surveys of international trade in services;
- Prepared alternative estimates of income and pension receipts;
- Improved the integration of the National Income and Product Accounts (NIPA) and the Industry accounts by researching the difference between them.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

The Census Bureau strives to provide accurate, timely, and useful information to users in the most cost-effective manner while honoring privacy, protecting confidentiality, and conducting work openly. One way the Census Bureau is doing that is through a multi-year effort to re-engineer the census. Through this effort the Bureau meets the Nation's ever-expanding needs for social, demographic, and geographic information by improving the relevance and timeliness of census long form data, reducing operational risk, improving accuracy of census coverage, and containing costs. The strategy is to accomplish that through the use of the ACS, enhancements to the MAF/TIGER database, and a re-engineered shortform-only 2010 census. The Census Bureau will continue the ACS and release products for geographic areas and population groups of 20,000 or greater for the first time in FY 2009.

The Census Bureau intends to strengthen the management and oversight of the FDCA project in order to reduce the risks for the 2010 Census. To achieve this goal, the Census Bureau has laid out four specific actions. They are:

- Develop an integrated and comprehensive plan to control costs and manage operations;
- Strengthen risk management activities;
- Strengthen systems testing;
- Improve management of the field data collection automation.

Other plans for FY 2009 include continuing major contracting efforts related to FDCA, data response integration, data access and dissemination, printing for the 2010 Census, and communications; continuing the overall management and integration of planning, testing, development, and implementation efforts for the 2010 Census; continuing to conduct operations for the 2010 Census, including the opening of the 150 early local census offices; recruiting; and completing the Address Canvassing field operations for the 2010 Census.

Census Bureau economic benchmark data are the foundation of the Nation's economic statistics programs. They provide core information on virtually all non-farm businesses and related data on business expenditures, commodity flows, minority and women-owned businesses, and other topics. During FY 2008, the Bureau began implementing its plans to enhance the 2007 Economic Census to ensure the usefulness and relevance of the programs by expanding content to include first-time collection of data on employers' contributions for pension plans and health insurance and new data on service products; improve the timeliness of respondents, especially for large companies; increase response rates; improve internal processing efficiency; and improve the timeliness of statistical products.

Census Bureau demographic data provide the official source of monthly labor force estimates; quarterly housing vacancy estimates; and annual estimates of work experience, income, poverty, race and ethnicity, migration, and school enrollment; and are the major source of information on the economic well being of Americans over time. In FY 2008, the Census Bureau continued to research the use of administrative records to evaluate and improve data quality and improve instruments and processing systems.

Given the major changes in overall design and methodology, the efforts involved with re-engineering the 2010 Decennial Census program will continue to present a significant management challenge for the Census Bureau and the Department. These challenges are the focus of continuous efforts of the Census Bureau's management and staff, as documented in the High Risk Improvement Plan, prepared for the Office of Management and Budget (OMB) in response to the Government Accountability Office (GAO) designation of the 2010 Decennial Census as a high-risk program.

The Census Bureau continues to address the significant management challenges of meeting user demands for reliable data, obtaining and maintaining targeted response rates for the various surveys conducted, and continuing to maintain respondent confidentiality.

The BEA 5-year Strategic Plan is the most important tool the Agency employs to chart the course of the future and to evaluate all aspects of performance. The milestones of the Strategic Plan feed directly into the performance measures and budget requests of the Agency. In order to assure that these milestones are met, each of BEA's employees is held accountable for completing components of the Strategic Plan.

Twice a year, the blue-ribbon 13-member BEA Advisory Committee meets publicly to review and evaluate BEA statistics and programs. The committee advises BEA's Director on matters related to the development and improvement of the national, regional, industry, and international economic accounts, especially in areas of new and rapidly growing economic activities arising from innovative and advancing technologies. The committee contributes significantly to BEA by providing recommendations for cutting-edge improvements from the perspectives of the economics profession, business, and government.

As part of the annual updates to the BEA 5-year Strategic Plan, BEA provides all of its stakeholders and users an opportunity to review the five-year plan and make recommendations. During 2008, BEA expanded external communications and outreach efforts to inform existing users of upgrades and changes to BEA data, and to educate new users on how they can use BEA data to make better-informed decisions. BEA staff uses outreach opportunities to understand the needs of users, which are then discussed and considered during the annual revision of the BEA 5-year Strategic Plan. This plan is updated each year through a series of BEA directorate-level planning retreats and a senior staff retreat. At the retreats, BEA staff reviews the past Strategic Plan and prepares a public report of the progress toward meeting the milestones. Through this process, BEA is able to clearly define a path that reflects the needs and interests of the U.S. public.

BEA continues to face the following three major challenges in the near future. To tackle them, BEA has developed a detailed, public plan in its Strategic Plan for FY 2008-FY 2012.

Measuring the immeasurable. The U.S. economy is constantly changing. To reflect these changes in the economic accounts, BEA must be quick to recognize and understand them. BEA is currently challenged to reflect the importance of "intangibles" such as knowledge and experience in the accounts. To do so, BEA must improve measurement methodologies in areas like research and development (R&D) and healthcare, monitor changing tax and accounting laws, and locate and incorporate data sources to capture these changes. BEA must continue to keep pace with the dynamic U.S. economy in order to provide the Nation with the most timely, relevant, and accurate economic statistics possible.

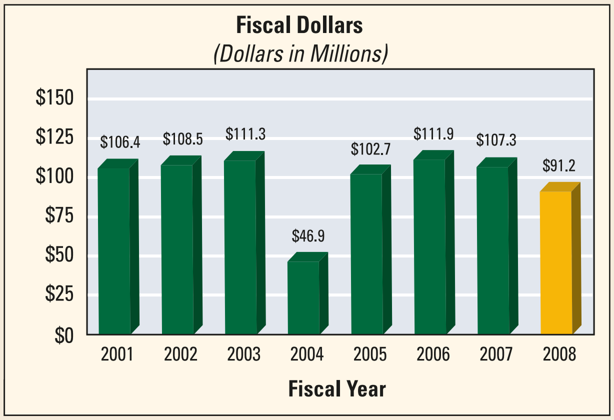
Integrating federal economic accounts. The demand for greater consistency between the various economic accounts in a decentralized statistical system continues to be an important issue among users of federal economic statistics. BEA has made strides in its integration efforts between its productivity statistics and those of BLS, and continues to reconcile its measures of savings with those of the Federal Reserve to integrate shared accounts. The federal agencies responsible for the production of U.S. economic accounts must continue working together to integrate the accounts by harmonizing definitions, methodologies, and analytical techniques in order to provide consistent estimates to users.

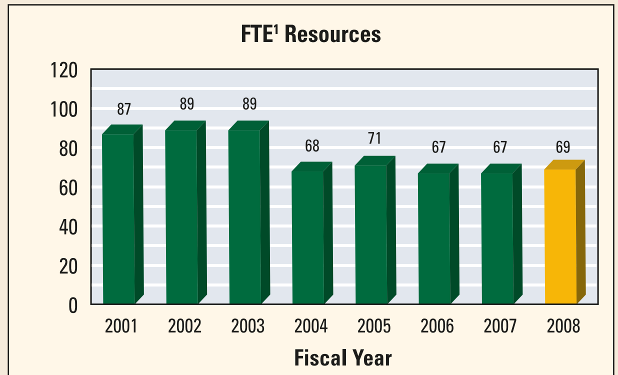
Building and developing a skilled workforce. As much of BEA's senior staff nears retirement age, BEA is experiencing firsthand the importance of institutional knowledge and experience. BEA is devoting itself to the preparation of a new generation of cutting-edge experts and leaders.

STRATEGIC OBJECTIVE 1.4

Position small manufacturers to compete in a global economy

STRATEGIC OBJECTIVE 1.4 TOTAL RESOURCES

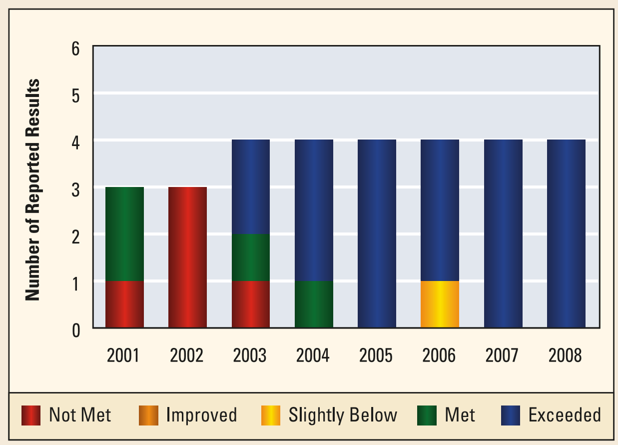




[1]FTE—Full-Time Equivalent

The Nation's approximately 350,000 small manufacturers employ over 11 million people providing intermediate parts and equipment that contribute more than half of the value of U.S. manufacturing production. Their role in manufacturing supply chains is crucial, and the Nation's future manufacturing productivity and competitiveness rests largely on the ability of these establishments to raise their efficiency, lower their costs, and implement a culture of innovation into their business operations.

STRATEGIC OBJECTIVE 1.4 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Performance Outcome: *Raise the productivity and competitiveness of small manufacturers (NIST)*

The most significant challenge facing U.S. manufacturers continues to be coping with accelerating technological change and global competition. The firms that succeed will be those best able to manage the complexity and rapid change affecting all aspects of the manufacturing enterprise. Through the Hollings Manufacturing Extension Partnership (MEP) program's nationwide network of manufacturing centers, which are linked to state, university, community college, and private sources of technology and expertise, NIST helps smaller firms adopt new and advanced manufacturing and management technologies and innovative business practices to position them to compete in the global economy.

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. MEP is focused on providing the services that reduce manufacturer's bottom-line expenses, increase efficiencies, and build capacity. Process and quality improvements offer reduced expenses. Growth services provide the tools to improve top-line sales by adopting new technologies and developing new sales, new markets, and new products. With a suite of service offerings, MEP centers provide the tools to keep manufacturers competing and thriving in today's global marketplace.

MEP clients receive technical, business, and innovation services through interactions ranging from informational seminars and training to in-depth technical assistance in areas such as new product development and implementation, quality improvement practices, human resources and organizational development, and industrial marketing.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of clients served by Hollings Manufacturing Extension Partnership (MEP) centers receiving federal funding	21,237 from FY 2007 funding	28,004 from FY 2007 funding	Exceeded
Increased sales attributed to Hollings MEP centers receiving federal funding	$762 from FY 2007 funding	$5,069 from FY 2007 funding	Exceeded
Capital investment attributed to Hollings MEP centers receiving federal funding	$955 from FY 2007 funding	$1,662 from FY 2007 funding	Exceeded
Cost savings attributed to Hollings MEP centers receiving federal funding	$521 from FY 2007 funding	$1,096 from FY 2007 funding	Exceeded

RESULTS

NIST exceeded all of its targets.

Specific achievements of this performance outcome are described below:

- MEP's network of manufacturing assistance centers works at the grassroots level with each center providing their local manufacturers with expertise and services tailored to their most critical needs. In FY 2007, MEP centers provided services to over 24,000 clients in industries such as fabricated metal products, computer and electronic products, and transportation equipment.
- Through an annual survey of clients, the program obtains quantifiable impacts of MEP services on its clients' bottom line. MEP demonstrates the impact of its services on three key quantitative business indicators that, as a set, suggest the presence of business changes that are positively associated with productivity, revenue growth, and improved competitiveness. The measures include: (1) increased sales attributed to MEP assistance, (2) increased capital investment attributed to MEP assistance, and (3) cost savings attributed to MEP assistance.

The performance measures, along with other programmatic accomplishments, are used to evaluate progress on this long-term performance goal. MEP's Client Impact Survey is administered by a private firm. Each quarter, the data are reviewed by NIST MEP staff and center staff. Based on defined criteria, impacts are selected by NIST MEP for confirmation and verification by center staff.

As with other NIST programs, the programmatic objectives and management of MEP are reviewed by the Visiting Committee on Advanced Technology (VCAT) and an Advisory Board. The MEP Advisory Board was created in 2007 under the America Competes Act. The focus of the board is to provide advice and guidance on the MEP program and to assess MEP's plans, strategies, and performance. The MEP Advisory Board consists of 10 individuals broadly representing MEP stakeholder groups.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

In 2006, MEP developed a Next Generation strategic plan focused on providing the innovation services that U.S. manufacturers need to grow, transform, and remain globally competitive. The plan includes a much stronger emphasis on providing technology intensive services to U.S. small manufacturers. The Next Generation MEP will continue to leverage and expand relationships, partnering at both the federal and state level with organizations that have complementary goals focused on meeting the most pressing needs of the manufacturing community. MEP's planning process is ongoing, with input from a stakeholder list that includes small manufacturers, state representatives and economic development partners, manufacturing related associations, universities, community colleges, and MEP center staff—as well as national stakeholders in the Departments of Commerce, Labor (DOL), and Defense (DOD). This broad level of input provides a more complete picture of national manufacturing needs, the manufacturing infrastructure in which the MEP centers operate, and the priorities of the manufacturing community.

Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

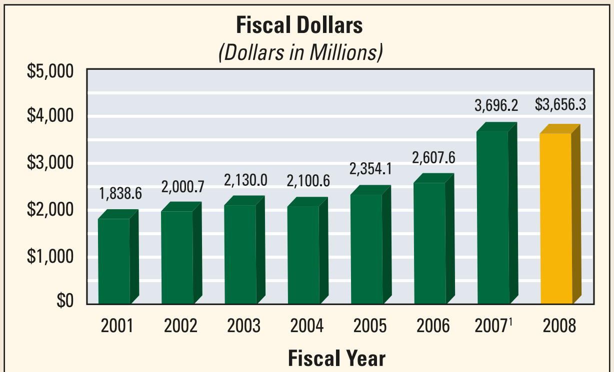
Strategic Goal 2

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
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
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
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

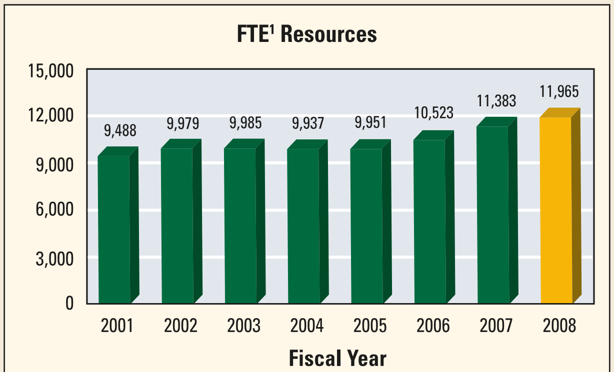
STRATEGIC GOAL 2

Promote U.S. innovation and industrial competitiveness

STRATEGIC GOAL 2 TOTAL RESOURCES



[1] *Funding increased dramatically in FY 2007 due to the digital television program*

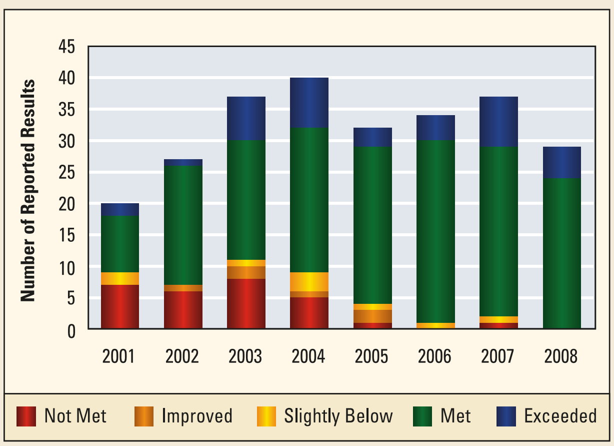


[1]*FTE—Full-Time Equivalent*

Working with U.S. industry to develop and apply technology, measurements, and standards, the Department through the National Institute of Standards and Technology (NIST) is focused on providing the infrastructure necessary to develop innovative breakthroughs and new technologies vital to the Nation's long-term economic growth.

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

STRATEGIC GOAL 2 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

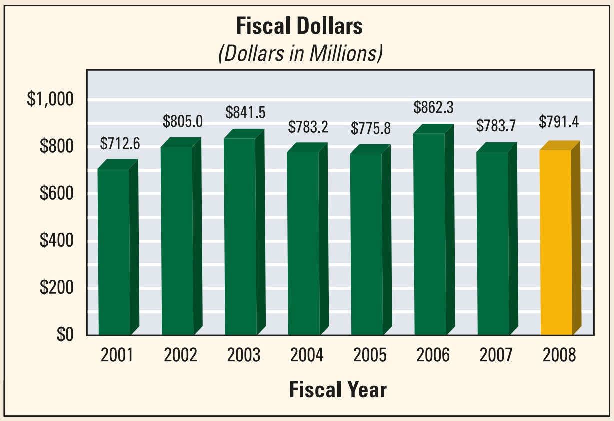
technology-based economy, from the automotive to the biotechnology sector, from basic materials and manufacturing to information technology (IT), and from companies with a handful of employees to the largest of firms.

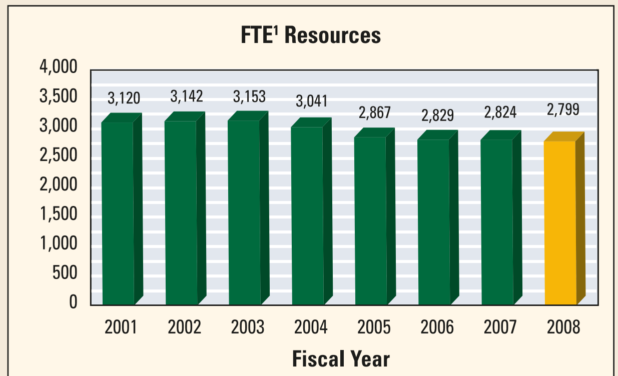
Intellectual property (IP) is a potent force in, and a fundamental component of, the global economy. The Department strives to preserve the Nation's competitive edge by protecting IP and encouraging technological innovation. In market-driven economic systems, innovation provides a catalyst for economic prosperity through the accumulation of scientific knowledge; introduction of new products and services; and improvements in the productivity levels of land, labor, and capital resources.

STRATEGIC OBJECTIVE 2.1

Advance measurement science and standards that drive technological change

STRATEGIC OBJECTIVE 2.1 TOTAL RESOURCES

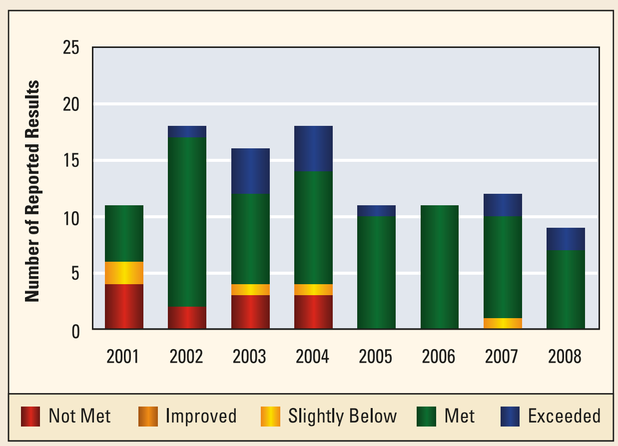




[1]*FTE—Full-Time Equivalent*

In its effort to achieve this objective, NIST works with U.S. industry and other stakeholders to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve quality of life. NIST fulfills its broad responsibilities and works to foster science and technological leadership by helping the United States to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical national needs assigned to NIST by the Administration and Congress. Likewise, the National Technical Information Service (NTIS) seeks to advance measurement science by bringing scientific and technical information to U.S. business and industry. NTIS promotes innovation and economic growth for U.S. business by (1) collecting, classifying, coordinating, integrating, recording, and cataloging scientific and technical information from a variety of sources, foreign and domestic; (2) disseminating this information to the public; and (3) providing information management services to other federal agencies that help them interact with and better serve the information needs of their own constituents, and to accomplish this without appropriated funds.

STRATEGIC OBJECTIVE 2.1 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Some of the FY 2008 accomplishments include:

Enabling nanotechnology. Researchers at NIST reported a new technique to sort batches of carbon nanotubes by length using high-speed centrifuges. Many potential applications for carbon nanotubes depend on the lengths of these microscopic cylinders. One of the most important features of the new technique is that it should be easily scalable to produce industrial quantities of high-quality nanotubes. While other techniques have been shown to sort nanotubes by length, this is the first approach that could be scaled up to produce commercially important quantities of nanotubes in a given length range.

Testing a potential hydrogen storage compound. Researchers at NIST's Center for Neutron Research (NCNR), in collaboration with University of Maryland and California Institute of Technology scientists, have demonstrated that a novel class of materials called metal-organic frameworks (MOF) could enable a practical hydrogen fuel tank. One of several classes of materials that can bind and release hydrogen under the right conditions, MOFs could be engineered so that refueling is as easy as pumping gas at a service station is today, and don't require the high temperatures (110 to 500 degrees Celsius) some other materials need to release hydrogen.

Improving neutron detection. Researchers at NIST and the University of Maryland developed a new optical method that can detect individual neutrons and record them over a range of intensities at least 100 times greater than existing detectors. The new detector promises to improve existing neutron measurements and enable tests of new phenomena beyond the Standard Model, the basic framework of particle physics.

Performance Outcome: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)

The Nation's ability to innovate and compete in a global economy depends on a robust scientific and technical infrastructure, including research, measurement tools, standards, data, and models. The NIST laboratories develop and disseminate measurement techniques, reference data, test methods, standards, and other technologies and services required by U.S. industry to compete in the 21st century.

NIST evaluates progress on this outcome using an appropriate mix of specific output tracking and peer review. Together, these evaluation tools, combined with continual feedback from customers provide a comprehensive picture of performance toward this long-term goal. Additional information on these evaluation methods is available at *http://nist.gov/director/planning/strategicplanning.htm*.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Qualitative assessment and review of technical quality and merit using peer review	Complete annual peer review	Completed	Met
Citation impact of NIST-authored publications	>1.1	>1.1[1]	Met
Peer-reviewed technical publications produced	1,100	1,271	Met
Standard Reference Materials (SRM) sold	31,000	33,373	Met
NIST-maintained datasets downloaded	130,000,000	196,500,000	Exceeded
Number of calibration tests performed	12,000	25,944	Exceeded

[1] Actual for this measure lags six months. The actual shown here is based on FY 2007 data.

RESULTS

NIST met or exceeded all of its targets.

Specific achievements of this performance outcome are described below:

- NIST measurement services, including calibration services, are critical for ensuring product performance and quality, improving production processes, making marketplace transactions fair and efficient, and leveling the playing field for international trade. NIST calibration services provide the customer with direct traceability to national and international primary standards. NIST offers more than 500 different types of physical calibrations in areas as diverse as radiance temperature, surface finish characterization, and electrical impedance. In FY 2008, NIST conducted more than 25,000 calibration tests.
- SRMs are the definitive source of measurement traceability in the United States; all measurements using SRMs can be traced to a common and recognized set of basic standards that provides the basis for compatibility of measurements among different laboratories. SRMs certified by the NIST laboratories are used by customers to achieve measurement quality and conformance to process requirements that address both national and international needs for commerce, trade, public safety, and health. NIST sells more than 30,000 SRMs annually.
- Technical publications represent one of the major mechanisms NIST uses to transfer the results of its research to support the Nation's technical infrastructure and provide measurements and standards—vital components of leading-edge research and innovation—to those in industry, academia, and other government agencies. Each year NIST's technical staff produces a total of 2,000 to 2,200 publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. NIST staff authors more than 1,200 publications in peer-reviewed journals each year.
- Online data represent another method NIST uses to deliver measurement and standards tools, data, and information. NIST provides online access to more than 80 scientific and technical databases covering a broad range of substances and properties from a variety of scientific disciplines. These technical databases are heavily used by industry, academia, other government agencies, and the general public, with more than 196 million estimated downloads in FY 2008.

Accomplishments and applicable quantitative data used to evaluate progress on this long-term performance outcome are reviewed quarterly. Quantitative data are collected and reported by NIST Technology Services.

External and independent evaluation of the research and measurement standards work of the NIST laboratory programs is conducted regularly. This type of peer review, combined with quantitative evaluation metrics focused on dissemination of NIST's measurements and standards work, demonstrate the laboratories' contribution to the Nation's measurement and standards infrastructure.

In FY 2008, the National Research Council (NRC) continued with the assessment process initiated in FY 2007 in which half of the NIST laboratories are reviewed each year. The NRC assessments focus on the following areas:

- The technical merit of the laboratory programs relative to the current state-of-the-art worldwide.
- The degree to which the laboratory programs in measurement science and standards achieve their stated objectives and desired impact.
- The adequacy of the laboratories' facilities, equipment, and human resources as they affect the quality of the technical programs.

***Performance Outcome:* Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)**

NTIS seeks to promote innovation and economic growth for U.S. business by (1) collecting, classifying, coordinating, integrating, recording, and cataloging scientific and technical information from a variety of sources, foreign and domestic; (2) disseminating this information to the public; and (3) providing information management services to other federal agencies that help them interact with and better serve the information needs of their own constituents, and to accomplish this without appropriated funds.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of updated items available (annual)	725,000	813,775	Met
Number of information products disseminated (annual)	32,100,000	32,267,167	Met
Customer satisfaction	95-98%	96%	Met

RESULTS

NTIS met all of its targets.

In FY 2008, NTIS continued to increase its abilities to both gather and disseminate increased amounts of scientific and technical information. To do so, NTIS successfully achieved a major refresh of its Web site, which is one of the primary discovery tools for the NTIS collection of information. The Web site refresh enabled information users to increase their success rate of finding information and made the NTIS collection accessible to major commercial search engines.

NTIS continued working with the Government Printing Office (GPO) on a project begun in 2007 to provide improved access to scientific and technical information through the Nation's network of Federal Depository Libraries. The project includes NTIS making available access to approximately 240,000 full-text publications dating from 1964 to 2000 for downloading, at no charge. There are currently over 370 Depository Libraries participating in the program, making invaluable research results more readily available to the U.S. public.

Through its information management services, NTIS has successfully contributed to the White House initiative prompting improved early childhood development programs for the Nation'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 HHS program is called the "Healthy Start, Grow Smart" program and 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.

NTIS also continued its long association with the USDA Team Nutrition and Food Stamp programs by distributing free materials to states and citizens that promote healthy nutrition. In FY 2008, NTIS assembled and distributed more than 15 million brochures, pamphlets, kits, and other nutrition information media in English and Spanish to promote healthy diets for children and adults.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

In addition to input from the Administration, Congress, and the science and technology (S&T) policy community, NIST actively seeks input from its stakeholders and customers through workshops, conferences, and the everyday outreach of NIST researchers and managers to the private sector to define the most pressing measurement and standard needs. A prime example of such efforts is the recently completed assessment of the U.S. Measurement System (USMS). With the goal of identifying critical measurement gaps that act as a barrier to innovation, this study identified more than 700 measurement needs. Examples of some of the measurement challenges identified include the need for:

- versatile, high-accuracy methods to measure the three-dimensional geometry of manufactured products;
- tools for measuring the properties of nanodevices and materials;
- reliable and unbiased performance data to speed the adoption of new and innovative technologies in the building/construction sector;
- new sensor technologies for in-line, real-time, and continuous monitoring of process variables in chemical manufacturing;
- standards and more accurate measurement technologies in the health care and biosciences sector to enable advanced DNA analysis, sensor-based proteomics for early cancer detection, and new imaging modalities in magnetic resonance imaging.

NIST also conducts retrospective and prospective economic impact studies annually to prioritize research and development (R&D) funding and ensure that the Department conducts the highest priority research. Manufacturing Extension Partnership's (MEP) Next Generation strategic plan focuses on providing the innovation services that U.S. manufacturers need to grow, transform, and remain globally competitive. The plan includes a much stronger emphasis on providing technology-intensive services to U.S. small manufacturers. The Next Generation MEP will continue to leverage and expand relationships, partnering at both the federal and state level with organizations that have complementary goals focused on meeting the most pressing needs of the manufacturing community. MEP's planning process is ongoing, with input from a stakeholder list that includes small manufacturers, state representatives and economic development partners, manufacturing related associations, universities, community colleges, and MEP center staff—as well as national stakeholders in the Departments of Commerce, Labor (DOL), and Defense (DOD). This broad level of input provides a more complete picture of national manufacturing needs, the manufacturing infrastructure in which the MEP centers operate, and the priorities of the manufacturing community.

Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

A new Technology Innovation Program (TIP) at NIST was authorized by the America COMPETES Act. TIP was established to support, promote, and accelerate innovation in the United States through high-risk, high-reward research in areas of critical national need. TIP will award funding to small or mid-sized businesses, institutions of higher education, national laboratories, or non-profit research organizations for high-risk, high-reward research. TIP will establish research collaborations through joint ventures and informal interactions and foster an equivalent amount of additional private investment through a cost-share mechanism. TIP will accelerate the creation of intellectual property (IP) vested in U.S.-based businesses, universities and other organizations and the dissemination of knowledge created through patents, papers, and publications. NIST will continue to explore new models of public-private partnerships to encourage industry investment in R&D. The goal of these partnerships is to accelerate and promote innovation and the development of high-risk, transformative research targeted to address key societal challenges.

Keeping the U.S. competitive edge in the world economy depends on the Nation's ability to generate and harness the latest in scientific and technological developments—particularly in the physical sciences and engineering—and to apply these developments to real-world applications. Throughout the last decade, political and technical forces have combined to open up much of the globe to commerce. Increased emphasis on the sciences has created an environment in which continuous innovation must be sustained to maintain economic success. These growth and competition trends have significant implications for U.S. technological leadership and the economic growth and jobs it generates, R&D and high-tech manufacturing strategies, competition for high-skilled workers, and the climate for attracting global investment. Technological innovation ensures continued U.S. leadership in S&T, which provides a competitive advantage that drives productivity and growth for the U.S. economy.

The Department's key role in the President's American Competitiveness Initiative, which strives to keep the United States strong and secure by ensuring that it continues to lead the world in S&T, reflects the importance of technological innovation to the Nation's economic future. The Department will continue to conduct high-priority research, identify technical measurement barriers to innovation, and transfer technical knowledge developed to the private sector as part of efforts to drive this initiative.

The Internet has provided NTIS with a great opportunity to shift from traditional information collection and dissemination activities and has expanded the end-user opportunities. As customer expectations and technology have changed, NTIS has continued to be a leader in information collection and dissemination activities, through development of highly sophisticated platforms.

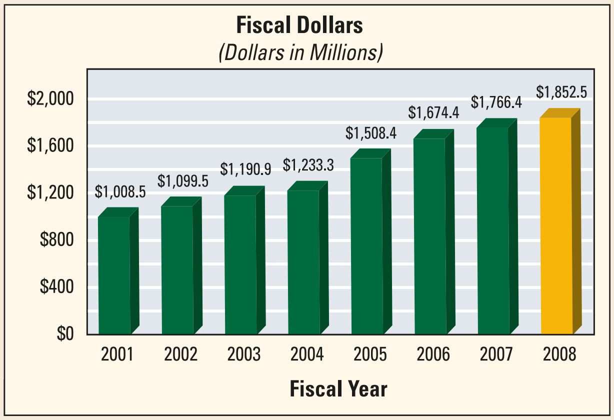
The Chief Financial Officer (CFO) organization directs and manages the overall financial management activities relating to the programs and operations of NIST as well as client bureaus serviced by NIST. This includes promoting programs to deter fraud, waste, and abuse of government resources. Under contracts and grants, allegations of fraud, waste, and abuse may be made to the Grants Officer, or Contracting Officer responsible for the administration of the grant or contract under which the report is being made. These reports are then referred to the Department's Office of Inspector General (OIG) for investigation. Non-contract and grant-related allegations of fraud, waste, and abuse may be confidentially reported to the Department's OIG directly, or reported anonymously through the OIG Hotline at 1-800-424-5197.

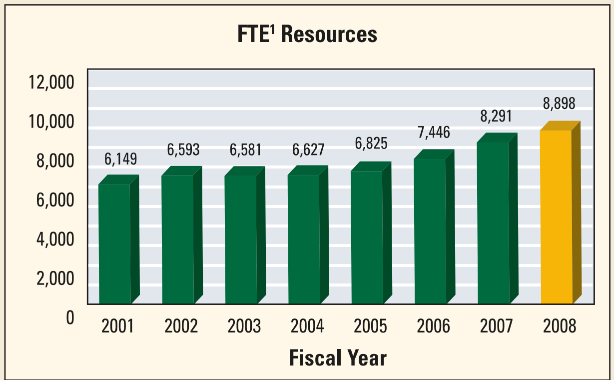
NTIS also assisted other federal government agencies in making information easier to find and order with the implementation of easy-to-use online ordering capabilities for USDA and the Centers for Medicare and Medicaid Services (CMS). This allows the public to more easily access nutritional and childhood development information from these agencies.

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

STRATEGIC OBJECTIVE 2.2 TOTAL RESOURCES



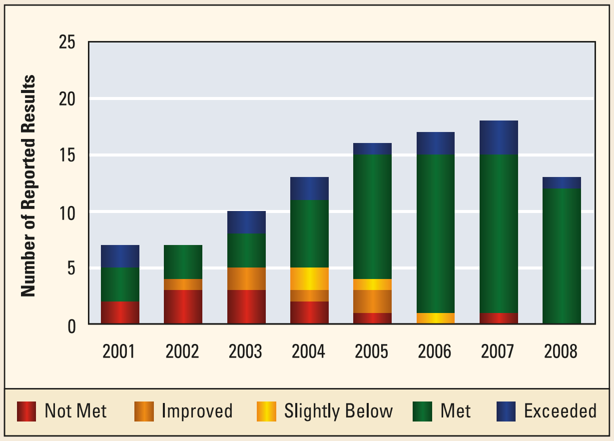


[1]*FTE—Full-Time Equivalent*

IP contributes to a strong global economy by encouraging investment in innovation, and fostering entrepreneurial spirit. 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 OBJECTIVE 2.2 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

The primary services the Department provides within this objective are the examination of patent and trademark applications and dissemination of patent and trademark information. Issuance of patents provides incentives to invent and invest in new technologies 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.

Performance Outcome: Optimize patent quality and timeliness (USPTO)

The most significant activity under this outcome is the examination of an inventor's application for a patent by comparing the claimed subject matter of the application to a large body of technological information to determine whether the claimed invention is new, useful, and non-obvious to someone knowledgeable in that subject matter. To that end, it is important not only that having a patent or trademark be issued in a timely manner, but also that it is of high quality. Finally contributing to both timeliness and quality is the patent and trademark processes being fully automated with an ultimate goal of all patent and trademark applications being filed and managed electronically.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Patent allowance compliance rate	96.0%	96.3%	Met
Patent in-process examination compliance rate	92.0%	92.5%	Met
Patent average first action pendency (months)	26.9	25.6	Met
Patent average total pendency (months)	34.7	32.2	Met
Patent applications filed electronically	69.0%	72.1%	Met

RESULTS

The U.S. Patent and Trademark Office (USPTO) met all of its targets for this outcome. USPTO previously had a measure, "Patent applications managed electronically." However, since USPTO has achieved a level of 99.9% (effectively 100%), USPTO considers this measure achieved.

Providing quality services and products is USPTO's foremost priority. USPTO's commitment to the continuous refinement and expansion of quality initiatives is outlined in the agency's 2007-2012 Strategic Plan. Patent examinations are subjected to both end-product allowance and in-process reviews that evaluate the quality of the substantive basis for examiner decisions; applicability of publications found by the examiner; or the quality reviewer; evidence, and clarity of communications with applicants. Findings produced by these reviews are shared individually with examiners, are collected in a database for ongoing analysis, serve as the basis for the development of training programs, and are used to strengthen the review process. USPTO continues its effort to better define and identify appropriate criteria to gauge quality.

The patent allowance compliance rate is the percentage of applications allowed by examiners with no errors after being reviewed by the Office of Patent Quality Assurance. An error is defined as at least one claim within a randomly selected allowed application that would be held invalid in a court of law if the application were to issue without the required correction. In FY 2008, efforts to improve quality resulted in an allowance compliance rate of 96.3 percent, slightly better than the target of 96.0 percent. The in-process examination compliance rate is a ratio derived from the number of office actions void of deficiencies that would significantly impact the applicant's ability to advance the prosecution on the merits of the application, divided by the total number of office actions reviewed. At 92.5 percent in-process examination compliance, USPTO met its goal of 92.0 percent.

The time to process a patent application is measured in two ways: (1) first action pendency—the average time in months from filing until an examiner's initial determination is made of the patentability of an invention, and (2) total pendency—the average time in months from filing until the application issues as a patent, or is abandoned by the applicant.

USPTO strives to meet its goals of reducing pendency through a multi-pronged approach that includes hiring sufficient numbers of new examiners, retention of experienced staff, employee flexibility regarding when and where work is performed, exploring work-sharing with other patent offices, training, and electronic tools. In FY 2008, 1,211 new examiners were hired. In addition, USPTO enhanced its telework program to remotely provide patent examiners with full access to all patent systems necessary to perform their jobs from home.

Despite USPTO's significant efforts and successes, reducing the length of time for action on patent applications continues to be a key challenge. In FY 2008, average time for completing a first action increased to 25.6 months from 25.3 months. The average time for completing a final action increased to 32.2 months from 31.9 months. USPTO met both FY 2008 targets of 26.9 and 34.7 months, respectively. 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. The Department is committed to achieving long-term reductions in pendency through a combination of hiring, retention, training, and process optimization.

USPTO continues to promote electronic filing and processing of patent applications, having converted all paper applications to electronic form. In FY 2008, USPTO began deployment of the Patent File Wrapper (PFW), a robust, text-based electronic file management system that will replace the current image-based system. In FY 2008, USPTO met its goal of 69.0 percent of patent applications filed electronically, by achieving a rate of 72.1 percent.

Performance Outcome: *Optimize trademark quality and timeliness (USPTO)*

The process involved in reaching this outcome is the examination of trademark applications by trademark attorneys who determine registrability under the provisions of the Trademark Act of 1946, as amended. The examination of trademark applications comprises many elements, including the utilization of electronic databases to determine whether the mark in an application is confusingly similar to any pending or registered mark, the preparation of an office action to inform applicants of the attorney's findings, the approval of applications to be published for opposition, and the examination of Statements of Use filed under the Intent to Use provisions of the Trademark Act.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Trademark first action compliance rate	95.5%	95.8%	Met
Trademark final action compliance rate	96.0%	97.2%	Met
Trademark first action pendency (months)	2.5-3.5	3.0	Met
Trademark average total pendency (months)	16.3	13.9	Met
Trademark applications filed electronically	95.0%	96.9%	Met

RESULTS

USPTO met all of its targets. USPTO previously had a measure, "Trademark applications managed electronically." However, since USPTO has achieved a level of 99.99% (effectively 100%), USPTO considers this measure achieved.

In FY 2008, the trademark first action compliance rate was 95.8 percent, above the 95.5 percent compliance target. Similarly, the final action compliance rate was 97.2 percent, also better than the 96.0 percent target.

The two primary measures used to determine trademark application processing time are: (1) first action pendency, which measures the average time, in months, from the filing date to when the examiner's first action is taken; and (2) total pendency, which is based on the average time, in months, from the filing date until the notice of abandonment, notice of allowance, or registration for applications based on use. USPTO met its FY 2008 target of between 2.5 and 3.5 months by achieving a first action pendency of 3.0 months. Trademark total pendency results were 13.9 months. USPTO met its FY 2008 target of 16.3 months.

The office met the goal for 95.0 percent of trademark applications to be filed electronically by receiving more than 96.9 percent of the applications to register a mark electronically. The trademark electronic filing system has been enhanced by continuing to expand the number and type of transactions that can be completed online and by offering reduced fees to encourage electronic communications. Options for reduced fees, system enhancements, PDF attachments, and the availability of forms that permit more electronic transactions have encouraged greater use and acceptance by trademark customers to the point where electronic filing has become the preferred method for communicating on trademark matters.

Performance Outcome: Improve intellectual property protection and enforcement domestically and abroad (USPTO)

USPTO is an integral component of the Administration's strategy to encourage innovation and strengthen the Nation's ability to compete in the global economy. To this end, USPTO advocates U.S. government IP policy, works to develop unified standards for international IP, provides policy guidance on domestic issues, and fosters innovation.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards	275	595	Exceeded
Improving worldwide IP expertise for U.S. government interests	12	14	Met
Number of Memoranda of Agreement for IP joint cooperation, plans of actions, mechanisms, and support programs initiated or implemented by developing countries as a result of the Office of Intellectual Property Policy and Enforcement (OIPPE)	15	18	Met

RESULTS

USPTO met or exceeded all of its targets.

USPTO plays a critical role in the U.S. government's efforts and obligations to provide IP technical assistance throughout the world. In FY 2008, there were 595 instances in which Office of Intellectual Property Protection and Enforcement (OIPPE) experts reviewed IP policies and standards; 14 instances where OIPPE improved worldwide IP expertise for U.S. government interests; and 18 instances where OIPPE initiated or implemented plans of action, mechanisms, or support programs in developing countries.

OIPPE's mission is to promote the development of IP systems internationally. Some recent initiatives include hosting Heads of Office meeting for the world's five largest patent offices to discuss cooperative initiatives to meet the growing patent application filing demand and improve patent quality, collaborating with counterparts in the Chinese government to improve China's intellectual property rights (IPR) administration and enforcement, placing IPR experts in six countries to support Embassy and Consulates on all IPR issues, and delivering high-level capacity building and technical assistance training to foreign judges, prosecutors, customs officials, IP enforcement personnel, and IP office officials through the USPTO Global Intellectual Property Academy (GIPA). In FY 2008, GIPA trained more than 4,100 foreign officials on best practices for strengthening IP rights and enforcement in their nations

OIPPE continued to manage a hotline (1-866-999-HALT) that helps small and medium-sized businesses leverage the resources of the U.S. government to protect their IPR in the United States and abroad. Callers receive information from a staff of IP attorneys at USPTO with regional expertise on how to secure patents, trademarks, and copyrights, and on enforcement of these rights.

STRATEGIES, PLANS, AND FUTURE CHALLENGES

USPTO continues to implement the 2007-2012 Strategic Plan which outlines specific strategies to meet the goals of optimizing patent quality and timeliness, and improving IP protection and enforcement domestically and abroad.

Strategies to reduce patent pendency and improve patent quality include enhanced recruitment to hire 1,200 new examiners a year for an extended period of time, establishment of a retention bonus program, increased training for new and existing examiners, and the creation of partnerships with universities to groom examiner candidates and increase knowledge of the patent system. Hiring alone will not achieve significant reductions in pendency without accompanying changes to the current one-size-fits-all system of examination. USPTO will, in collaboration with stakeholders, explore the feasibility of offering alternatives to better meet the differing needs of applicants, and more efficiently utilize the Agency's resources.

USPTO will continue to improve and integrate existing electronic systems to promote full electronic patent application processing. This will involve promoting the utilization of electronic text content to facilitate the examination process and increase user acceptance of electronic filing systems. USPTO will provide applicants with expanded opportunities to conduct business with USPTO electronically.

USPTO will continue to work on curbing IP theft and strengthening IP protection and enforcement in every corner of the globe. Training and assistance programs will continue to combat and deter infringement and promote honest business practices in the use and development of IP. In addition, USPTO will continue its intensive national public awareness campaign to help educate small and medium sized businesses in which participants learn what IPR is, why it is important, and how to protect and enforce these rights.

Achieving the outcome of optimizing patent quality and timeliness presents a broad spectrum of challenges. Congress and the public have recognized that the time it takes USPTO to reach a final decision on a patent application directly impacts U.S. competitiveness. A critical component to achieving the goal of timely, high-quality examinations entails the hiring and retention of more patent examiners. Unfortunately, USPTO must compete with other employers to attract and retain the most talented and sought after individuals.

Optimizing quality first requires accord between USPTO and applicants on the definition of quality and how to measure it. To maintain the U.S. system as the best patent examination system in the world, USPTO must provide applicants with products that protect their IPR while simultaneously facilitating efficient use of USPTO resources. Leveraging new technologies in pursuit of efficiency requires a vision of the examination processes of tomorrow.

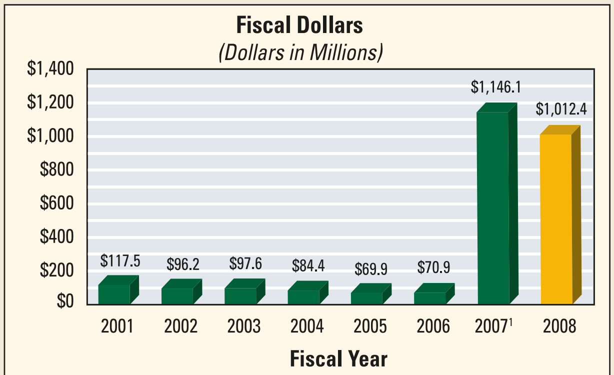
Addressing many of these challenges requires an interrelated approach to ensure that the solution to one challenge does not hamper the remedy of another. USPTO's 2007-2012 Strategic Plan provides a set of focused initiatives to ultimately produce solutions to the challenges noted above.

Increasing public awareness of various IP issues and interests and how these affect the public is an important aspect of USPTO's role. Educating the public about the USPTO's examination processes and how these relate to the use of IPR in the marketplace will help. Communicating with and informing the public about the intersection of IP issues and the news stories they read everyday will help to generate a better understanding of the role of such rights in the global economy. Promoting an understanding how the violation of IPRs affects everyone will be beneficial to improving the effectiveness of the system as a whole.

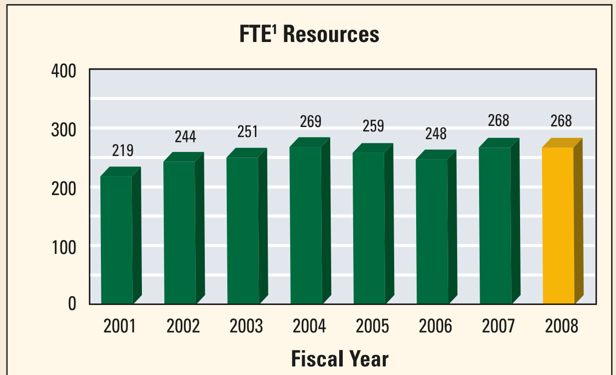
STRATEGIC OBJECTIVE 2.3

Advance global e-commerce as well as telecommunications and information services

STRATEGIC OBJECTIVE 2.3 TOTAL RESOURCES



[1] *Funding increased dramatically in FY 2007 due to the digital television transition and public safety fund.*



[1]*FTE—Full-Time Equivalent*

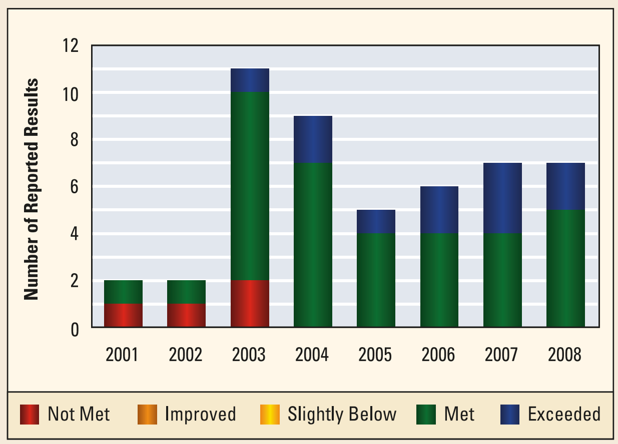
This objective focuses on the National Telecommunications and Information Administration's (NTIA) role in radio frequency (RF) spectrum management and telecommunications standards, and—in its capacity as an advisor to the President on communications policy matters—Internet domain names, wireless telecommunications standards and technology, and high-speed Internet services.

Achievement of this objective will continue to further the technological advances for wireless communication, Internet services, domain name management issues, and other advances in technology. A discussion of each performance outcome supporting this objective will further describe the outcomes of this objective.

The Department through NTIA:

- Serves as the principal advisor to the President on domestic and international communications and information policy-making.
- Promotes access to telecommunications services for all Americans and competition in domestic and international markets.
- Manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum.
- Conducts telecommunications technology research, including standard-setting in partnership with business and other federal agencies.

STRATEGIC OBJECTIVE 2.3 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

The Agency's expertise encompasses every aspect of telecommunications, including domestic policy, international policy, spectrum management, and technical telecommunications research and engineering. NTIA's responsibilities have expanded considerably with the enactment of the Deficit Reduction Act of 2005. Specifically, the act charged NTIA to administer a number of new one-time programs to be funded from anticipated spectrum auction proceeds associated with the transition to digital television broadcasts through the Digital Television Transition and Public Safety Fund. These programs include the (1) Public Safety Interoperable Communications (PSIC) Grant Program, (2) the Digital-to-Analog Converter Box Coupon Program, and (3) the Low-Power Television (LPTV) and translator digital conversion and upgrade programs. NTIA also leads Department activities in the areas of next-generation Internet Protocols, ultrawideband (UWB) technology, wireless broadband applications, wireless sensor technologies, and Internet technical functions.

Performance Outcome: Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

NTIA examined an array of spectrum management policy issues in FY 2008 dealing with innovative approaches to spectrum management and the effectiveness of current processes. The availability of the RF spectrum is key to the development and implementation of innovative telecommunications technologies.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Frequency assignment processing time (days)	9 or fewer	9	Met
Certification request processing time (months)	2 or fewer	2	Met
Space system coordination request processing time	90% in 14 days or fewer	95%	Met
Spectrum plans and policies processing time	Comments in 15 days or fewer	13.3 days	Met
Milestones completed from the implementation plan of the President's Spectrum Policy Initiative	22	22	Met

RESULTS

NTIA met all of its targets.

NTIA coordinated with federal agencies 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 over the next five years. 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 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. One result is the first National Strategic Spectrum Plan. NTIA also established the Department of Commerce Spectrum Management Advisory Committee, which met three times in FY 2008. This committee is comprised of a broad range of stakeholders, including representatives from state, regional, and local sectors; industry; academia; and consumer groups.

The achievements of this performance outcome are described below:

- 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. Based on the plan, within the next five years, NTIA will upgrade the federal spectrum management system; consider possible user fees for federal use of spectrum; develop improved interference models for optimizing spectrum use; implement methods to better forecast future requirements; and continue to promote interagency and federal/private sector coordination.
- NTIA has improved the timeliness of processing frequency assignment requests from a target of 12 business days to nine days or fewer. This has been accomplished through business process re-engineering and IT improvements. These frequency assignments satisfy the near-term and future spectrum requirements of the 63 federal agencies to operate radiocommunications 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.
- NTIA published a report on Broadband Over Power Line (BPL), Phase 2. The analyses in the Phase 2 BPL report expand on the scope of NTIA's Phase 1 analyses and apply the Federal Communications Commission (FCC) Part 15 rules and measurement guidelines for Access BPL systems. The results of these analyses confirm that the Commission's Access BPL rules, measurement guidelines, and special protection provisions will limit the interference risks for federal radiocommunication systems.
- 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 2007 through December 2007. This is the first federal spectrum band selected for relocation pursuant to the Commercial Spectrum Enhancement Act.

Performance Outcome: Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)

NTIA participated on behalf of the Administration in FCC and Congressional proceedings on telecommunications policies, including the development of appropriate regulatory treatment for broadband services deployment. NTIA made significant progress in implementation of programs required under the Digital Television Transition and Public Safety Fund. A number of Internet related policy issues required NTIA action, including continuing Internet privatization, domain name management both domestically and internationally, and next generation Internet Protocols. All of these activities required substantial coordination among NTIA's program offices, as well as interagency coordination to develop the Administration's positions.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
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	5 dockets and proceedings	11 dockets and proceedings	Exceeded
Number of Web site views for research publications	75,000/month	127,000/month	Exceeded

RESULTS

NTIA exceeded both of its targets.

The achievements of this performance outcome are described below:

- 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. Coupon requests have been averaging approximately 104,000 per day. NTIA is also very pleased with the high level of participation in the Coupon Program by converter box manufacturers. NTIA has certified 185 converter boxes designed for the exclusive statutory purpose of enabling a consumer to view digital broadcast signals on an analog television.
- NTIA's continuing consumer education campaign is focused on educating U.S. residents who receive broadcasts on analog television sets about the digital transition and the Coupon Program. NTIA pays special attention to vulnerable audiences such as over-the-air senior, minority, disabled, low-income, and rural households who are at a greater risk of losing all television service as a result of the digital transition. NTIA is working with print, broadcast, and electronic media, and engaging partners to disseminate information nationally, regionally, and locally. NTIA also is working with 17 federal departments and agencies with direct communications to vulnerable populations, including USDA, HHS's Administration on Aging, and the Department of Veterans Affairs.
- NTIA, on behalf of the Department, conducted a mid-term review of the Department's Joint Project Agreement (JPA) with the Internet Corporation for Assigned Names and Numbers (ICANN). The JPA is a continuation of a series of agreements between the Department and ICANN to facilitate the transition of the technical coordination of the management functions related to the Internet domain name and addressing system (DNS) to the private sector. Although views during the midterm review represent diverse perspectives, there was general consensus on the need to preserve the security and stability of the DNS and the recognition that ICANN is the appropriate technical coordinator of the Internet DNS. ICANN has made significant progress in several key areas, but most participants agree that important work remains to increase institutional confidence through implementing effective processes that will enable long-term stability, accountability, responsiveness, continued private-sector leadership, stakeholder participation, increased contract compliance, and enhanced competition. NTIA will continue to monitor ICANN's performance in meeting the 10 responsibilities articulated in the annex to the JPA.
- NTIA testified eight times during FY 2008 before House and Senate Committees about the transition to Digital TV and Public Safety Communications Interoperability.
- During FY 2008, the Public Telecommunications Facilities Program (PTFP) awarded $19 million to assist public radio, public television, and nonbroadcast (distance learning) projects across the country with the following breakout:
  - $9 million to 31 grantees to assist in the digital conversion of public television facilities.
  - $4.5 million (22 grants) to extend new public radio and television service.
  - $4.5 million (53 projects) to replace urgently needed equipment at public radio stations and television stations and to convert stations to digital broadcasting.
  - Approximately $0.9 million to the University of Hawaii for three distance learning grants and one grant for the PEACESAT (Pan-Pacific Educational and Cultural Experiments by Satellite) project.

Included in the above radio and television awards are 12 grants so six public radio stations and 15 public television stations can purchase generators or uninterruptible power supply (UPS systems to enable the stations to continue public service programming during times of emergency.

The data used to evaluate the effectiveness of performance outcome achievements are reviewed quarterly and the Department attests to the accuracy and reliability of the data. Data on the timeliness of processing frequency assignment requests are maintained by the Office of Spectrum Management. All other data are published on the NTIA Web site.

STRATEGIES, PLANS, AND FUTURE CHALLENGES

NTIA will direct the bulk of NTIA's resources toward achieving the President's goal of spectrum management reform. NTIA will facilitate a modernized and improved spectrum management system and facilitate economic incentives for more efficient and beneficial use of spectrum. NTIA's other spectrum management activities include:

- Identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and private sectors.
- Providing the 63 federal agencies with the spectrum needed to support their missions for national defense, law enforcement and security, air traffic control, national resource management, and other public safety services.
- Developing plans and policies to use the spectrum effectively.
- Satisfying U.S. future spectrum needs globally through participation with the 190 other countries of the International Telecommunication Union in establishing binding treaty agreements through world radiocommunication conferences.
- Improving, through telecommunications research and engineering, the understanding of radio-wave transmission thereby improving spectrum utilization and the performance of radiocommunications systems.

NTIA will also work with the Department of Homeland Security (DHS) on the development of standards for the interoperability of public safety systems and on the continuing implementation of Spectrum Relocation Fund legislation. NTIA will continue work with the Department of Transportation (DOT) on implementation of the Enhanced 911 Act. NTIA will continue work with ICANN on the management of the Internet DNS. NTIA will also participate on behalf of the Administration in Digital TV transition policy-making and implementation of Internet Protocol Version 6 (IPv6).

In today's era of modern communications, RF spectrum is critical. Current spectrum management policies are under increasing strain as the demand for existing spectrum-based services grows and new spectrum-related technologies and applications emerge. Working with all affected parties in the federal government and the private sector, NTIA and the Department must find ways to implement the recommendations developed through the President's Spectrum Policy Initiative to foster economic growth; ensure U.S. national and 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. Also, NTIA and the FCC must coordinate the development of a National Strategic Spectrum Plan.

NTIA and the Department must also continue promotion of universal and affordable broadband access. Some of the most promising new broadband technologies are wireless. By expanding the amount of spectrum available for commercial uses, the Department will increase high-speed Internet access. In an era of rapidly changing new technologies, like mobile wireless, high-speed fiber optics, and expanded broadband deployment, government policies should favor customer choice. Regulatory stability in the telecommunications sector will promote both competition and investment. Developing these policy frameworks to support these goals is the challenge facing NTIA and the Department.

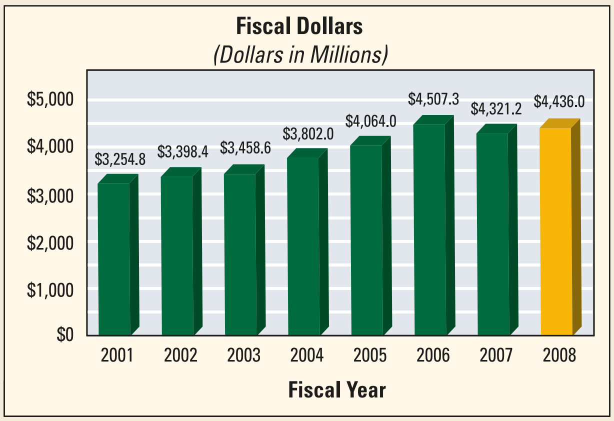
Strategic Goal 3

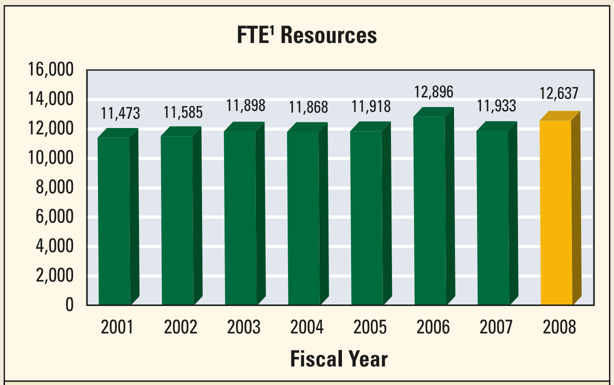
STRATEGIC OBJECTIVE	TARGETS MET OR EXCEEDED
Protect, restore, and manage the use of coastal and ocean resources (NOAA)	8 of 8
Advance understanding of climate variability and change (NOAA)	6 of 6
Provide accurate and timely weather and water information (NOAA)	9 of 10
Support safe, efficient, and environmentally sound commercial navigation (NOAA)	4 of 6

STRATEGIC GOAL 3

Promote environmental stewardship

STRATEGIC GOAL 3 TOTAL RESOURCES

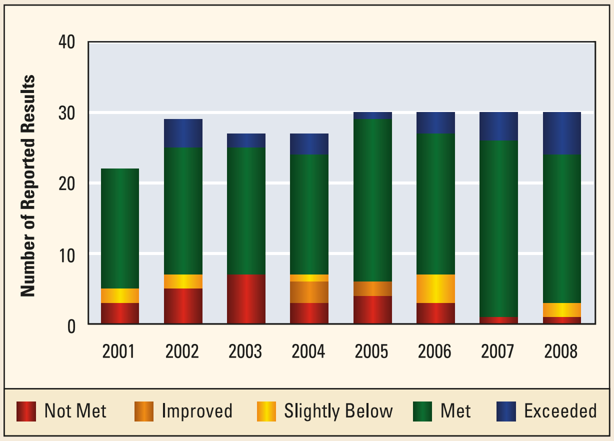




[1]*FTE—Full-Time Equivalent*

The Department has responsibilities for the environment, ecosystems, safety, and commerce of the Nation that span oceanic, coastal, and atmospheric domains. Understanding the oceans and atmosphere is essential to sustaining U.S. environmental and economic health. The Department provides products and services that are a critical component of the daily decisions made across the United States. From hurricane tracking to El Niño and harmful algal bloom predictions, navigational charts to fish stock assessments, severe weather forecasts to coastal zone management—the Department's future-oriented science, service, and stewardship missions touch the life of every citizen in the United States and in much of the world every day.

STRATEGIC GOAL 3 PERFORMANCE RESULTS



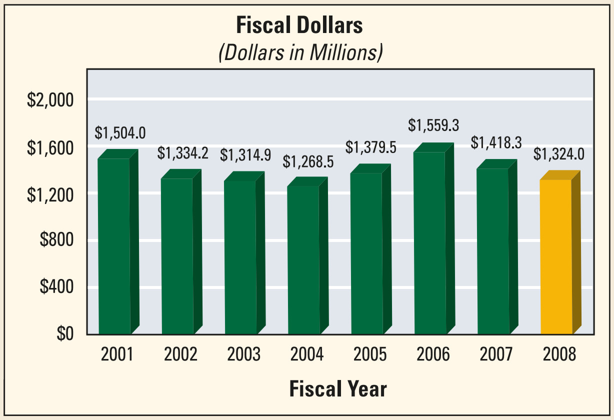
See Appendix A: Performance and Resource Tables for individual reported results.

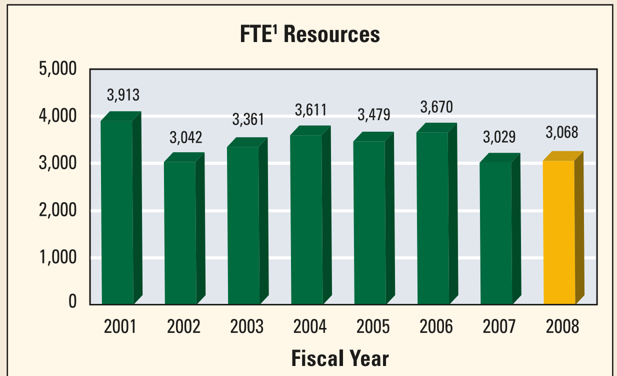
Together the Department and its partners provide weather and climate services; conduct atmospheric, climate, and ecosystems research; manage and protect fisheries and sensitive marine ecosystems; promote efficient and environmentally safe commerce and transportation; and provide emergency response and vital information in support of homeland security. The breadth and scope of these services require the Department to be responsive to both short-term and long-term societal needs.

STRATEGIC OBJECTIVE 3.1

Protect, restore, and manage the use of coastal and ocean resources

STRATEGIC OBJECTIVE 3.1 TOTAL RESOURCES

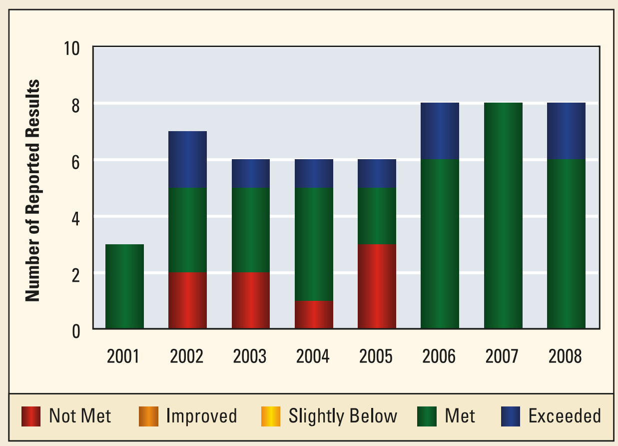




[1]FTE—Full-Time Equivalent

Coastal areas are among the most developed in the Nation, with over half the population living on less than one-fifth of the land in the contiguous United States. At over 230 persons per square mile, the population density of the near shore is three times that of the Nation as a whole. The portion of the U.S. economy that depends directly on the ocean is also large, with 2.2 million people employed and over $197 billion in value added to the national economy in 2003. Approximately 89 million people go to U.S. coasts for vacation and recreation every year. The amount added annually to the national economy by the commercial and recreational fishing industry alone is over $43 billion, with an additional $1 billion of marine and freshwater aquaculture sales. With its Exclusive Economic Zone of 3.4 million square miles, the United States manages the largest marine territory of any nation in the world. Within this context, the National Oceanic and Atmospheric Administration (NOAA) works with its partners to achieve a balance between the use and protection of these resources to ensure their sustainability, health, and vitality for the benefit of this and future generations, and their optimal contribution to the Nation's economy and society.

STRATEGIC OBJECTIVE 3.1 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Fish stock sustainability index (FSSI)	530.5	535	Met
Percentage of living marine resources (LMR) with adequate population assessments and forecasts	41.1%	41.1%[1]	Met

(continued)

PERFORMANCE MEASURE (NOAA) *continued*	TARGET	ACTUAL	STATUS
Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels	22	22[1]	Met
Number of habitat acres restored (annual/cumulative)	9,000/47,488	11,254/49,742	Exceeded
Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs	45	45	Met
Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management	38	38	Met
Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management	86%	86%	Met
Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection	2,000	6,219	Exceeded

[1] Estimate. Final – December 2008.

RESULTS

NOAA met or exceeded all of its targets in FY 2008.

Significant Progress in Eliminating Overfishing

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.

More Market-Based Approaches to Fisheries Management

NOAA added one Limited Access Privilege Program (LAPP) in 2008: Bering Sea Groundfish (non-Pollock) Cooperatives. There are now 12 LAPPs in operation with NOAA anticipating having 14 LAPPs in operation in FY 2010 and 16 in FY 2011. A 13^{th} LAPP, an Individual Fishing Quota (IFQ) program for the general category sea scallop fishing industry in New England, is being implemented. This program was established by Amendment 11 to the Atlantic Sea Scallop Fishery Management Plan, finalized in April 2008, and is only the second IFQ program implemented in New England. NOAA has received close to 1,000 applications from fishermen interested in participating in the program.

Pesticides Consultations

NOAA assessed the effects of pesticides on 28 listed Pacific salmonids in the Pacific Northwest and California, the first comprehensive evaluation NOAA completed on the effects of pesticides on listed salmonids. NOAA concluded that the use of these pesticides is likely to jeopardize listed Pacific salmonids and adversely modify their critical habitat. This consultation will lead to changes in the registration and use of pesticides in the Pacific Northwest to better protect salmonids. The National Marine Fisheries Service (NMFS) will consult on an additional 34 pesticides in the coming years.

NOAA Restores and Opens Access to Vital Fish Habitat

In 2008, NOAA restored, improved and protected more than 17,000 habitat acres. NOAA's habitat restoration, protection, and improvement efforts improve water quality and quantity and increase "green armor" in U.S. coastal areas, creating strong, natural coastlines that serve as effective buffers against storm damage. NOAA programs open freshwater rivers and streams to migrating fish, allowing them to spawn in healthier habitats, which enhances the overall health of the river systems and improves the local economy. In July, NOAA completed the first phase of a two-phase dam removal project to open access to salmon habitat on the mainstem of the Rogue River in Jackson County, OR. NOAA and its partners removed Gold Hill Dam, which was no longer in use and had become a safety and maintenance concern. NOAA will complete the second phase in 2009, opening access to 15 miles of high-quality spawning and rearing habitat for salmon.

NOAA Protects Consumers from Seafood Fraud

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 Borders 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.

NOAA Releases "The State of Coral Reef Ecosystems of the United States and Pacific Freely Associated States: 2008"

At the International Coral Reef Symposium in Fort Lauderdale, FL, NOAA publicly released the third in a series of status reports assessing the condition of coral reef ecosystems in 15 locations ranging from the U.S. Caribbean and Gulf of Mexico to the western Pacific. The report details impacts of 13 major threats in each location while offering recommendations for on-the-ground conservation actions. Since 2005, newly recognized threats such as ocean acidification have emerged while other threats have intensified, including the 2005 regional mass coral bleaching and disease event and stressors like coastal development, recreational and commercial fishing, tourism and recreational use, vessel damage, and marine debris.

New Report on Coastal Waters Shows Decline in Contaminants

The National Centers for Coastal Ocean Science (NCCOS) released a 20-year study, *NOAA National Status and Trends Mussel Watch Program: An Assessment of Two Decades of Contaminant Monitoring in the Nation's Coastal Zone from 1986-2005*, showing that environmental laws have had a positive effect on reducing overall contaminant levels in coastal waters of the United States. However, the report points to continuing concerns with elevated levels of metals and organic contaminants found near urban and industrial areas of the coasts. The economies of many coastal regions are dependent on healthy, productive marine resources, such as fish and shellfish.

NCCOS Successfully Predicted New England Red Tide Outbreak, Tracked Its Progress and Provided Assistance

NOAA's New England Red Tide Information Center Web site (*http://oceanservice.noaa.gov/redtide*) continues to provide updates on the location and extent of the "red tide." The algal species, *Alexandrium*, which produces paralytic shellfish poisoning (PSP), a potent toxin that accumulates in shellfish and can cause illness in humans who eat them, usually begins to appear in Maine's coastal waters in late April. The Web site provides information and Web links to enable the public and the media to understand what a red tide is, required safety measures to follow, maps of closed shellfish harvesting areas, and how NOAA and its partners are responding to the situation. NOAA has developed harmful algal bloom prediction capabilities for the Gulf of Maine which represent the most advanced ecological forecasts of their type in the world. State agencies are using these forecasts to help direct their monitoring for the algal toxin to ensure the protection of human health and local economies. To date, some shellfish harvesting areas have been closed in Maine, Massachusetts, and New Hampshire. Other shellfish beds in Massachusetts and Long Island Sound are closed due to the *Alexandrium*-produced toxin, but these are thought to be isolated events not linked to the Gulf of Maine bloom.

OCRM Coastal and Marine Resources Program, Coastal and Estuarine Land Conservation Program (CELCP), and National Coastal Zone Management (CZM) Program Protected Over 12,000 Acres

In FY 2008, CELCP staff continued to work closely with coastal state and local partners to help them protect high priority coastal land. Thirty-five CELCP-funded properties were or are anticipated to be acquired or put under easement this fiscal year, resulting in the protection of over 8,000 acres of critical coastal habitat. In FY 2008, the Office of Ocean and Coastal Resource Management (OCRM) awarded $68.3 million to state and territory CZM programs to implement their state CZM and coastal nonpoint source programs. The CZM program is a partnership between OCRM and coastal states to effectively protect and manage the Nation's coasts. OCRM assists states in planning and community development and other activities to protect and restore habitats, mitigate hazards, protect water quality, and enhance public access to coastal areas. The CZM program works with coastal states to conserve habitat in the Nation's coastal zone, including wetlands, estuaries, and beach and dunes. In FY 2008, coastal states reported that the CZM program provided resources to protect, restore, and create over 4,600 acres of coastal habitat.

CRCP Released Its Roadmap for the Future

In FY 2008, the NOAA Coral Reef Conservation Program (CRCP) received over $29 million to support activities to conserve, manage, and understand coral reef ecosystems in the United States and around the world. The funding allowed NOAA to implement over 150 projects within the Agency, fund four coral reef research institutes, and provide over $11.6 million in grants for additional external projects.

In FY 2008, the CRCP released a 'Roadmap for the Future' to set the program's direction for FY 2010-2015, laying out new CRCP principles and priorities, and a process for implementing the proposed changes. The program will primarily focus its efforts on addressing coral reef management needs by emphasizing work on understanding and addressing three key threat areas: the impacts of fishing, land-based sources of pollution, and climate change.

The launch of the International Year of the Reef (IYOR) 2008 in January marked the beginning of a year-long campaign of events and activities hosted by a wide range of governments and nongovernmental organizations (NGO) around the world. IYOR's purpose is to raise awareness of the importance of coral reef ecosystems, the threats they face, important activities that are underway, and additional actions that are still needed.

NOAA also released a report titled *The State of Coral Reef Ecosystems of the United States and Pacific Freely Associated States: 2008*. This report represents an evolving effort to assess the condition of coral reef ecosystems at local, regional, and national scales, and serves as a vehicle for the dissemination of information about data collection activities in the United States and Freely Associated States. It provides information according to the primary threats, topics, and goals outlined in the National Coral Reef Action Strategy and other guidance documents developed by the CRCP, the U.S. Coral Reef Task Force, and its member organizations. The CRCP graded the coral ecosystems on a five-tier scale: excellent, good, fair, poor, and unknown, with nearly half of U.S. coral reef ecosystems considered to be in poor or fair condition.

Twelfth Annual Coral Disease Research Cruise Studied Keys' Reefs

A dozen scientists from NOAA and partnering universities and organizations monitored the health of coral reefs along almost 200 miles of the Florida Reef Tract as part of an annual research cruise. Each year the researchers will perform more than 80 dives at approximately 50 fixed reef research stations, surveying for coral disease and bleaching to better understand the decline of reef health in the Florida Keys and Caribbean. Since 1997, NOAA and its partners have been monitoring fixed reef stations within the Florida Keys National Marine Sanctuary, recording observations annually, and providing a solid scientific baseline with which to better understand the causes and processes of coral disease.

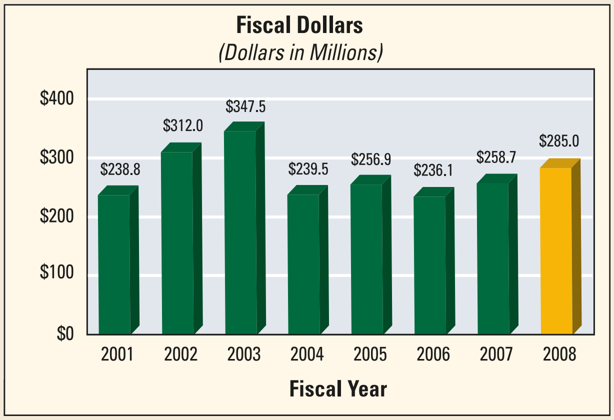
New Resources for Marine Sanctuaries

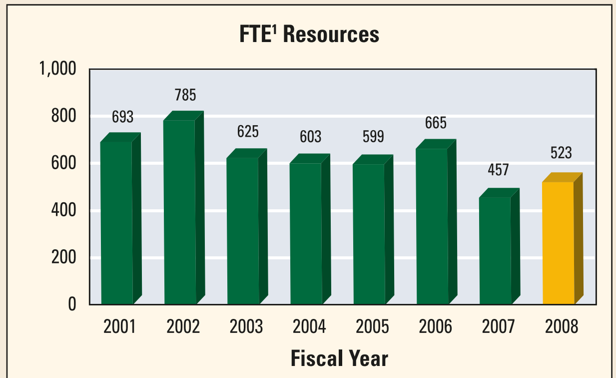
- NOAA released the draft management plan for the Stellwagen Bank National Marine Sanctuary. The plan recommends specific actions to address issues impacting the sanctuary, and serves as a non-regulatory policy framework for addressing the issues facing the sanctuary over the next five years. It lays the foundation for restoring and protecting the sanctuary's ecosystem, details the human pressures that threaten the qualities and resources of the sanctuary, and recommends actions that should be taken both now and in the future to better manage the area and resources.
- NOAA announced that the United Nations would be designating the Papahãnaumokuãkea Marine National Monument as a Particularly Sensitive Sea Area (PSSA). The monument, which encompasses a 1,200-mile stretch of coral islands, seamounts, banks, and shoals in the Northwest Hawaiian Islands, provides habitat for more than 7,000 marine species and contains 4,500 square miles of pristine coral reefs. It is the 12th PSSA in the world, and the second in U.S. waters (the other is the Florida Keys National Marine Sanctuary). The PSSA designation deems an area deserving of special protection because of its significance for recognized ecological, socioeconomic, or scientific reasons and its potential vulnerability to damage from international maritime activities. PSSAs are recognized internationally and include a mandatory ship reporting system for vessels that transit through them.
- NOAA launched a new online multimedia library offering free public access to thousands of high-resolution, ocean-related photos and videos taken by NOAA scientists, educators, divers, and archaeologists who are in the field capturing these images every day. The National Marine Sanctuaries Media Library is a comprehensive database containing a collection of high-quality still images and video footage featuring all 13 national marine sanctuaries and the Papahãnaumokuãkea Marine National Monument. The database is fully searchable by keyword, category, and location, and all the assets are tagged with relevant information, including image quality and usage rights. Users can access the new media library by visiting *http://marinelife.noaa.gov*.
- Several new vessels debuted for the Office of National Marine Sanctuaries in 2008 and will soon be stationed throughout the National Marine Sanctuary System. The research vessel MANTA and two as-yet-unnamed 41-foot vessels will provide greater flexibility, safety, and efficiency in the daily operations of sanctuary staff. These ships will enhance the capabilities of staff at several of the national marine sanctuaries to conduct research, monitoring, education, enforcement, and emergency response missions as they work to preserve, protect, and manage U.S. sanctuaries now and in the future.

STRATEGIC OBJECTIVE 3.2

Advance understanding of climate variability and change

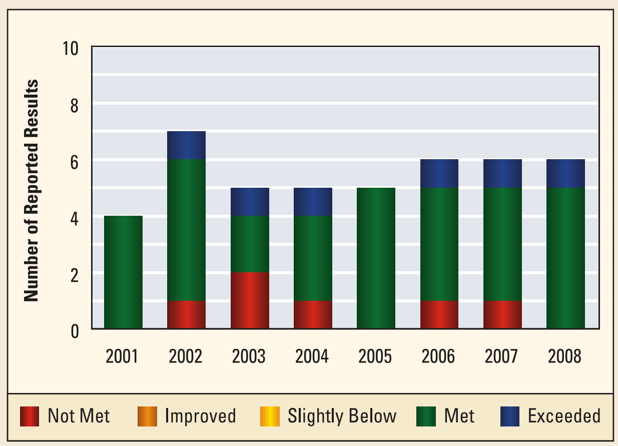
STRATEGIC OBJECTIVE 3.2 TOTAL RESOURCES





[1]*FTE—Full-Time Equivalent*

STRATEGIC OBJECTIVE 3.2 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Society exists in a highly variable climate system with conditions changing over the span of seasons, years, decades, and centuries. Given such stresses as population growth, drought, and increasing demand for fresh water, it is essential for NOAA to provide reliable observations, forecasts, and assessments of climate, water, and ecosystems to enhance decisionmakers' ability to minimize climate risks. This information supports decisions regarding community planning, business management, and natural resource and water planning.

In FY 2008, NOAA continued its efforts to obtain the best science through the Climate Change Science Program (CCSP) and NOAA Climate Program. NOAA accomplished this through its continuing role as lead agency of the interagency CCSP. In addition, NOAA increased the production of climate information and services for decisions, including Synthesis and Assessment Reports, the fourth Intergovernmental Panel on Climate Change (IPCC) Climate Change Assessment, and implementation of the National Integrated Drought Information System (NIDIS).

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)	19	25	Exceeded
Uncertainty in the magnitude of the North American carbon uptake	0.40 GtC/year	0.40 GtC/year	Met
Uncertainty in model simulations of the influence of aerosols on climate	15% improvement	15% improvement[1]	Met
Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using U.S. Climate Reference Network (USCRN) stations	Temperature-96.0% Precipitation-95.0%	Temperature-98.0% Precipitation-95.1%	Met
Error in global measurement of sea surface temperature	0.50ºC	0.50ºC	Met
Ability of society to plan and respond to climate variability and change using NOAA climate products and information	35 assessments/ evaluations	37 assessments/ evaluations	Met

[1] Estimate. Final – December 2008.

RESULTS

NOAA met or exceeded all of its targets in FY 2008.

Interactions among Phytoplankton, Clouds, Solar Heating, and Nitrogen Limitation Influence Global Climate Change

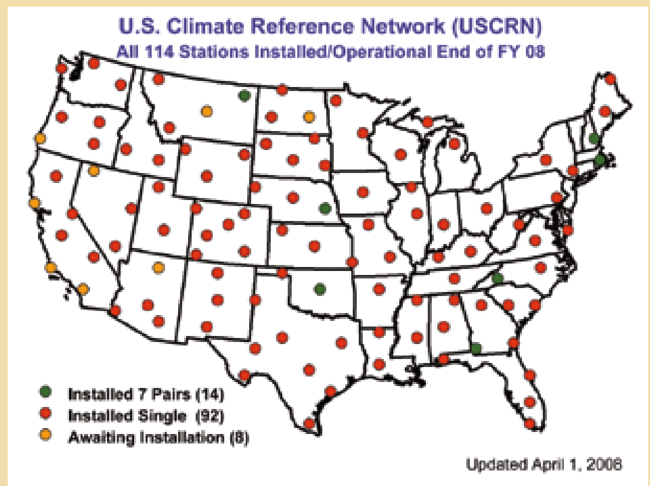
NOAA and the University of South Alabama-Mobile scientists report findings of a biologically mediated ocean-atmospheric mechanism that improves understanding of climate regulation and climate change. Phytoplankton produce the climatically active gas dimethyl sulfide (DMS), which through chemical alterations in the atmosphere, increase the solar reflectance of clouds, and thereby decrease solar heating of the ocean and earth's surface. The scientists report that solar heating itself promotes nitrogen limitation in the surface ocean, which they found increases the production of DMS and its precursor molecule (dimethylsulfoniopropionate, DMSP) by phytoplankton. These results indicate that feedback interactions among solar heating, nitrogen-limitation, and biological DMS production represent a fundamental mechanism influencing cloud dynamics, solar heating, and climate.

NOAA Installs Its 3000th Argo Buoy and Achieves Its Goal of Reducing Temperature Measurement Error

The heat content of the upper 2,000 meters of the world's oceans, and the transfer of that heat to and from the atmosphere, are variables central to the climate system. Global sea level change is directly related to the ocean's heat content—as the ocean's temperature rises the water expands and thus sea level rises. The Argo array of profiling floats is designed to provide essential broad-scale, basin-wide monitoring of the

upper ocean heat content. The initial goal of three thousand Argo floats in active service was achieved in October 2007. This subsystem supports climate services by providing measurements needed to (1) document heat uptake, transport, and release by the ocean; (2) document global sea level change;, and (3) document the air-sea exchange of heat and water and the ocean's overturning circulation. These measurements contribute to the performance goal of reducing sea surface temperature measurement errors to limits acceptable for documenting climate scale changes in the ocean. The reduction of measurement error depends directly on achieving complete global coverage by the *in situ* networks, in conjunction with continuous satellite missions. With the addition of more Argo floats during FY 2008, NOAA achieved its goal of reducing the error to 0.5˚C in FY 2008.

NOAA Completes Climate Reference Network in Continental United States



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.

New Seasonal Coral Bleaching Forecasts Developed

A project funded by the first Climate Program Office Sectoral Applications Research Program (SARP) grants competition (in FY 2006) generated a new decision support product for coral reef managers—seasonal bleaching forecasts. The forecasting system was developed by NOAA scientists at Earth System Research Laboratory (ESRL) and NOAA's Coral Reef Watch program. The system uses NOAA experimental sea surface temperature forecasts (for up to three months) to develop maps of anticipated coral bleaching severity in upcoming months. For 2008, the forecast predicted that there is a widespread risk of bleaching in the Northwest Hawaiian Islands in August, as well as limited, but not severe, bleaching in the Caribbean this summer. Coral bleaching is caused by a variety of stresses, especially increased ocean temperatures, which cause the coral to expel symbiotic micro-algae living in their tissues that provide corals with food and their color.

New NOAA Tools Allowed Improved Monitoring and Predictions of the 2007 U.S. Drought

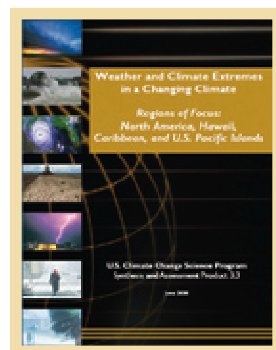
A recent study on the early 2007 drought in the western and southern regions of the United States tested the newly developed Drought Monitoring and Prediction System (DMAPS). This system provides near real-time monitoring and prediction of drought, an invaluable tool for drought preparation and impact assessment at national to regional scales. The DMAPS uses the North America Land Data Assimilation System, the Variable Infiltration Capacity model, and seasonal climate forecasts from the National Centers for Environmental Prediction (NCEP) Climate Forecast System for providing quantitative assessments of drought. The Climate Program Office Climate Prediction Program supported the development of the DMAPS.

Implemented Global Ocean Data Assimilation System (GODAS) Upgrade

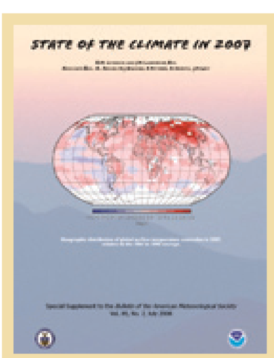
Over the last few years a new GODAS was developed to be the replacement for the Pacific ODAS, and to provide the oceanic initial conditions for the new NCEP coupled Climate Forecast System. During 2008, the GODAS was extended from a depth of 750 meters to a depth of 2,175 meters. This action corrected a troublesome temperature bias in the deeper ocean waters which impacts seasonal prediction of tropical sea surface temperature and, therefore, seasonal forecasts globally. In addition, the lag between observation time and analysis time was reduced from seven days to one day, thereby making the GODAS more representative of real-time ocean conditions. Lastly, two new forecast members were added to the daily Climate Forecast System runs to make a four-member per day ensemble. These additional runs provide more statistically reliable results for forecasts in the three-to-six-month lead time frame. The expected benefits from this upgrade include improvement in the Climate Prediction Center Week 2 and U.S. hazards assessments forecast, improved spread in the monthly Climate Forecast System forecasts, reduced temperature bias in global intermediate waters for real-time ocean condition monitoring, and improved Climate Prediction Center forecasts in the three-to-six-month period.

CCSP Synthesis and Assessment Product 3.3 Release

In June 2008, the CCSP and the Subcommittee on Global Change Research released a scientific assessment that provided the first comprehensive analysis of observed and projected changes in weather and climate extremes in North America and U.S. territories.



Among the major findings reported in *Weather and Climate Extremes in a Changing Climate* is that droughts, heavy downpours, excessive heat, and intense hurricanes are likely to become more commonplace as humans continue to increase the atmospheric concentrations of heat-trapping greenhouse gases. Global warming over the past 50 years is due primarily to human-induced increases in heat-trapping gases, according to the report. Many types of extreme weather and climate event changes have been observed during this time and continued changes are projected for this century. The report is based on scientific evidence that a warming world will be accompanied by changes in the intensity, duration, frequency, and geographic extent of weather and climate extremes.



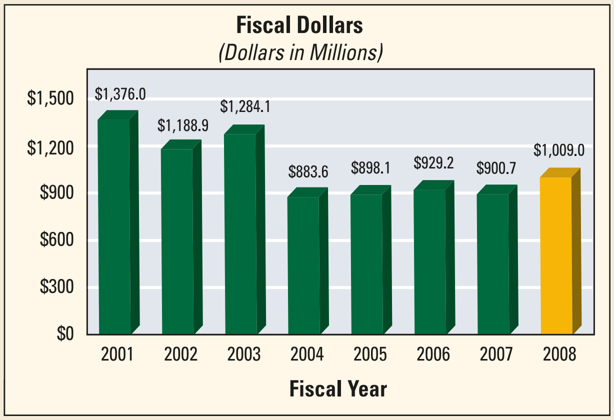
Annual State of the Climate Report

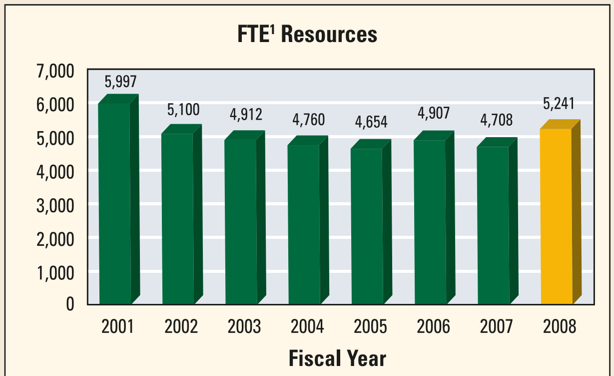
The *State of the Climate in 2007* report, published as a supplement of the *Bulletin of the American Meteorological Society*, provides a summary of global climate conditions for the year. This 170-page report was spearheaded by NOAA's National Climatic Data Center scientists, who teamed with over 200 scientists from more than 50 countries. The report, which contains extensive climate information about 2007, highlights last year's tropical cyclones of record intensity and extreme weather and climate conditions that impacted each continent.

STRATEGIC OBJECTIVE 3.3

Provide accurate and timely weather and water information

STRATEGIC OBJECTIVE 3.3 TOTAL RESOURCES



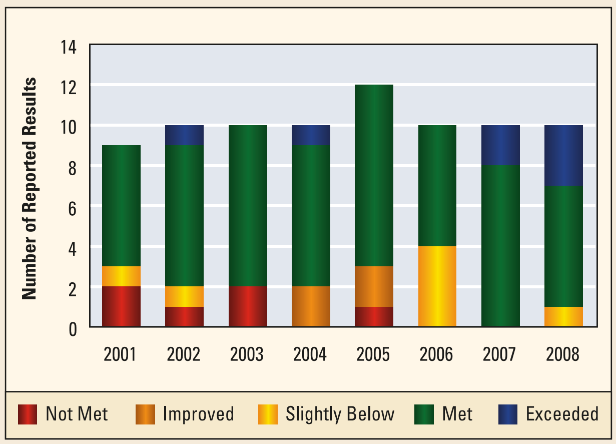


[1] *FTE—Full-Time Equivalent*

The Department's role in understanding, observing, forecasting, and warning of weather events is expanding. The Department is conducting sound, scientific research and providing integrated observations, predictions, and advice for decisionmakers who manage environmental resources, ranging from fresh water supplies to coastal ecosystems to air quality.

Realizing that the Department's information and services bridge both weather and climate time scales, the Department will continue to collect and analyze environmental data and issue forecasts and warnings that help protect life and property and enhance the U.S. economy. The Department is committed to excellent customer service and depends on its partners in the private sector, academia, and government to add value and help disseminate critical weather and climate information. The Department will expand services to support evolving national needs, including those associated with space weather, freshwater and coastal ecosystems, and air quality prediction.

STRATEGIC OBJECTIVE 3.3 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Cumulative percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts	32%	32%	Met
Severe weather warnings for tornadoes (storm-based) – Lead time (minutes)	11	15[1]	Exceeded
Severe weather warnings for tornadoes (storm-based) – Accuracy (%)	67%	73%[1]	Met
Severe weather warnings for tornadoes (storm-based) – False alarm rate (%)	74%	72%[1]	Met
Severe weather warnings for flash floods – Lead time (minutes)	48	81[1]	Exceeded
Severe weather warnings for flash floods – Accuracy (%)	90%	92%[1]	Met
Hurricane forecast track error (48 hours) (nautical miles)	110[2]	86[2]	Exceeded
Accuracy (%) (threat score) of day 1 precipitation forecasts	29%	32%	Met
Winter storm warnings – Lead time (hours)	15	17	Met
Winter storm warnings – Accuracy (%)	90%	89%	Slightly Below

[1] Projected. Final – December 2008.
[2] Reflects 2007 target and actual results. 2008 results not available until February 2009.

RESULTS

NOAA met or exceeded nine of 10 targets. For the lone target it missed, NOAA was off by only one percent.

Early Warnings Provided for Historic 2008 Midwestern Flooding

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 20th 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..."

Improved Tornado Lead Time for the Super Tuesday Tornado Outbreaks

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 warning 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 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.

NOAA Adds 270 Forecast Point Locations for Its AHPS

The AHPS is a new and essential component of NOAA's Climate, Water, and Weather Services. The service displays the magnitude and uncertainty of occurrence of floods or droughts, from hours to days and months, in advance. These new products will enable government agencies, private institutions, and individuals to make more informed decisions about risk-based policies and actions to mitigate the dangers posed by floods and droughts. During 2008, NWS implemented AHPS at 270 forecast locations for a total of 2,219 points in the United States, expanding AHPS locations in all regions of the Nation. This brings AHPS to almost 55 percent completion. As implemented, AHPS will produce new information with better predictions of river height and flood potential to reduce loss of life and property, deliver high-resolution visually oriented products to provide partners and customers valuable river information for decision-making, and leverage NOAA investments in observational systems and atmospheric models to enhance accuracy and resolution of river forecasts.

NOAA Added a Real-Time Ocean Forecast System to Its Hurricane Weather Research and Forecast (HWRF) System

NOAA has focused HWRF model upgrades on improving hurricane intensity forecasts. Better use of the National Hurricane Center's information on storm strength and vertical characteristics in initializing the hurricane core circulation in the HWRF has led to a 75 percent reduction of a weak storm bias at the initial time and a reduction of as much as 60 percent for the day four forecasts. An improved treatment of the model diffusion and numerics over topography has also contributed to improved HWRF forecasts, although to a lesser extent. In preparation for the 2008 hurricane season and this implementation, careful testing of these upgrades have shown over a 26 percent improvement in the three, four, and five-day forecasts of the HWRF intensity forecasts.

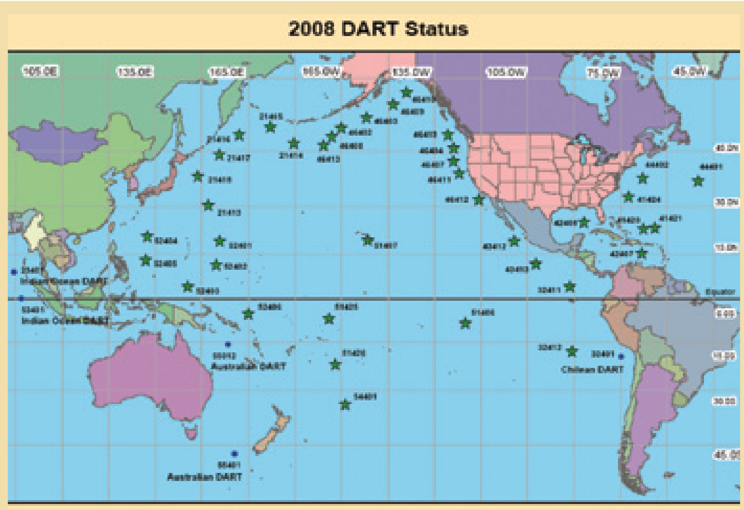
Successful Transition of Experimental Winter Weather Desk Products into Operations

The Hydrometeorological Prediction Center (HPC) Winter Weather Desk issues products regarding heavy snow and icing. These products provide support to the NWS winter weather watch/warning/outlook program. Forecasts for the contiguous United States are routinely issued from September 15 to May 15. Graphical forecasts are issued twice daily at 4:00 AM/PM EST, although updates may be warranted by rapidly changing conditions. Over the past six winter weather seasons, HPC worked with the NWS regional offices and field offices to develop guidance products to assist the WFOs in improving winter weather forecast products and services to the public. The products from the HPC each winter evolved as new techniques were developed.

Initially, all of the HPC winter weather products were labeled "experimental" since this enabled the HPC program to be flexible and to respond to requests as quickly as possible. This flexibility allowed HPC to develop and enhance a number of forecast techniques. HPC curtailed other efforts when they were not deemed useful by its partners. The product suite has been stable with only small changes over the past two years. Therefore, HPC felt it was stable enough to declare the products operational, meaning the products would not change without advance notification of the proposed change to its internal partners and external customers who could comment on the proposed changes if they desired. The Winter Weather Desk products have improved the collaboration among the field offices because the product suite gives them a single starting point for collaboration rather than a multitude of models and ensemble information.

NOAA Increases the Number of Recognized "TsunamiReady" Communities from 41 to 58 and Completes the U.S. Tsunami Detection Network

During FY 2008, NOAA increased the number of recognized "TsunamiReady" communities from 41 to 58. To be recognized as TsunamiReady, local communities need to establish a 24-hour Warning Point and Emergency Operations Center, have the ability to disseminate tsunami warnings, possess a formal Tsunami Hazard Plan, and run a proactive community tsunami awareness program. In addition, communities must ensure multiple ways to receive tsunami warnings; designate tsunami evacuation areas and evacuation route with appropriate signage; establish a system that monitors environmental conditions locally; and partner with NOAA in the promotion of public readiness and response through workshops, education materials, and by conducting routine emergency exercises. In late March 2008, NOAA deployed the final two tsunami detection buoys in the South Pacific, completing the U.S. tsunami buoy detection network in support of the U.S. tsunami warning system. In response to the December 2004 Indian Ocean Tsunami, NOAA has placed Deep-ocean Assessment and Reporting of Tsunami (DART II) stations at sites in regions with a history of generating destructive tsunamis to ensure early detection of tsunamis and to acquire data critical to real-time forecasts.



NOAA completed the original six-buoy experimental array in 2001 and expanded to a full operational network of 39 stations in March 2008. DART station 52406 represented the 39th and final successful establishment of the planned U.S. DART stations to strengthen the U.S. Tsunami Warning System meeting full operational capability. Station 32412 (Southeast Pacific Ocean) completed the process of filling the gap in coverage for seismic events occurring along the west coast of South America. Prior to this station, the only station covering this area was owned and operated by Chile (located 630 nautical miles southwest of Lima, Peru). NOAA's DART Network currently constitutes a critical element of the NOAA Tsunami Program. The Tsunami Program is part of a cooperative effort to save lives and protect property through hazard assessment, warning guidance, mitigation, research capabilities, and international coordination.

NOAA Distributes 182,000 NOAA Weather Radios

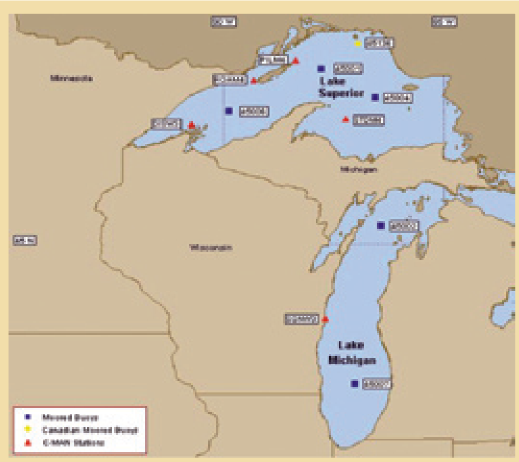
In FY 2008, NOAA distributed more than 182,000 NOAA Weather Radio All Hazards to preschools, Head Start programs, K-12 nonpublic schools and nonpublic school central offices, K-12 school district offices, and post-secondary schools across the Nation. The radios sound an alarm to alert school personnel about hazardous weather and other emergencies, even when other means of communication are disabled. These radios provide alerts and safety steps on a wide range of emergencies—from an approaching tornado, a telephone outage disrupting 9-1-1 emergency services, local roads overrun by flash floods, a derailed train posing a hazardous material threat, or the urgent need to be on the lookout for an abducted child. The program also encourages school officials, emergency managers, human service providers, and Citizen Corps Councils across the country to partner and align their efforts with local emergency plans to build overall community preparedness. By coordinating with their local emergency managers and Citizen Corps Council, schools also can obtain technical and other assistance to improve their school safety plans and other emergency preparedness efforts.

New Heat Health/Warning System (HHWS) Implemented

NWS successfully implemented one HHWS and upgraded one existing system during FY 2008, meeting their Excessive Heat Warning Program's milestone for the year. A system for Detroit, MI, was developed and implemented in May 2008. The San Francisco/San Jose, CA, system that was implemented during FY 2007 was modified to better account for varying terrain and climate across the forecast area. This brings the total number of HHWSs to 20, covering 30 cities. These systems provide valuable guidance forecasts of excessive heat conditions that can adversely affect human health and endanger life. The forecasters use this additional guidance tool to assist in their forecast decision-making process.

Implemented Segmented Great Lakes Open Lake Forecast

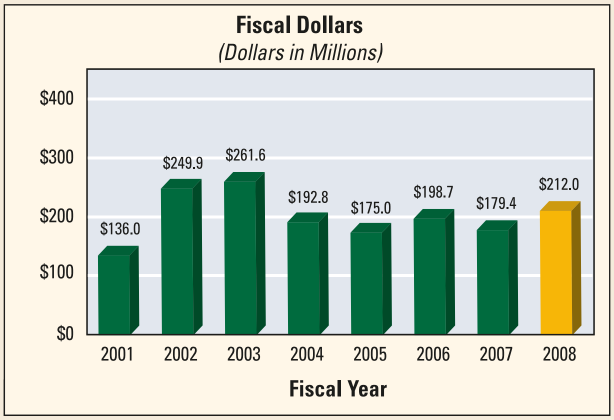
On October 2, NWS implemented improvements to the delivery of marine forecast services for the Great Lakes. The Open Lake Forecast products were transitioned into a segmented format that enables easier parsing and distribution of information. The new segmented format allows WFOs to be more geographically specific in these forecasts. In addition, the Open Lake Forecasts are now more consistent with the Great Lakes Nearshore forecasts in terms of format and information presentation. This service improvement applies to all of the Great Lakes and involves marine services from the WFOs in Buffalo, NY; Cleveland, OH; Chicago, IL; Detroit, MI; and Marquette, MI.

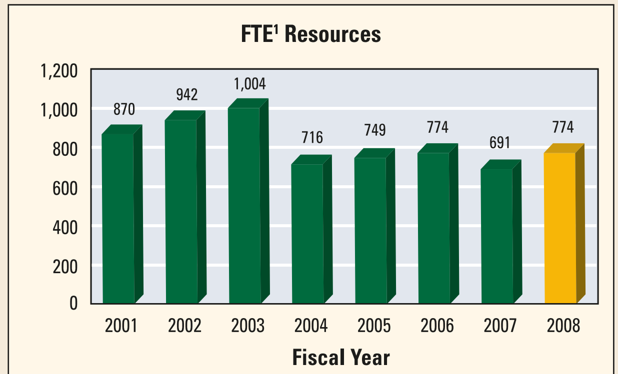


STRATEGIC OBJECTIVE 3.4

Support safe, efficient, and environmentally sound commercial navigation

STRATEGIC OBJECTIVE 3.4 TOTAL RESOURCES

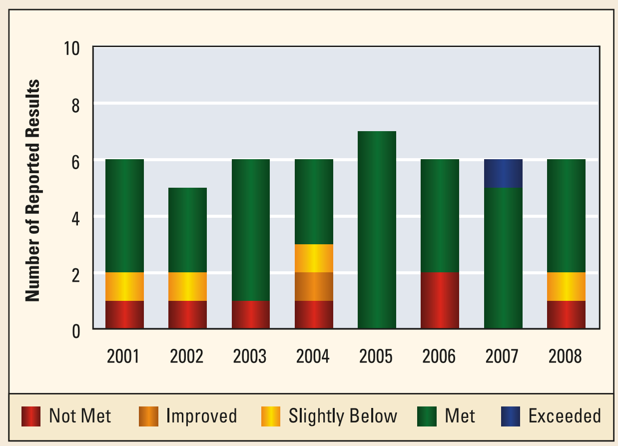




[1]FTE—Full-Time Equivalent

U.S. transportation systems are economic lifelines for the Nation. As U.S. dependence on surface and air transportation grows over the next 20 years, and as maritime trade doubles, better navigation and weather information provided by NOAA will be critical to protect lives, cargo, and the environment. For example, better aviation weather information could significantly reduce the $4 billion lost through economic inefficiencies as a result of weather-related air traffic delays. Improved surface forecasts and specific user warnings would likely reduce the 7,000 weather-related fatalities and 800,000 injuries annually from vehicle crashes.

STRATEGIC OBJECTIVE 3.4 PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

PERFORMANCE MEASURE (NOAA)	TARGET	ACTUAL	STATUS
Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)	2,500	2,127	Not Met
Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity	60.0%	60.2%	Met
Marine wind speed accuracy (%)	68%	72%	Met
Marine wave height accuracy (%)	73%	76%	Met
Aviation forecast accuracy of ceiling/visibility (3 mile/1,000 feet or less) (%)	63%	62%	Slightly Below
Aviation forecast FAR for ceiling/visibility (3 mile/1,000 feet or less) (%)	44%	39%	Met

RESULTS

NOAA met four of the six targets. It missed the target for "Aviation forecast accuracy" by only one percent, surveying 85 percent of its targeted 2,500 miles.

Improved Aviation Weather Forecasting Capabilities at Center Weather Service Units (CWSU)

NWS began an initiative to improve aviation weather services for the Federal Aviation Administration (FAA). Each year NWS prepares and provides approximately four million forecasts for the aviation community, primarily through the CWSU program. In response to the FAA's request for improved services, the NWS 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. NOAA's long-term goal is to increase the accuracy of aviation forecasts to 80 percent. According to 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 also 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. 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.

New Version of Geographic Information System Web Mapping Portal Released

The Office of Coast Survey released a new version of NowCOAST (*http://nowcoast.noaa.gov/*), a Geographic Information System-based Web mapping portal that provides users with near real-time coastal environmental information, including gridded weather forecasts and high-resolution global sea surface temperature analyses. Designed to be a planning aid to assist recreational and commercial mariners, emergency managers, coastal managers, hazardous materials (HAZMAT) responders, coastal ocean modelers, and marine educators, the new version allows users to view regularly-updated gridded weather forecasts from the NWS National Digital Forecast Database (NDFD) for the contiguous United States and displays NDFD forecasts of surface wind velocity, significant wave height, relative humidity, quantitative precipitation, and maximum/minimum air temperatures.

NOAA Promoting Safety in the Gulf Region

One of NOAA's central missions is to promote public safety and preparedness. This past year, NOAA responded to a series of requests from the U.S. Army Corps of Engineers and U.S. Coast Guard near some of the Nation's busiest ports to locate potential dangers to marine navigation along the Gulf Coast. NOAA found a World War II-era German torpedo with over 600 pounds of high explosives; a large sunken wreck near Pensacola, FL; and a floating pipeline located in South Plaquemines Parish in Louisiana.

Comprehensive Shoreline Data Now Available from One Internet Site

Accurate, accessible shoreline information and data has never been more important, as sea level rise in the coming decades is expected to bring unprecedented challenges to coastal communities worldwide. For the first time, shoreline data and related information from NOAA and other federal agencies is now available from one Web site, the NOAA Shoreline Web site. Local and state officials use this information to predict sea level rise, establish setback lines, and do a multitude of ocean and coastal community planning tasks. Also on the site are sections devoted to frequently asked questions, common uses of shoreline data, shoreline terms, and references. The Web site is a culmination of efforts of NOAA and several offices within the National Ocean Service (NOS), including NOAA's Coastal Services Center, National Geodetic Survey (NGS), Office of Coast Survey, Special Projects Office, and OCRM.

NOAA Expanded Physical Oceanographic Real-Time Systems (PORTS®)

NOAA's PORTS® program expanded to four new locations at Pascagoula, MS, Gulfport, MS, Sabine-Neches, TX, and Cherry Point, OR; and enhancements were made to existing PORTS® such as the addition of an air gap sensor on the Verrazano-Narrows Bridge as part of the New York/New Jersey PORTS®. These PORTS® are positioned to provide significant safety and economic benefits. For example, the Cherry Point PORTS® provided real-time data to assist in vessel traffic management at their dock and to support decision-making regarding the safety and efficacy of deploying oil spill containment booms around tank vessels during oil transfer activities. Observation systems at the ports of Pascagoula and Gulfport will assist the state with safely and efficiently moving commodities through its waterways contributing to $1.4 billion to the state economy, representing almost three percent of the gross state product, and including some 34,000 direct and indirect jobs paying $765 million in wages and salaries.

NOAA Conducts Major Current Meter Surveys in Southeast Alaska and Florida

NOAA's Center for Operational Oceanographic Products and Services' (CO-OPS) National Current Observation Program conducted several major tidal current surveys in FY 2008 in response to user requests. The data collected will help update tidal current predictions critical to safe navigation. In FY 2008, the largest current meter survey undertaken in recent history was successfully completed as 50 acoustic Doppler current profilers were deployed in the vicinity of Juneau, AK. NOAA has been collecting data in southeast Alaska since 2001 to update the vast amount of tidal current predictions included in the U.S. Tidal Current Tables. NOAA also conducted current surveys in Saint Andrews Bay located within Port of Panama City and along the east coast of Florida in Miami Harbor. The project originated in 2007 after requests for up-to-date current information were received from multiple navigational community and marine resource users. The Saint Andrews Bay current survey project supports navigation and the operation of deep draft vessels in the area, and additionally benefits various state and federal agencies, including the U.S. Coast Guard, U.S. Army Corps of Engineers, and the St. Andrew Bay Pilots Association.

NGS Releases Enhanced Online Positioning User Service (OPUS)

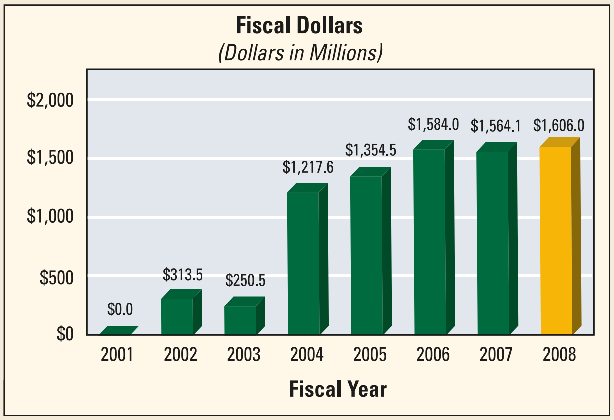
NOAA's NGS released a new version of its popular OPUS in February 2008. OPUS-Rapid Static (OPUS-RS), designed in partnership with the Ohio State University, enables users to receive an OPUS Solution by submitting as little as 15 minutes' worth of dual frequency global positioning system (GPS) data to NGS via the Web. OPUS-RS saves time and money as compared to standard OPUS which requires at least two hours' worth of GPS data (OPUS-RS results are less accurate than standard OPUS). NGS expects that OPUS-RS usage will exceed OPUS usage by a factor of ten.

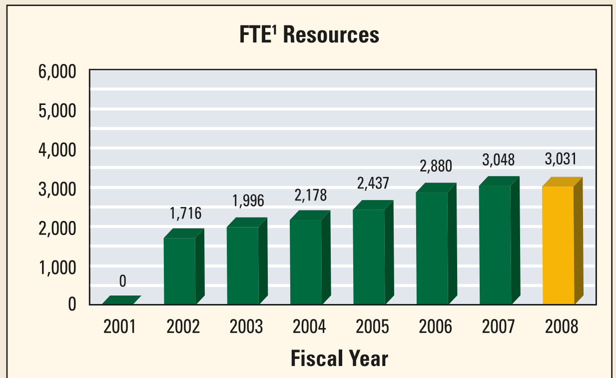
Since 2002, OPUS has transformed the way that GPS users across the country and world can obtain highly accurate positioned coordinates. OPUS allows users, such as professional surveyors, to submit their GPS observations to NOAA, where the data are processed to determine corresponding three-dimensional positional coordinates. Each OPUS solution is estimated to save the user $600 over traditional positioning methods. There have been over 500,000 OPUS solutions processed since the service began operating.

MISSION SUPPORT OBJECTIVE

Provide critical support for NOAA's mission

MISSION SUPPORT TOTAL RESOURCES





[1]*FTE—Full-Time Equivalent*

There are no Government Performance Results Act (GPRA) measures for the Mission Support objective, since the activities of this objective support the outcomes of the Mission objectives. NOAA is developing new and improving existing internal management performance measures for the Mission Support objective.

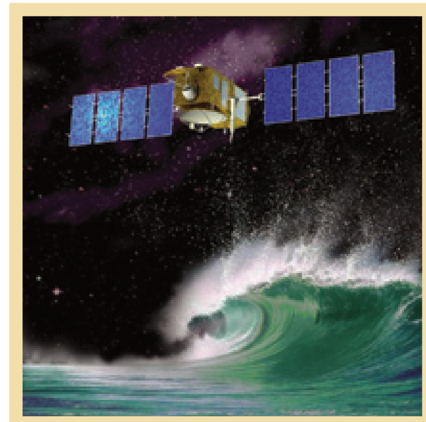
Jason-2 Launched from Vandenberg Air Force Base

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 show that sea level is rising at a rate of 3.4 millimeters per year—nearly twice as fast as in 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.

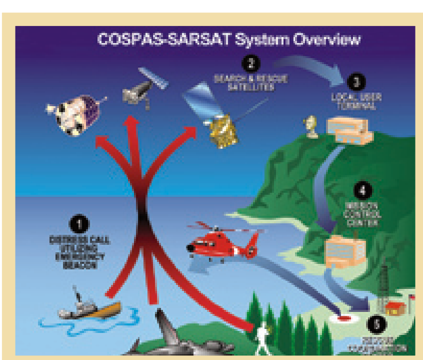
Climate Sensors Restored on Next Generation Environmental Satellites



The National Polar-orbiting Operational Environmental Satellite System (NPOESS) Tri-Agency Executive Committee remanifested two key climate sensors, one on the NPOESS Preparatory Project satellite and one on the first NPOESS satellite. The measurements provided by these two sensors will help scientists to better understand the natural and human causes of climate change.

The Clouds and Earth Radiant Energy System (CERES) instrument will be flown on the NPOESS Preparatory Project, the precursor mission for NPOESS. CERES measurements will shed light on how clouds influence the Earth's energy balance and the role they play in regulating climate. The Total Solar Irradiance Sensor (TSIS), a sensor critical to monitoring global climate, will fly on the first NPOESS spacecraft. TSIS will measure the total amount of solar energy coming into the Earth's atmosphere, a fundamental element in understanding climate change.

Polar-orbiting satellites are able to monitor the entire planet and provide data for long-range weather and climate forecasts. NOAA and NASA, in partnership with the Office of Science and Technology Policy, continue to analyze a range of future satellite missions to provide climate measurement continuity. NPOESS will replace the current generation of civilian and military weather satellites as they reach the end of their useful lives. The NPOESS program, which was restructured in FY 2007, will increase the timeliness and accuracy of severe weather event forecasts. Under the new plan, the first NPOESS spacecraft will begin to collect data on Earth's weather, atmosphere, oceans, land, and near-space environment in 2013.



NOAA Satellites Help Save 264 People in 2008

NOAA's polar-orbiting and geostationary satellites, along with Russia's COSPAS spacecraft, are part of the international Search and Rescue Satellite-Aided Tracking System (SARSAT), called COSPAS-SARSAT. In 2007, a record 353 people were rescued from potentially life-threatening emergencies thanks to COSPAS-SARSAT. As of August 8, 2008, this system aided in the rescue of 264 people in the United States.

The high-tech COSPAS-SARSAT system uses a network of satellites to quickly detect and locate distress signals from emergency beacons on board aircraft and boats and from handheld personal locator beacons. Now in its 26th year of operation, this system has been credited with more than 25,000 rescues worldwide, including more than 6,000 in the United States and its surrounding waters.

NOAA Commissions the First Federal Ship Dedicated Solely to Exploring the Ocean

On August 13, 2008, senior federal officials in Seattle, WA, commissioned OKEANOS EXPLORER, the first federal ship dedicated solely to exploring the ocean. A former U.S. Navy surveillance vessel, the ship was transferred to NOAA in 2004 and converted to perform ocean exploration. OKEANOS EXPLORER will use telepresence—satellite and high-speed Internet-based technology—to enable scientists on shore at any of five Exploration Command Centers to participate in and direct real-time exploration while viewing live images and other ocean data.

NOAA National Water Level Observation Network (NWLON) Enhanced by Hardening Stations to Withstand Hurricanes and Optimizing Meteorological Sensors

NOAA's CO-OPS constructed four NOAA "Sentinels of the Coast" at Shell Beach, LA, Bay Waveland, MS, Amerada Pass, LA, and Calcasieu Pass, LA. This effort resulted from NOAA's recognizing the critical need for accurate data at the height of severe storm events. NOAA Sentinels are water level observing stations which have been strengthened to deliver real-time storm tide data during severe coastal events. Built to withstand Category 4 hurricanes, these structures maintain an incredible presence, given their size and stature, along the Gulf Coast. NOAA Sentinels measure and disseminate real-time water level and meteorological observations. Also, NOAA began a two-year effort to add meteorological sensors to NWLON stations, with 25 stations being upgraded in FY 2008. The upgrades included the installation of wind, barometric pressure, and air temperature sensors, followed by data monitoring and validation of the data within the first couple weeks of data collection. NOAA water level and meteorological data have long been key components of coastal decision-making before, during, and after major storm events. This information is critical for developing vulnerability assessments, providing more accurate marine weather and flood forecasts, evacuation planning and execution, determining when to open and close locks, and facilitating the reopening of ports after storms pass.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

As the 21st century unfolds, new priorities for NOAA action are emerging in the areas of climate change, freshwater supply, and ecosystem management. In recent years, extreme drought and flooding conditions in large regions of the Nation have combined to make improved water resources prediction an urgent requirement for the Department's future weather and climate mission.

Objective 3.1: Protect, restore, and manage the use of coastal and ocean resources

Consistent with the U.S. Ocean Action Plan and U.S. Commission on Ocean Policy Report, the Department has adopted an ecosystem approach to management that will evolve over time in collaboration with its partners. The Department uses several strategies in the NOAA strategic plan to carry out this approach.

- Engage and collaborate with the Department's partners to achieve regional objectives by delineating regional ecosystems, promoting partnerships at the ecosystem level, and implementing cooperative strategies to improve regional ecosystem health.
- Manage uses of ecosystems by applying scientifically sound observations, assessments, and research findings to ensure the sustainable use of resources and to balance competing uses of coastal and marine ecosystems.
- Improve resource management by advancing the Department's understanding of ecosystems through better simulation and predictive models.
- Build and advance the capabilities of an ecological component of the NOAA global environmental observing system to monitor, assess, and predict national and regional ecosystem health, as well as to gather information consistent with established social and economic indicators.
- Develop coordinated regional and national outreach and education efforts to improve public understanding and involvement in stewardship of coastal and marine ecosystems.
- Engage in technological and scientific exchange with the Department's domestic and international partners to protect, restore, and manage marine resources within and beyond the Nation's borders.

NOAA is implementing the call by its stakeholders to move towards an ecosystem approach to managing uses of coastal and marine resources. NOAA is integrating the application of its multiple ecosystem mandates in partnership with universities; industry; NGOs; and local, state, and federal agencies by developing and implementing ecosystem approaches to management of coastal and marine resources.

NOAA is seeking improved understanding of ecosystems; identification of regional ecosystems; development of ecosystem health indicators; and new methods of governance to establish the necessary knowledge, tools, and capabilities to fully implement ecosystem approaches to managing coastal, ocean, and Great Lakes resources.

The Department will continue to address the challenges associated with delivering timely and accurate ecosystem data, information, and forecasts to stakeholders in useful formats. Ecosystem approaches to management will be an area of intense focus. Tradeoffs to address the highest priorities must continue to be made to achieve the right balance among NOAA's core natural resource and coastal management responsibilities with new and emerging needs. Navigating increasingly complex and, at times, competing missions will be a test of NOAA's ability to effectively manage ecosystems using new tools in the years to come. NOAA will face challenges in developing unique and useful relationships with academia, nongovernmental, and private-sector partners to satisfy a large and growing demand for credible, science-based information products and management as it carries out its responsibilities across Great Lakes, coastal, and marine ecosystems.

Objective 3.2: Advance understanding of climate variability and change

The Department utilizes several strategies identified in the five-year NOAA strategic plan to assist customers in better understanding the impacts of climate change and variability. Like weather, improved climate information can have a profound impact on the economy, and the Department strives to ensure that reliable, unbiased climate information is available for informed and reasoned decision-making. Strategies to achieve this end state include:

- Develop an integrated global observation and data management system for routine delivery of information, including attribution of the state of the climate.
- Document and understand changes in climate forcings and feedbacks, thereby reducing uncertainty in climate projections.
- Improve skill of climate predictions and projections and increase range of applicability for management and policy decisions.
- Understand impacts of climate variability and change on marine ecosystems to improve management of marine ecosystems.
- Enhance NOAA's operational decision support tools to provide climate services for national socioeconomic benefits.

NOAA will continue to strive toward an integrated approach in the provision of environmental information and modeling as described in the climate-related aspects of the U.S. Integrated Earth Observation System (IEOS) Strategic Plan. In response to the Ocean Research Priorities Plan, NOAA will enhance its ocean focus to provide understanding of climate impacts on ecosystems. These focus areas will increase the progress of the Climate Goal to integrate observations, data management, and modeling, as well as provide a new suite of environmental products and services.

NOAA's challenge will be to continue to improve critical services to the Nation, including (1) advancing science to improve water resource forecasting and service delivery; (2) improving NOAA's tsunami detection, warning, and mitigation capabilities and expanding its scope from the Pacific to the Atlantic and Caribbean; (3) conducting research to yield improvements in the accuracy of one-day to two-week high-impact weather forecasts; (4) improving international efforts to address medium range forecasting and climate variability; (5) expanding ozone air quality forecast to the rest of the Nation; and (6) improving operational atmospheric, ocean, and coastal modeling capabilities.

Society will continue to face major challenges in which the influence of climate will be a fundamental factor. Reducing climate-related uncertainties in policy and decision-making can be valued at more than $100 billion for the United States alone, and relatively small increases in accuracy can yield substantial benefits. In the next five years and beyond, NOAA's climate priorities and outcomes will lead to science-based climate information services as envisioned by the U.S. CCSP and as needed to meet NOAA's commitments to deliver climate information services to the Nation.

Objective 3.3: Provide accurate and timely weather and water information

The Department utilizes several strategies, identified in the five-year NOAA strategic plan, to improve accuracy and timeliness of weather and water information. Improved weather and water information can have a profound impact on the economy. The Department strives to ensure that reliable, accurate, and timely weather and water information is available for informed and reasoned decision-making. Strategies to achieve this end state include:

- Improve the reliability, lead-time, and understanding of weather and water information and services that predict changes in environmental conditions.
- Integrate an information enterprise that incorporates all stages from research to delivery, seeks better coordination of employee skills and training, and engages customers.
- Develop and infuse research results and new technologies more efficiently to improve products and services, to streamline dissemination, and to communicate vital information more effectively.
- Build a broad-based and coordinated education and outreach program by engaging individuals in continuous learning toward a greater understanding of the impacts of weather and water on their lives.
- Employ scientific and emerging technological capabilities to advance decision support services and to educate stakeholders.
- Work with universities, industry, and national and international agencies to create and leverage partnerships that foster more effective information services.

NOAA must continue to refine its Earth observing architecture and data management infrastructure in order to increase its capacity to meet the information requirements of NOAA's four mission objectives. NOAA's mission objectives are directly related to the "nine societal benefit areas" identified by the intergovernmental Global Earth Observatory (GEO) and the U.S. GEO (USGEO). As such, NOAA will continue to be an active participant on both the USGEO, which is charged with developing the U.S. Integrated Surface Observing System (ISOS), and the GEO, which is developing the Global Earth Observation System of Systems (GEOSS).

One of NOAA's top priorities is to effectively and efficiently deliver information and services to customers when they need it and in standardized formats. NOAA strives to support a safer, healthier, and economically stronger United States through reliable, timely, and accurate weather and water information. NOAA-wide information such as all-hazards warnings and a wide range of environmental information from an expanding customer base must be available in digital formats with the necessary supporting infrastructure.

Objective 3.4: Support safe, efficient, and environmentally sound commercial navigation

The Department helps transportation information users and stakeholders reach their goals with the following strategies identified in the five-year NOAA strategic plan:

- Expand and enhance advanced technology monitoring and observing systems, such as weather and oceanographic observations; hydrographic surveys; and precise positioning coordinates, to provide accurate, up-to-date information.
- Develop and apply new technologies, methods, and models to increase the capabilities, efficiencies, and accuracy of transportation-related products and services.
- Develop and implement sophisticated assessment and prediction capabilities to support decisions on aviation, marine, and surface navigation efficiencies; coastal resource management; and transportation system management, operations, and planning.
- Build public understanding of the technology involved and the role of the environment in commerce and transportation.

In the future, NOAA plans to enhance the intermodal transportation network by improving available products and services and investing in transportation-related observing systems. For example, NOAA will continue to build and maintain its suite of electronic navigational charts (ENC) to supply commercial and recreational mariners with the digital navigation data they need to navigate safely in the 21st century. Additionally, NOAA will focus on equipping all 195 NWLON stations with real-time operational capability at the top 175 U.S. seaports. Enhanced ice forecasts and refinements to aviation, marine, and surface weather predictions will also contribute to NOAA's role in saving lives, property, and critical infrastructure. NOAA will continue to survey and chart U.S. waters, maintain the highly accurate positioning infrastructure the Nation relies on each day, support Satellite Search and Rescue incidents, respond to HAZMAT events, and support U.S. national interests in commercial remote sensing licensing. It is through these and other important activities that NOAA strives to improve and deliver information crucial to safe and efficient transportation.

The Department's response to addressing the transportation challenges facing the Nation include building on the foundation of expertise, research, and technology development to deliver the information, tools, and services essential to safe, efficient, and environmentally sound transport on water, land, and in the air. Impacts to the system, particularly at vulnerable choke points, affect transit time, delivery reliability, efficiency, cost of goods transported, and the environment. To improve service delivery, NOAA consults with its stakeholders to identify valid user needs that cannot be met with existing information; enhance products that support transportation systems; work with partners to conduct research and development in weather, modeling, and geopositioning; and improve the translation of research into operational value. NOAA must also focus on connecting and strengthening its observations systems that gather data for transportation information.

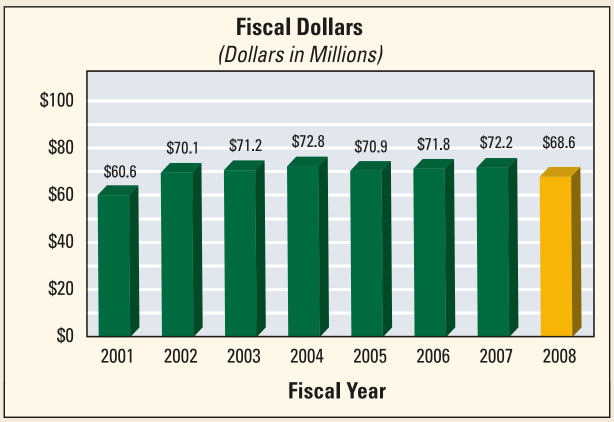
MANAGEMENT INTEGRATION GOAL

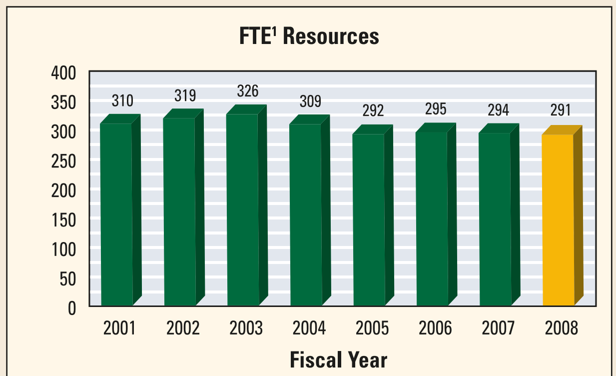
PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Ensure effective resource stewardship in support of the Department's programs (DM)	1 of 3
Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
Acquire and manage the technology resources to support program goals (DM)	1 of 1
Promote 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

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL TOTAL RESOURCES

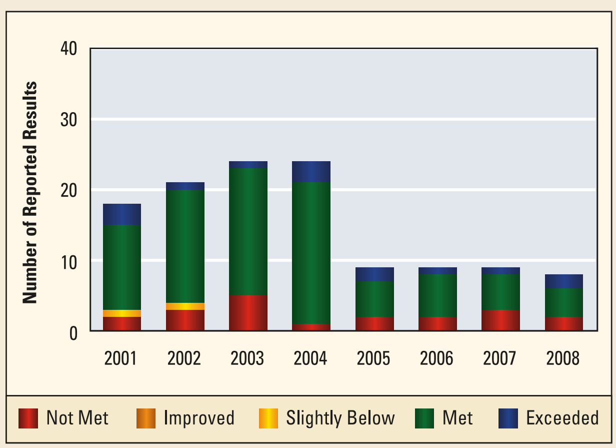




[1]*FTE—Full-Time Equivalent*

Achieving organizational and management excellence is a goal that requires extensive interaction and coordination among entities throughout the Department. Departmental Management (DM)—consisting of the Offices of the Secretary (OS), Deputy Secretary, Chief Financial Officer (CFO) and Assistant Secretary for Administration, Chief Information Officer (CIO), and General Counsel—provides the policies and guidelines that support the management infrastructure the Department needs to carry out its mission. In addition, the Office of Inspector General (OIG) audit and inspection programs help promote consistency and integrity throughout the Department. Most of DM's and the OIG's work can be characterized as "behind-the-scenes," contributing to the efficiency with which operating units throughout the Department administer their programs.

MANAGEMENT INTEGRATION GOAL PERFORMANCE RESULTS



See Appendix A: Performance and Resource Tables for individual reported results.

Performance Outcome: *Ensure effective resource stewardship in support of the Department's programs (DM)*

The Department must have the capacity to do business with the public and its partner agencies, both as a more than $6 billion worldwide enterprise, and as an integrated set of individual programs. This requires that it identify, adopt, and maintain business practices essential to successful operations; use its resources wisely; and effectively implement the laws that affect it. In order to ensure the accomplishment of its mission, the Department has developed and put into place policies and programs designed to enable the successful operation of its units, the effective and efficient use of both material and human resources (HR), and the implementation of laws and regulations that govern the use of those resources. This performance outcome represents the Department's commitment to ensuring the wise stewardship of its resources. Because this goal encompasses a wide range of administrative and operational tasks, the measures used to assess progress are highly diverse.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management	Eliminate any significant deficiency within 1 year of determination. Complete FY 2008 A-123 assessment of internal controls.	The Department closed 70 percent of prior year financial systems audit findings; completed FY 2008 A-123 assessment of internal controls for financial reporting; significant deficiency was not eliminated	Not Met
Effectively use commercial services management	Use business process re-engineering, feasibility studies and/or similar initiatives to identify operational efficiency and effectiveness opportunities	Completed several feasibility studies in FY 2008 and planned several more for FY 2009	Met
Obligate funds through performance-based contracting (% of eligible service contracting $)	50%	28%	Not Met

RESULTS

DM did not meet the target for "Provide accurate and timely financial information….," because it did not eliminate its significant deficiency concerning consolidated IT controls. There are several prior year findings unrelated to the Commerce Business System (CBS) Consolidation that cannot be addressed in the short-term due to resource and infrastructure constraints. The CIO/CFO team continues to actively monitor issues and resolve any outstanding corrective actions. While the majority of the prior year financial systems findings were closed, it was expected that several more of the prior year findings would have been closed as a result of the CBS Consolidation Project to consolidate the Department's financial management servers (hardware and software) at the Census Data Center (CDC) in Bowie, MD. However, in February 2008, the project was disbanded due to the CDC's inability to host the systems because of the Census Bureau's need to absorb decennial systems. In addition, there are several other prior year findings unrelated to CBS consolidation that cannot be addressed in the short-term due to resource and infrastructure constraints. The CIO/CFO team continues to actively monitor issues and resolve any outstanding corrective actions. DM also did not meet the target for the percentage of funds obligated through performance-based contracting. The Commerce Information Technology Solutions (COMMITS) program (all performance-based contracts) was transferred to the General Services Administration (GSA), reducing the Department's base. Limitations within procurement infrastructure, e.g., significant turnover, made it difficult to reach the target. The Department intends to make correct coding in the Federal Procurement Data System-Next Generation (FPDS-NG) an element in performance appraisals for contract specialists.

Among the DM accomplishments in FY 2008 are:

- To ensure required information technology (IT) security controls are operating as intended, the Department is implementing the Office of Management and Budget (OMB) mandated Information System Security Line of Business (ISSLoB) Federal Information Security Management Act (FISMA) tool to automate certification and accreditation (C&A) standards and security reporting.
- Conducted an annual IT internal control review for all 14 Department operating units as an effort to continuously monitor security improvements. The review was comprised of FISMA, Federal Financial Management Improvement Act (FFMIA), and Federal Managers' Financial Integrity Act (FMFIA) control requirements.
- Continued 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. A Senior Management Council (SMC) and a Senior Assessment Team (SAT) worked together to provide oversight guidance and decision-making for the A-123 process.
- On its FY 2008 financial statements, the Department received an unqualified audit opinion for the tenth consecutive year.

Performance Outcome:* *Ensure retention of highly qualified staff in mission-critical positions (DM)

The Department continues to refine and develop programs to help train and retain a highly qualified workforce and avoid disruption in services it provides. 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.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Acquire and maintain diverse and highly qualified staff in mission-critical occupations	Have new competency models in place for 3 mission-critical occupations for use in applicant selections and training and development decisions. Meet or exceed the 45-day hiring goals mandated by OPM.	Exceeded the target by delivering a total of 4 competency models for the Economist, Acquisition, Mathematical Statistician, and Chemist series. Exceeded the OPM 45-day time-to-hire standard with an average fill time of 31 days for non-SES vacancies.	Exceeded

RESULTS

Among the DM accomplishments in FY 2008 are:

- Expanded implementation of multi-tier performance appraisal system to produce the result of 88 percent of the Department's full-time equivalents (FTE) 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 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 OS, and the Economic Development Administration (EDA). The overall results achieved from the consolidation are: providing optimal service delivery and consistency to clients, providing clients efficient access to HR services, eliminating supervisory layers, and managing and leveraging government operating costs efficiently.
- 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 on 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 comprehensive human capital assessment and accountability audits of six organizational units at the bureau level, in conjunction with OPM evaluators, to determine compliance with merit principles. Findings from the accountability audits are being tracked to ensure corrective actions are taken and continuous improvements are made to the human capital management systems throughout the Department.

Performance Outcome: Acquire and manage the technology resources to support program goals (DM)

As U.S. society becomes increasingly oriented toward using electronic means of communication and information dissemination, federal agencies must ensure that they continue to be as responsive as possible to the needs of the public, the private sector, other levels of government, and other federal agencies. DM must promote leading-edge technologies, collaboration, and technology transformation across the Department, ensuring alignment with mission requirements, goals, and objectives in order to deploy and maintain systems able to perform at the highest levels.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Improve the management of information technology	Cost/schedule overruns/ performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited with acceptable, quality documentation in place.	Cost/schedule overruns/ performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited with acceptable, quality documentation in place.	Met

RESULTS

Among the DM accomplishments in FY 2008 are:

- Continued implementation of the OMB mandated ISSLoB FISMA tool to automate C&A standards and security reporting.
- Conducted four security awareness training sessions specifically designed for authorizing officials and system owners.
- Conducted an annual IT internal control review for all 14 Department operating units. The review addressed FISMA, FFMIA, and FMFIA control requirements.
- Implemented a cyber intrusion prevention system for monitoring and reporting IT security violations at the HCHB. As a result of this continuous monitoring, the Department detected malicious cyber attacks and implemented corrective actions to mitigate potential threats.
- Developed a Trusted Internet Connection (TIC) implementation approach, which directs all operating unit Internet traffic to run through one of six planned Department TIC Access Provider portals.
- Developed solid 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.
- Achieved, on average, within five percent of cost, schedule, and performance targets for the Department's major IT investments.
- Prepared Privacy Impact Assessments, including procedures to log and verify extracts of sensitive information, and posted them to the Web. These assessments document for the public the Department's commitment to IT privacy.
- Met major milestones for and benefitted 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 between federal agencies.
- Continued to define a blueprint for IT investments, offering a tool to ensure that IT investments are developed following sound directions and plans.

Performance Outcome: 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)

OIG criminal, civil, and administrative investigations continue to disclose instances of misconduct by employees, contractors, and grantees that threaten the integrity of the Department's programs and operations. In addition, auditors or inspectors frequently identify investigative issues, such as fraud and conflicts of interest, and refer such matters to OIG investigators.

PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Percentage of OIG recommendations accepted by Departmental and bureau management	95%	100%	Met
Dollar value of financial benefits identified by the OIG	$28.0M	$113.0M	Exceeded
Percentage of criminal and civil matters that are accepted for prosecution	63%	73%	Met

RESULTS

The OIG met or exceeded all of its targets.

Almost all the OIG's recommendations made were accepted by senior Agency leadership; implementation of these recommendations will result in significant improvements to the Department's operations. OIG inspections and audits also captured significant financial benefits for the Department, including recovery of funds returned to the Department, expenditures that were not supported by adequate documentation, recoveries from criminal and civil investigations, future financial benefits from recommendations for more efficient use of Department funds, and expenditure of funds that may have been inconsistent with applicable laws and regulations.

STRATEGIES, PLANS, AND CHALLENGES FOR THE FUTURE

The Department has undertaken a number of initiatives to meet the many management challenges it faces, some of which are described below.

- **Competitive Contracting**

  The Department will continue to focus efforts on ensuring that maximum competition is sought for acquisitions. The Department ranks the third highest in competitive acquisitions across the government (at 81 percent, compared to the Department of Energy (DOE) which has the highest percentage—85 percent—of dollars obligated competitively).

- **Improving Information Security**

  The Department will continue to enhance the protection afforded its information systems and data. The Department's IT and security policies and requirements reflect federal standards and best practices for security controls, evaluation, accreditation, and contingency planning. By carefully planning how the Department prioritizes its IT funds—ensuring that it has a cohesive and well-constructed enterprise architecture, trained personnel, and safeguards over the confidentiality, integrity, and availability of the Department's sensitive information—DM can provide the IT support the Department needs to carry out its missions. The Department installed encryption software on laptop computers in 2007, and enabled secure remote access with two-factor authentication in 2008. To enhance security management in the next year, the Department plans to complete the implementation of the OMB Information System Security Line of Business (ISSLoB) FISMA tool. The new tool will provide enhanced data integrity, audit trail, policy enforcement, and work-flow, and reduce the number of data calls issued to the Department operating units.

- **Preparing for Emergencies**

  The Department continues to aggressively improve emergency preparedness, safety, and security of Departmental personnel and facilities. Certain facilities require cyclical and anti-terrorism risk assessments. In the current four-year cycle, anti-terrorism risk assessments based on criticality, threat, and vulnerability have been conducted for 461 of 744 Department facilities. In FY 2008, bureau managers implemented countermeasures and the Anti-Terrorism Risk Index was reduced (risk methodology validated by the American Society for Industrial Security in 2004). The Department continued an annual self-assessment program for its owned and leased facilities in order to complement the 371 cyclical reviews of Occupant Emergency Plans (OEP) that have been completed thus far in the current four-year cycle. This fiscal year, the Department undertook an effort to re-evaluate its primary mission essential functions necessary to support Continuity of Operations and Continuity of Government responsibilities via a Department-wide exercise. The Department also continues to improve Continuity of Operations Plans (COOP) preparedness with monthly working group meetings and in-depth reviews of COOP plans.

- **Future Workforce Requirements**

  The Department will continue to be challenged in the years ahead to cope with significant changes in the way the government hires and compensates its civilian workforce. Flexible approaches to recruiting and employee pay that are based on employee performance represent challenges that, if adopted and implemented with care, are likely to result in a more competent, satisfied, and successful workforce. The Department is already, in some organizations, preparing for the potential overhaul of HR activities through its demonstration projects which highlight pay for performance. The Department will seek approaches to implementation of changes in HR management that will help it compete with private sector employers to recruit a diverse, highly specialized, and increasingly technical workforce.

As demands for higher productivity and service levels grow, the Department frequently must adjust program operations to meet evolving needs while facing funding limitations. Smooth and sound integration of program demands, performance results, and budget realities will continue to be an objective and a challenge of the Department. As part of its efforts to achieve maximum effectiveness and efficiency of operations, the Department will continue to encourage employees to report any instances of waste, fraud, and abuse to the OIG for subsequent investigation and resolution.

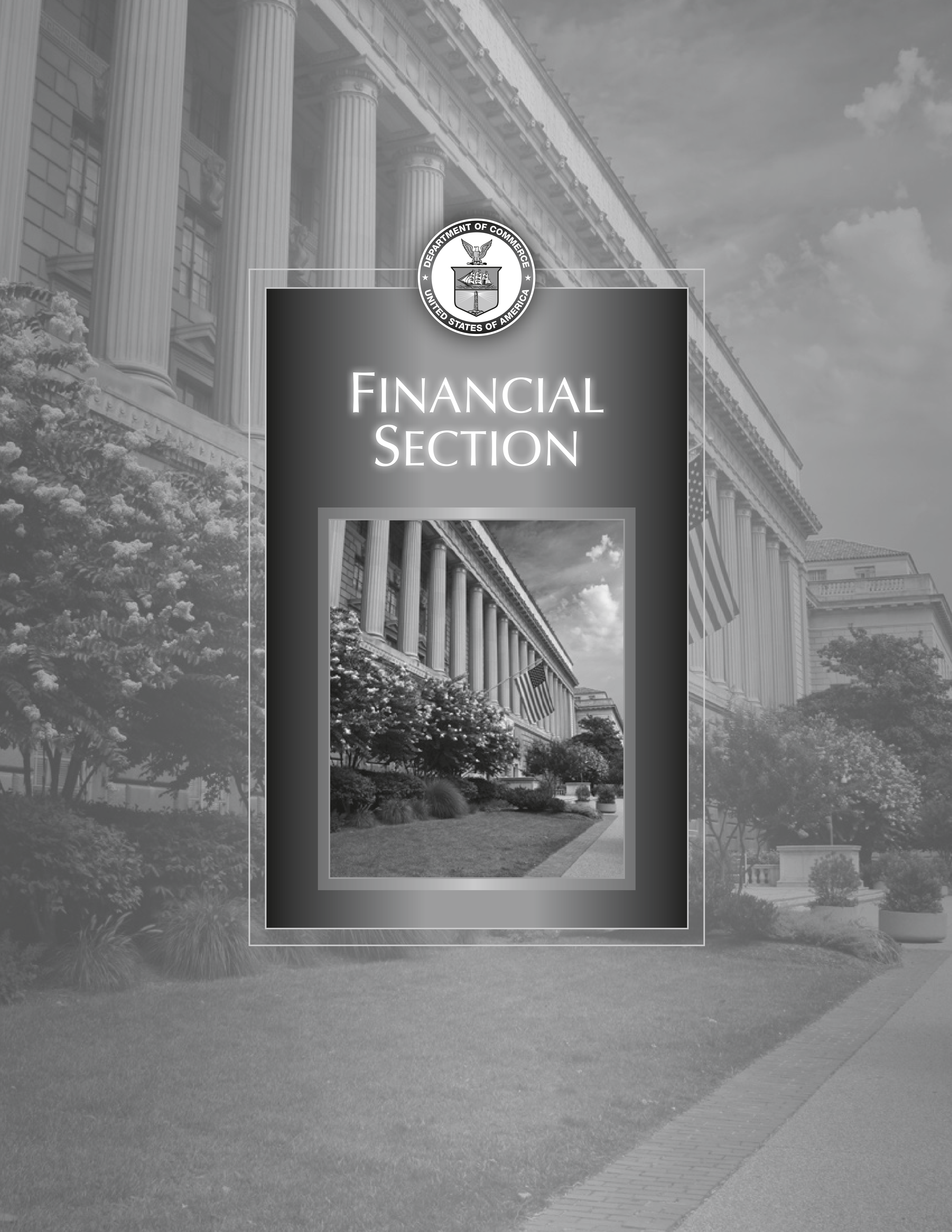
Managing its programs from within aging physical facilities and ensuring the safety and security of staff, information, and customers is a challenge the Department plans to meet through modernization efforts which will satisfy technical, scientific, and safety and security requirements.

The growing technological orientation of its work and a highly competitive market challenge the Department's managers to attract and retain high quality workers. The Department must employ the right people in the right jobs at the right time while assuring that its workforce is representative of the Nation's population. Identification of competencies for mission-critical occupations will help the Department to perfect workable succession plans, and maintaining an ambitious fill-time with the help of automated rating tools will enable the Department to replace mission-critical employees expeditiously.

Information security, critical infrastructure protection, and privacy are among the Department's most important challenges, as the Department, and society in general, depend more and more on electronic communication. The Department puts a high priority on these issues to ensure that its systems, data, products, and services are protected; privacy is maintained; and operations continue unaffected by potential attempts at disruption. The Department also focuses attention on challenges resulting from the increasing use of the World Wide Web to provide data and information to citizens and businesses in the Department's program areas, and to support transaction-oriented e-government that offers efficiencies for both Departmental operations and the Department's customers.

The Department will continue to improve its security policies, programs, and initiatives so that its response to threats to personnel, assets, and operations is swift and effective.

Financial Section



Message from the Chief Financial Officer

This FY 2008 Performance and Accountability Report provides financial and program performance information to enable the Department's stakeholders to understand and evaluate what we have achieved relative to the missions and the resources entrusted to us. The report summarizes highlights of the Department's performance, provides detailed financial information, and fulfills the requirements of the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Government Performance and Results Act, the Federal Managers' Financial Integrity Act, and the Government Management Reform Act.

We are proud to report that in FY 2008 the Department of Commerce again maintained a green status rating on the Financial Management Scorecard of the President's Management Agenda and, for the tenth consecutive year, achieved an unqualified audit opinion. We also completed all testing of key internal controls for financial reporting and identified no material internal control weaknesses. These accomplishments reflect our commitment to excellence in improving financial systems and managing financial resources.

The Department's FY 2008 achievements include completion of the conversion of the International Trade Administration (ITA) to the Commerce Business System (CBS)/Core Financial System (CFS), thereby reducing the number of payment processing locations from six to five. The Department also made significant progress towards standardization, as identified through Accounts Payable Business Process Re-engineering, by implementing approximately 36 percent of standard processes for identified accounting activities. In addition, we continue to plan for the next stage of the Department's financial management evolution in alignment with the principles of standardization, consolidation, and optimization.

Through the Modernization Blueprint Initiative, we developed a comprehensive inventory of administrative programs, initiatives, and systems capturing key information (i.e., schedule and estimated cost) and consolidated it into a single database. This enables the Department's managers to perform better analyses of programs and initiatives that are underway or planned through FY 2012.

The Department was unable to eliminate a significant deficiency concerning consolidated information technology (IT) controls. However, we have made progress towards eliminating this problem, and the dedicated Chief Financial Officer-Chief Information Officer (CFO-CIO) team has been actively monitoring IT security issues. There was also a significant deficiency identified over accounting for personal property at the National Oceanic and Atmospheric Administration (NOAA). NOAA has taken corrective actions and compensating controls have been implemented.

In FY 2009, the Department's missions will continue to be supported by strong and effective financial management and internal controls. The Department remains firmly committed to maximizing the effectiveness of its programs and ensuring their efficient delivery to the American people.

Otto J. Wolff
Chief Financial Officer
and Assistant Secretary for Administration
November 15, 2008

Financial Management and Analysis


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

FINANCIAL MANAGEMENT AND ANALYSIS

In support of the President's Management Agenda (PMA) and under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the achievement of a green status rating on the Financial Performance Scorecard under the PMA. In addition, the Department continued to receive unqualified audit opinions, maintains a single integrated financial system, and continued its compliance with the Federal Financial Management Improvement Act (FFMIA). Highlights of accomplishments for FY 2008 and future initiatives are discussed further below.

FINANCIAL MANAGEMENT SYSTEMS

The Department maintains an FFMIA-compliant financial management system, the Commerce Business Systems (CBS). CBS replaced non-compliant legacy financial management systems within the Department. Two bureaus that were previously on compliant systems continue to use those systems; a third whose system was no longer supported converted to CBS in the first quarter of FY 2008. The financial information from these systems and CBS is integrated in the Corporate Database (as discussed further below) for consolidated financial reporting, resulting in a single integrated financial management system.

CBS provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System (CFS), including the Commerce Purchase Card System (CPCS) and the Budget and Execution Data Warehouse. CBS is integrated with the Commerce Standard Acquisition and Reporting System (CSTARS), the National Finance Center Payroll System, and the Automated Standard Application for Payments (ASAP). As a result of the migration of CBS to Web-based technology, which will be promoted to production in FY 2009, the life expectancy of CBS is expected to be extended beyond 2012. The Department continued planning for the next stage of its financial management evolution in alignment with the PMA and the Financial Management Line of Business (FMLoB) goals of standardization, consolidation, and optimization.

The Corporate Database is a commercial off-the-shelf software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/Fund Group level. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

During FY 2008, the Department accomplished the following initiatives:

- Redirected the CBS Consolidation Project—consolidation of the Department's financial management servers (hardware and software) at the Census Data Center (CDC) in Bowie, MD—due to the change in the Census Bureau's priorities because of unforeseen issues with the Decennial Census. Several decennial systems were moved to the CDC resulting in a power supply issue that forced the CBS Consolidation servers to move out of the CDC. As a result, the Department developed and reviewed options; identified benefits, risks, and impacts; and made the decision to distribute equipment back to the bureaus and the Office of Financial Management (OFM)/CBS Solutions Center (CSC) in order to achieve the technical migration to Oracle 10g before co-locating or consolidating hosting infrastructures.

- Continued planning for the next stage of the Department's financial management evolution in alignment with the PMA and Office of Management and Budget's (OMB) FMLoB goals of standardization, consolidation, and optimization. Participated in several FMLoB government-wide working groups aimed at standardizing financial management activities in the federal government.
- 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 identified accounting events. Completed programming for new performance metrics reporting.
- Completed the implementation of the conversion of the International Trade Administration (ITA) to the CBS.
- Initiated the Modernization Blueprint Project. Developed a comprehensive inventory of programs, initiatives, and systems across the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA) that captured key information (schedule, cost, and confidence level associated with cost estimates) and facilitated the critical review, evaluation and update of program estimates and confidence levels resulting in an agreement of program prioritization for administrative business systems. Utilized the inventory to identify key areas of support for the effort—Information Management, Governance, and Delivery Management.
- Documented as-is architecture for use in potential future efforts to develop a target architecture and transition plan for administrative areas within the Department consistent with the Department's Enterprise Architecture (EA) and OMB Federal Enterprise Architecture (FEA).

In FY 2009 and beyond, the Department will continue its efforts to enhance its financial systems. The Department plans to accomplish the following:

- Complete bureau migration of production instances from Oracle 9i to Oracle 10g.
- Develop the Future Financial and Administrative Planning Business Case that will assist the Department in analyzing its current financial and administrative environment, determining the long-term viability of its CBS platform, and comparing to other potential options to support its financial management environment.
- Continue to monitor bureau efforts in implementing standardized processes for identified accounting events and track and measure the bureaus' performance through the performance metrics reports.
- Continue to support the key areas of the Modernization Blueprint effort (Information Management, Governance, and Delivery Management). Update and analyze the program inventory; implement a central Web site to house program inventory; evaluate and enhance review board processes, including proposal evaluation and program monitoring; and design and develop Project Management framework to standardize and improve delivery across the organization.

FINANCIAL REPORTING

The Department is committed to making financial management a priority, and significant efforts are being made to further improve the management of its financial resources. The Department has received unqualified opinions on its consolidated financial statements since 1999. In addition, one bureau subject to individual audit has maintained unqualified opinions on its principal financial statements. The Department met the financial statement submission deadlines for FY 2008. 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 information technology (IT) controls remained from prior years. The Department has corrective action plans (CAP) in progress to address these deficiencies. The Department conducted an assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular No. A-123, *Management's Responsibility for Internal*

Control, Appendix A, including adhering to the risk-based three-year rotational testing plan. A Senior Management Council (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, which reported no material weaknesses, was incorporated into management's overall assurance statement provided under the requirements of the FMFIA. In FY 2008, the Department conducted an improper payment sample testing; the results revealed no significant improper payment or internal control deficiencies. Overall, the Department's assessments demonstrate that the Department has strong internal controls over the disbursement processes, the amounts of improper payment in the Department are immaterial, and the risk of improper payment is low. The Performance and Accountability Report (PAR) section and Appendix B on the Improper Payments Information Act of 2002 (IPIA) reporting details describe the Department's efforts in complying with this act along with the results of the Department's reviews.

The Department accomplished the following initiatives that resulted in meeting the aforementioned goals:

- Prepared and monitored CAPs for the significant deficiency and management letter comments and monitored progress towards their completion throughout the year.
- Published guidance on the preparation and submission of financial statements, including a calendar of milestone dates. Each quarter, with the participation of all bureaus, guidance was reviewed and updated to reflect lessons learned and to identify best practices among the bureaus. When necessary, task forces were formed to resolve issues that could have impeded the Department's ability to produce timely, accurate financial statements.
- Each of the Department's bureaus/reporting entities have currently completed or will be 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 No. A-123, Appendix C. For many of the reporting entities, these risk assessments will be completed in 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.
- Held meetings throughout the fiscal year with the Office of Inspector General (OIG) and independent auditors to ensure timely completion of the audit and issuance of the financial statements.
- Held monthly meetings led by the Department's Deputy CFO with individual bureau CFOs to discuss financial management issues, including financial statements, OMB Circular No. A-123, and financial performance metrics. These meetings were in addition to the Department's monthly CFO Council meetings led by the Department's CFO and the monthly Finance Officer meetings led by the Deputy CFO.
- Monthly financial metrics were compiled, analyzed, and reported in the government-wide consolidated CFO measurement tracking system. Individual bureaus were provided with a monthly status report comparing and analyzing their results with the Department's goals, and the Department and government-wide results. The results of bureaus metrics and any corrective actions needed were discussed at the bureau CFOs' individual monthly meetings.
- Facilitated intragovernmental reconciliations using the Department's Corporate Database application to collect, extract, and report on a quarterly basis its intragovernmental account balances, by trading partner, to the Treasury Department. The Department took a proactive approach of initiating contact with all trading partner agencies to reconcile large differences. Although the Department has seen an improvement in trading partners' participation, continued improvement is needed in order to reconcile all differences.
- Finalized the Accounting Principles and Standards Handbook updates, and updated/finalized the Cash Management Policies and Procedures Handbook, including updated policies and procedures as a result of the Accounts Payable Business Process Re-engineering project.

Although the Department has accomplished much in the area of financial management, there is still a need to improve upon these accomplishments to ensure that the Department continues to produce and report accurate, reliable, and timely financial information. In FY 2009 and beyond, the Department plans to accomplish the following:

- Continue to enhance OMB Circular No. A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAPs for any identified deficiencies as a result of the A-123 and financial statement audit process.
- Continue to identify areas that will facilitate the acceleration of providing accurate, reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups among the Department's financial managers and participation in government-wide financial management committees and workgroups.
- Finalize proposals for revised capitalization thresholds and new bulk purchase thresholds for Property, Plant, and Equipment Acquisitions.
- Continue to monitor and perform reviews of the Department's progress in preventing improper payments.
- Continue to work with OMB, Treasury Department, and the Government-wide Intragovernmental Subcommittee to improve the intragovernmental reconciliation process.

GRANTS MANAGEMENT

Under the CFO/ASA, the Office of Acquisition Management (OAM) is responsible for the Department's enterprise-wide grants management policy, projects, and oversight. The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs in order to strengthen compliance, work towards a single automated grants management system, and enhance/formalize workforce education. Targeted efforts are underway to transform the decentralized Department grants management community into an effective and efficient partnership. The sharing of resources and responsibilities to accomplish enterprise goals is a recurring theme throughout the partnership effort.

Integral to the Department's effort to move aggressively into the world of electronic grants is the continued utilization of the National Oceanic and Atmospheric Administration's (NOAA) Grants Online system, a back-office solution to the Grants.gov storefront. The system, which went live in January 2005, was designed to facilitate efficiencies through standardized business processes and provide a direct interface to other departmental systems and with grant recipients. It continues to demonstrate significant success in reducing paperwork, increasing accountability, and simplifying the post award process. The Grants Online system has also been identified as the solution to standardizing grants procedures in the Department. Grants Online is a paperless electronic grants management system that has gained government-wide recognition for streamlining and accelerating the grants application process. This standardization effort is successfully aligning internal processes for the Federal Grants Management Line of Business system consolidation efforts.

During FY 2008, operational grants management responsibilities for grant programs of ITA, Minority Business Development Administration (MBDA), and the Office of the Secretary were transferred from OAM to NOAA. This action was taken pursuant to the recommendation of the Optimal Services Delivery Initiative, a Department taskforce charged with streamlining departmental operations and introducing new efficiencies into the management of its programs. This reorganization moves the management of these programs from a manual, paper driven process to the automated environment of Grants Online. The Department Grants Management Line of Business Implementation Plan calls for the consolidation of all Department grants management operations to Grants Online by 2011.

The Department is an active participant in the government-wide implementation of Public Law (PL) 106-107 (The Federal Financial Assistance Improvement Act of 1999) to simplify and automate the grants process, including participation on several related interagency workgroups. OAM oversees development of the Department's PL 106-107 annual report to Congress which details progress in achieving the objectives of the act. With the sunset of this act in 2007, the Department transmitted its final report to Congress in August 2008. The OAM Grants Management Division will continue to steer the Department's grants process streamlining efforts in accordance with guidance issued by OMB in collaboration with the government-wide Grants Policy Committee (GPC). Key to that effort will be the creation of a Department-wide training and certification program for grants staff that will align over time with that being developed by the GPC work group on training and certification.

In FY 2008, an intra-departmental project team acting under the authority of the Department Grants Council developed an interactive Web-based course on cost principles for grants and cooperative agreements in collaboration with the Department Office of Training and Knowledge Management. The course has been launched on the Commerce Learning Center Web site and is available to all Department personnel. For FY 2009, the project team will create a course on administrative requirements for grants and cooperative agreements that is expected to be completed in September 2009.

OAM coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and the Office of General Counsel to implement sound policy and ensure consistency for the Department's financial assistance programs. The Department is committed to the goal of strengthening its grant operations and improving its business processes to provide better services to its customers in the federal grant recipient community.

The OAM Director and the Director of the Grants Management Division serve on the Grants Executive Board and the GPC, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov milestones, and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government. Continued review and updating of the manual will occur to keep pace with the new requirements engendered by the transition to Grants.gov as the business process model for federal financial assistance programs. Over the past two fiscal years, 17 out of 21 chapters of the Grants Manual have been updated to align it with developments in the rapidly changing environment engendered by the streamlining objectives of PL 106-107. Additionally, an entirely new chapter providing guidance to departmental bureaus making construction awards has been written and added to the manual.

During FY 2008, the Department made significant progress in meeting the data-reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (PL 109-282). Significant technical requirements were presented by the Transparency Act. Notwithstanding these challenges, the Department is now up to date with two of its three grant-making bureaus in providing accepted data to the universal Web site, USAspending.gov. Efforts to bring the third bureau into compliance are gaining traction, and the Department expects all bureaus to be current in FY 2009.

Under OMB circulars, organizations receiving federal awards are assigned to a single federal agency (cognizant agency) which acts on behalf of all federal agencies in approving indirect cost and other rates for that organization. The Department is responsible for reviewing indirect cost proposals submitted by assigned grantee organizations and, based on those reviews, negotiates appropriate indirect cost rates. OAM's responsibility for the management of this program continued throughout the fiscal year. New rate review procedures that were implemented during FY 2007 produced greater levels of financial analysis that resulted in financial savings to the Department through indirect cost rate adjustments from grantees' proposed rates. Program focus for the coming year will include implementation of stronger internal controls, creation of a new tracking database, and documenting/communicating new program procedures.

HUMAN CAPITAL

The Department's leadership continues to recognize the need to ensure succession planning in the area of financial management and to enhance the current workforce development initiatives. Therefore, internship programs are implemented through a variety of sources to give finance and accounting majors an opportunity to gain hands-on accounting experience, while introducing potential future employees to the opportunities that exist at the Department.

In 2008, the Department continued a two-year career internship program for college-level graduates interested in pursuing a career in federal accounting. The Federal Career Intern Program (FCIP) was established to assist federal agencies meet their workforce needs and to generate a steady stream of high-potential individuals for possible conversion to permanent appointment in the competitive service. The FCIP is a two-year program that consists of a one-year initial assignment and two six-months rotational assignments. The rotational assignments allow interns to experience various aspects of an agency as well as distinct specialties within an occupational field. Interns may be rotated within a division where three or more distinct specialties exist, or between bureaus within the Department. Arrangements for rotations must be established prior to the appointment of an intern to the program. In addition to rotational assignments, interns must receive relevant formal classroom training, and be assigned a mentor to assist with the development process. Individual Development Plans are prepared by the supervisor in conjunction with the bureau training division and the intern to implement the training and to ensure that the intern's training experience is designed to provide him/her with the knowledge and skills needed to learn the requirements of the position and perform successfully. During the two-year internship, supervisors closely monitor interns to assess their fitness for continued employment in the federal government. Following successful completion of program requirements, including supervisory certification that the intern meets suitability, performance, and conduct standards, and FCIP Council approval, the intern will be noncompetitively converted to a career or career-conditional appointment.

The class of 2005 had four interns who were converted to permanent employees during 2008 and the class of 2006 is in the process of converting four interns by November 2008. Department leadership continued its partnership with the National Academy Foundation (NAF) by employing a total of 12 finance interns from local high schools and participating in NAF-sponsored events.

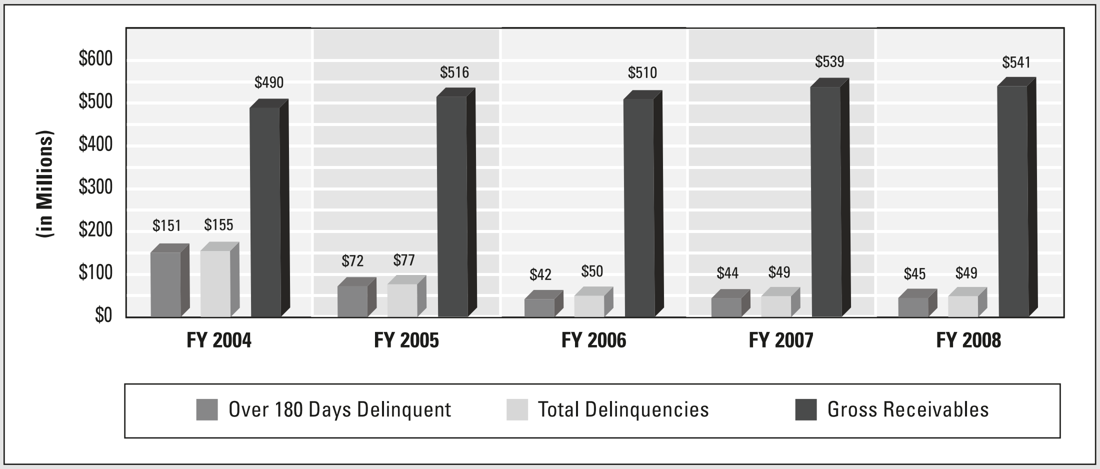
Last year, the Department added the accounting and budgeting series to the list of Department-wide mission-critical occupations. Employees at the GS-7 through GS-15 and equivalent levels in the accounting and budgeting series are eligible to apply for the Senior Executive Service Candidate Development Program, the Executive Leadership Development Program, and the Aspiring Leaders Development Program. These programs include competency assessment, formal classroom training, developmental assignments, seminars, action learning task teams, and mentors for the participants to enhance succession planning opportunities.

DEBT MANAGEMENT

RECEIVABLES AND DEBT MANAGEMENT

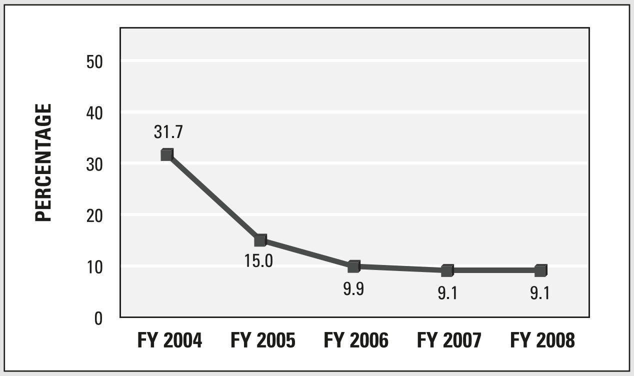
The Department has incorporated the principles of the Credit Reform Act of 1990 into the operations of its credit and debt programs. Prescreening procedures, account-servicing standards, determined collection of delinquent debt, inventory management, and asset disposition standards have helped to diminish significantly the amount of risk inherent in credit programs. These procedures were established to ensure that credit costs are properly identified and controlled, that borrowers' needs are met, and that costs to the taxpayers are minimized.

GROSS RECEIVABLES



The Department's gross receivables increased 0.4 percent, from $539 million at September 30, 2007 to $541 million at September 30, 2008, as reported on the Department's Treasury Report on Receivables (TROR). The TROR is the primary means for the Department to provide comprehensive information on its gross receivables and delinquent debt due from the public. Debt over 180 days delinquent increased slightly from $44 million at September 30, 2007 to $45 million at September 30, 2008. Total delinquencies as a percentage of gross receivables remained the same at 9.1 percent at September 30, 2007 and 2008.

TOTAL DELINQUENCIES AS A PERCENTAGE OF GROSS RECEIVABLES



The Debt Collection Improvement Act of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent. It also established Treasury's Financial Management Service as the federal government's debt collection center. Over $19 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002. Currently, over 69 percent of the Department's overall delinquent debt that is eligible for referral to Treasury is in litigation with the Department of Justice for enforced collection.

The issuance in FY 2001 of the revised *Federal Claims Collection Standards* and the revised OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*, provided agencies greater latitude to maximize the effectiveness of federal debt collection procedures. Since then, the Department has utilized all the tools available to improve the management of its debt.

PAYMENT PRACTICES

Electronic Funds Transfer (EFT)

The Debt Collection Improvement Act of 1996 requires the use of EFT for most federal payments, with the exception of tax refunds. The Department closely monitors its monthly EFT performance, and submits consolidated monthly EFT activity reports to OMB, as part of the Department's Performance Metrics data.

The Department's vendor EFT percentage increased from 97 percent for FY 2007 to 98 percent for FY 2008. The Department accomplished this, in large part, by working closely with its bureaus to identify opportunities for new or improved business processes. This improved performance allowed the Department in FY 2008, on average, to meet OMB's vendor EFT performance goal of 96 percent. The Department has maintained its overall EFT percentage at 99 percent from FY 2007 to FY 2008. The Department believes its continued efforts to implement new or improved business processes will lead to further increases in vendor and overall EFT percentages.

The Department's achievements in this area are illustrated in the table below:

Payment Category	EFT Percentage		Total Volume (Actual Number of Transactions — EFT and Non-EFT)	
	FY 2008	FY 2007	FY 2008	FY 2007
Grants	100%	100%	26,802	25,815
Payroll	99%	99%	1,256,838	1,196,926
Retirement Benefits	99%	100%	5,396	4,527
Vendor	98%	97%	431,452	331,264
Overall	**99%**	**99%**	**1,720,488**	**1,558,532**

Bankcards

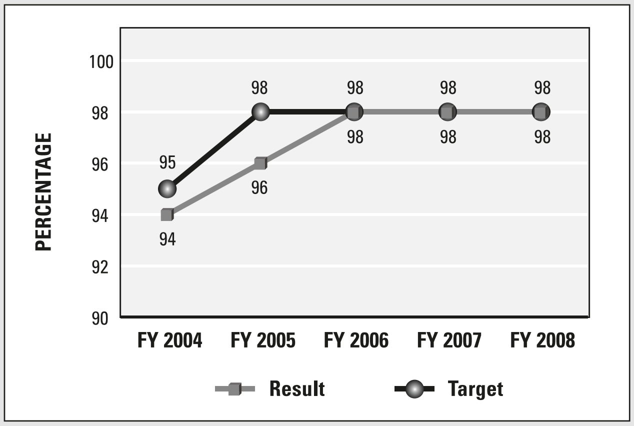
The Department is committed to the use of bankcards (purchase cards) as a means of streamlining Departmental procurements. Bankcard usage is closely monitored, and those that are no longer needed are promptly closed. This has resulted in an overall decrease over the past seven fiscal years in the number of bankcards in use, from 6,405 at September 30, 2001, to 5,321 at September 30, 2008. The Department's emphasis on EFT-compliant payment methods has contributed to an overall increase over the past seven fiscal years in bankcard purchases, from $131.6 million in FY 2001 to $145.5 million in FY 2008. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper.

Prompt Payment

The Prompt Payment Act of 1982 requires agencies to pay their bills to vendors on a timely basis, and to pay interest penalties when payments are made late. The Department closely monitors its prompt payment performance, and submits consolidated monthly prompt payment activity reports to OMB as part of the Department's Performance Metrics data.

The Department has maintained its prompt payment performance at 98 percent from FY 2007 to FY 2008. Furthermore, the number of invoices with late-payment interest penalties decreased, from 5,551 in FY 2007 to 4,810 in FY 2008. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes.

TIMELY VENDOR PAYMENT



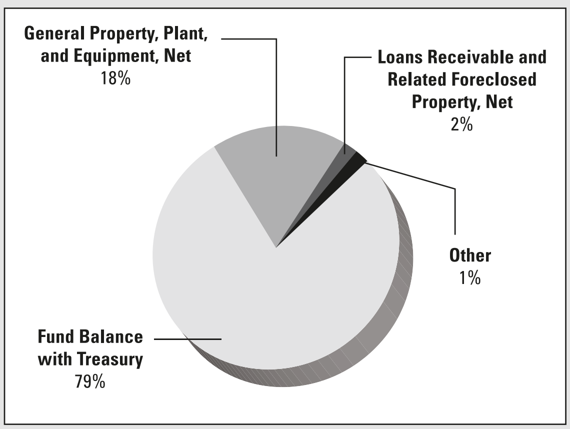
ANALYSIS OF FY 2008 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

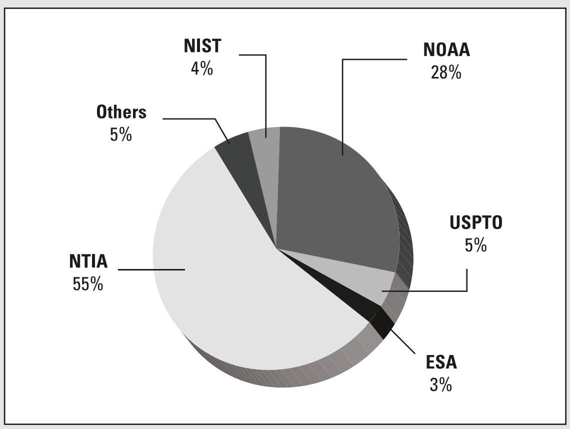
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets changed significantly from FY 2007 to FY 2008 due to proceeds of $18.96 billion from the Federal Communications Commission (FCC) auction of licenses for recovered analog spectrum held in March 2008.

Total assets amounted to $33.72 billion at September 30, 2008. Fund Balance with Treasury of $26.63 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment, Net of Accumulated Depreciation (General PP&E) of $6.19 billion includes $3.99 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; $692 million of satellites and weather systems; $818 million of structures, facilities, and leasehold improvements; and $691 million of other General PP&E. Loans Receivable and Related Foreclosed Property, Net of $511 million primarily relates to NOAA's direct loan programs. Other Assets of $382 million primarily includes Advances and Prepayments of $166 million, Accounts Receivable, Net of $103 million, and Inventory, Materials, and Supplies, Net of $101 million.

COMPOSITION OF THE DEPARTMENT'S ASSETS



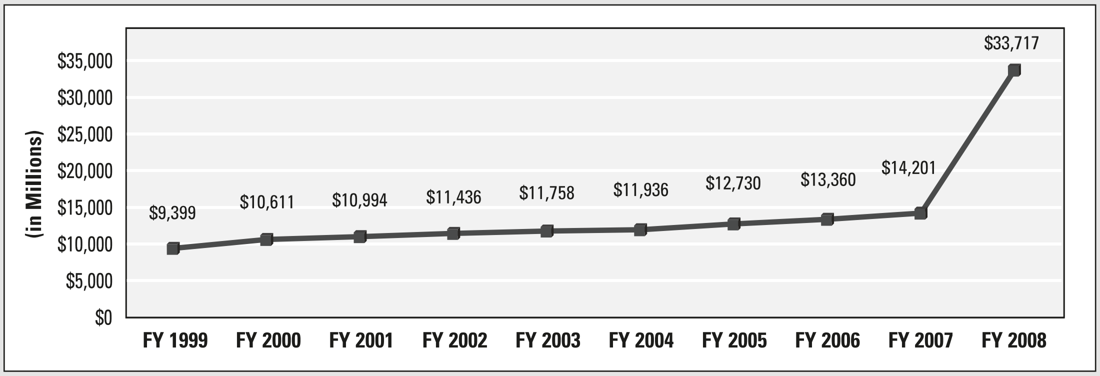
ASSETS BY RESPONSIBILITY SEGMENT



Trends in Assets

Total Assets increased $19.52 billion or 137 percent, from $14.20 billion at September 30, 2007 to $33.72 billion at September 30, 2008. Fund Balance with Treasury increased $19.03 billion or 251 percent, from $7.60 billion to $26.63 billion, which primarily resulted from proceeds of $18.96 billion from the auction of licenses for recovered analog spectrum held in March 2008. General PP&E, Net increased $461 million or 8 percent, from $5.73 billion to $6.19 billion, mainly due to an increase of $632 million in Construction-in-progress, primarily for NOAA satellites/weather systems personal property. Loans Receivable and Related Foreclosed Property, Net decreased $9 million or 2 percent, from $520 million to $511 million, primarily due to NOAA's Bering Sea and Aleutian Islands Non-Pollock Buyback Loans and Bering Sea Pollock Fishery Buyback Loans.

TRENDS IN TOTAL ASSETS

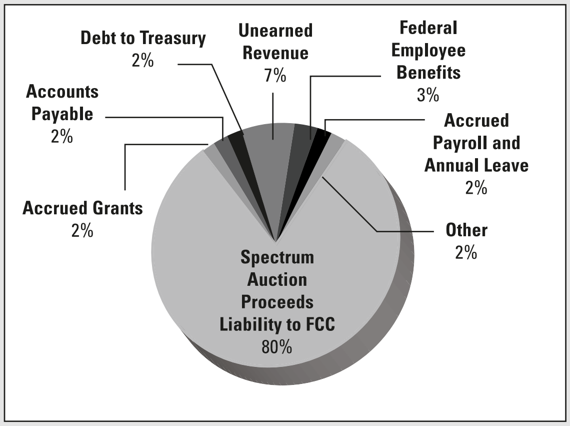


Composition of Liabilities and Liabilities by Responsibility Segment

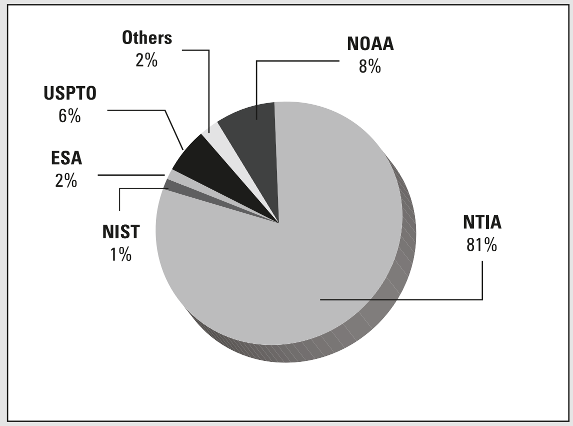
The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities changed significantly from FY 2007 to FY 2008 due to the Spectrum Auction Proceeds Liability to FCC of $17.18 billion as of September 30, 2008, resulting from the FCC auction of licenses for recovered analog spectrum held in March 2008.

Total liabilities amounted to $21.50 billion at September 30, 2008. The Spectrum Auction Proceeds Liability to FCC of $17.18 billion represents FCC auction proceeds for which licenses had not yet been granted by FCC as of September 30, 2008. Unearned Revenue of $1.42 billion represents the portion of monies received from customers for which goods and services have not been provided or rendered by the Department. Federal Employee Benefits liability of $667 million is comprised of the actuarial present value of projected benefits for the NOAA Corps Retirement System ($448 million) and the NOAA Corps Post-retirement Health Benefits ($49 million), and Actuarial FECA Liability ($170 million), which represents the actuarial liability for future workers' compensation benefits. Debt to Treasury of $477 million consists of monies borrowed primarily for NOAA's direct loan programs. Accounts Payable of $455 million consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due. Accrued payroll and Annual Leave of $452 million includes salaries and wages earned by employees, but not disbursed as of September 30. Accrued Grants of $374 million, which relates to a diverse array of financial assistance programs and projects, includes EDA accrued grants of $240 million for their economic development and assistance funding to state and local governments. Other Liabilities of $481 million primarily includes Accrued Coupons for Digital-to-Analog Converter Box Program of $166 million, Downward Subsidy Reestimates Payable to Treasury of $68 million, Environmental and Disposal Liabilities of $68 million, Accrued FECA Liability of $34 million, and Accrued Benefits of $32 million.

COMPOSITION OF THE DEPARTMENT'S LIABILITIES



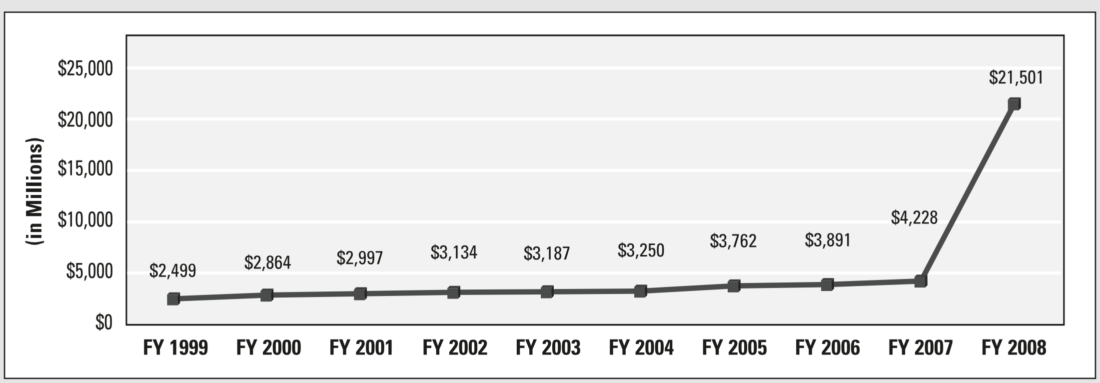
LIABILITIES BY RESPONSIBILITY SEGMENT



Trends in Liabilities

Total Liabilities increased $17.27 billion or 409 percent, from $4.23 billion at September 30, 2007 to $21.50 billion at September 30, 2008. The increase is primarily due to the $17.18 billion Spectrum Auction Proceeds Liability to FCC as of September 30, 2008. Accrued Payroll and Annual Leave increased $56 million or 14 percent, from $396 million to $452 million, mainly due to an increase in the number of days accrued and normal salary increases. Debt to Treasury decreased $169 million or 26 percent, from $646 million to $477 million, due to significant Digital Television Transition and Public Safety Fund borrowing repayments. Other Liabilities increased $185 million or 63 percent, from $296 million to $481 million, primarily due to accrued coupons of $166 million for converter box coupons not yet redeemed as of September 30, 2008 for NTIA's Digital-to-Analog Converter Box Program.

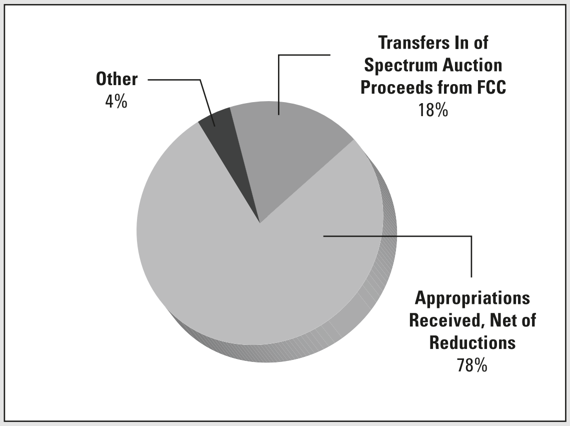
TRENDS IN TOTAL LIABILITIES



Composition of and Trends in Financing Sources

Most of the Department's Financing Sources, shown on the Consolidated Statements of Changes in Net Position, are obtained from Appropriations Received, Net of Reductions. The Department's Financing Sources in FY 2008 also includes the transfers in of spectrum auction proceeds from FCC from the auction of licenses for recovered analog spectrum held in March 2008. These transfers in, amounting to $1.78 billion in FY 2008, represent the auction proceeds for which licenses have been granted by FCC in FY 2008. Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, imputed financing sources from cost absorbed by other federal agencies, and Downward Subsidy Reestimates Payable to Treasury (a negative Financing Source).

COMPOSITION OF THE DEPARTMENT'S FY 2008 FINANCING SOURCES



The composition (by percentage) of the Department's financing sources changed significantly from FY 2007 to FY 2008 due to the transfers in of spectrum auction proceeds from FCC.

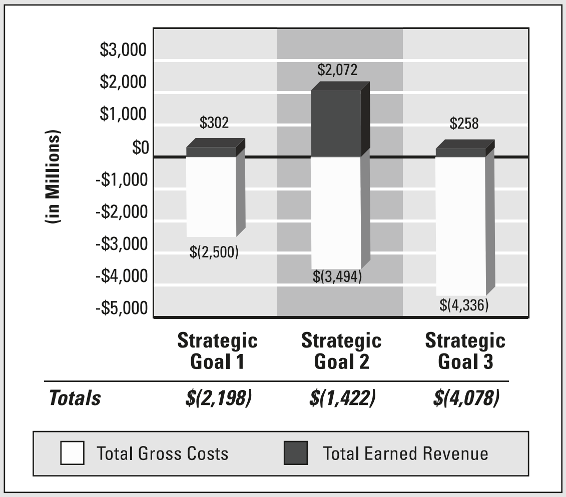
Total Financing Sources increased $3.00 billion or 43 percent, from $6.94 billion for FY 2007 to $9.94 billion for FY 2008. Appropriations Received, Net of Reductions, increased by $1.06 billion or 16 percent, primarily due to an increase in appropriations received for the Census Bureau of $557 million or 61 percent (from $913 million to $1.47 billion) and for EDA of $499 million or 178 percent (from $281 million to $780 million). All other financing sources had a net increase of $163 million, from $286 million at September 30, 2007 to $449 million at September 30, 2008.

FY 2008 Net Cost of Operations by Strategic Goal

In FY 2008, Net Cost of Operations amounted to $7.70 billion, which consists of Gross Costs of $10.33 billion less Earned Revenue of $2.63 billion.

Strategic Goal 1, Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers, includes Net Program Costs of $1.23 billion (Gross Costs of $1.47 billion less Earned Revenue of $244 million) for the Census Bureau. The Census Bureau carries out the Decennial Census, periodic censuses, and demographic and other surveys, and prepares and releases targeted data products for economic and other programs. ITA's programs and activities also support Strategic Goal 1, with Net Program Costs of $448 million (Gross Costs of $465 million less Earned Revenue of $17 million). ITA assists the export growth of small and medium-sized businesses, enforces U.S. trade laws and trade agreements, monitors and maintains trading relationships with established markets, promotes new business in emerging markets, and improves access to overseas markets by identifying and pressing for the removal of trade barriers.

FY 2008 NET COST OF OPERATIONS BREAKDOWN OF GROSS COSTS AND EARNED REVENUE BY STRATEGIC GOAL



Strategic Goal 1 also includes Net Program Costs of $237 million (Gross Costs of $263 million less Earned Revenue of $26 million) for EDA. EDA helps distressed communities address problems associated with long-term economic distress, as well as sudden and severe economic dislocations including recovering from the economic impacts of natural disasters, the closures of military installations and other federal facilities changing trade patterns, and the depletion of natural resources.

Strategic Goal 2, Promote U.S. Innovation and Industrial Competitiveness, includes Net Program Costs of $30 million (Gross Costs of $1.89 billion less Earned Revenue of $1.86 billion) for USPTO, which includes processing patent applications and disseminating patent information. Through issuing patents, USPTO encourages technological advancement by providing incentives to invent, invest in, and disclose new technology. Strategic Goal 2 also includes Net Program Costs of $556 million (Gross Costs of $672 million less Earned Revenue of $116 million) for the NIST's Measurement and Standards Laboratories. These laboratories are the stewards of the Nation's measurement infrastructure, and provide measurement methods, reference materials, test procedures, instrument calibrations, fundamental data, and standards that comprise essential tools for research, production, and buyer-seller transactions.

Strategic Goal 3, Promote Environmental Stewardship, includes Net Program Costs of $1.58 billion (Gross Costs of $1.65 billion less Earned Revenue of $67 million) related to NOAA's stewardship of ecosystems, which reflects NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources. The Department has a responsibility for stewardship of the marine ecosystem and for setting standards to protect and manage the shared resources and harvests of the oceans. The Department strives to balance sustainable development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

LIMITATIONS OF THE FINANCIAL STATEMENTS

These financial statements have been prepared to report the overall financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Department in accordance with the form and content prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

Principal Financial Statements


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2008 and 2007 *(In Thousands)*

	FY 2008	FY 2007
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 18)	$ 26,633,414	$ 7,596,655
Accounts Receivable (Note 3)	64,963	65,431
Other - Advances and Prepayments	110,087	64,346
Total Intragovernmental	**26,808,464**	**7,726,432**
Cash (Note 4)	5,135	7,696
Accounts Receivable, Net (Note 3)	38,191	36,909
Loans Receivable and Related Foreclosed Property, Net (Note 5)	511,009	519,854
Inventory, Materials, and Supplies, Net (Note 6)	100,595	106,801
General Property, Plant, and Equipment, Net (Note 7)	6,190,408	5,729,764
Other (Note 8)	63,003	73,267
TOTAL ASSETS	**$ 33,716,805**	**$ 14,200,723**
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 109,931	$ 104,866
Debt to Treasury (Note 10)	476,653	645,997
Other		
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	17,177,707	-
Resources Payable to Treasury	25,792	30,197
Unearned Revenue	359,411	422,860
Other (Note 11)	135,534	98,926
Total Intragovernmental	**18,285,028**	**1,302,846**
Accounts Payable	345,215	327,328
Loan Guarantee Liabilities (Notes 5 and 16)	621	55,732
Federal Employee Benefits (Note 12)	666,563	625,816
Environmental and Disposal Liabilities (Note 13)	67,863	67,443
Other		
Accrued Payroll and Annual Leave	452,073	396,444
Accrued Grants	373,525	404,939
Accrued Coupons for Digital-to-Analog Converter Box Program (Note 18)	165,533	-
Capital Lease Liabilities (Note 14)	30,881	15,558
Unearned Revenue	1,058,956	1,004,305
Other (Note 11)	54,710	27,685
TOTAL LIABILITIES	**$ 21,500,968**	**$ 4,228,096**
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds (Note 20)	$ 462	$ -
Unexpended Appropriations - Other Funds	5,179,925	4,528,905
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds (Note 20)	1,646,557	552,347
Cumulative Results of Operations - Other Funds	5,388,893	4,891,375
TOTAL NET POSITION	**$ 12,215,837**	**$ 9,972,627**
TOTAL LIABILITIES AND NET POSITION	**$ 33,716,805**	**$ 14,200,723**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2008 and 2007 (Note 17) *(In Thousands)*

	FY 2008	FY 2007
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	$ 2,499,703	$ 2,133,671
Less: Earned Revenue	(301,572)	(298,730)
Net Program Costs	**2,198,131**	**1,834,941**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness		
Gross Costs	3,494,428	2,781,232
Less: Earned Revenue	(2,071,665)	(1,967,068)
Net Program Costs	**1,422,763**	**814,164**
Strategic Goal 3: Promote Environmental Stewardship		
Gross Costs	4,335,967	4,062,583
Less: Earned Revenue	(258,048)	(276,781)
Net Program Costs	**4,077,919**	**3,785,802**
NET COST OF OPERATIONS	**$ 7,698,813**	**$ 6,434,907**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Consolidated Statements of Changes in Net Position For the Years Ended September 30, 2008 and 2007 *(In Thousands)*

	FY 2008			FY 2007		
	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total	Earmarked Funds (Note 20)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	$ 552,347	$ 4,891,375	$ 5,443,722	$ 620,980	$ 4,542,101	$ 5,163,081
Budgetary Financing Sources:						
Appropriations Used	4,870	7,049,980	7,054,850	-	6,433,917	6,433,917
Non-exchange Revenue	24,171	-	24,171	16,855	36	16,891
Donations and Forfeitures of Cash and Cash Equivalents	-	1,039	1,039	-	1,216	1,216
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission (Note 18)	1,778,983	-	1,778,983	-	-	-
Transfers In/(Out) Without Reimbursement, Net	10,394	250,844	261,238	24,176	81,921	106,097
Other Budgetary Financing Sources/(Uses), Net	-	674	674	-	(333)	(333)
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	228	228	-	16,535	16,535
Transfers In/(Out) Without Reimbursement, Net	-	3,301	3,301	-	220	220
Imputed Financing Sources from Cost Absorbed by Others	922	213,321	214,243	1,044	195,859	196,903
Downward Subsidy Reestimates Payable to Treasury	-	(68,379)	(68,379)	-	(36,710)	(36,710)
Loan Modification Savings Paid to Treasury	-	-	-	-	(18,910)	(18,910)
Other Financing Sources/(Uses), Net	10,269	9,924	20,193	6,907	(7,185)	(278)
Total Financing Sources	**1,829,609**	**7,460,932**	**9,290,541**	**48,982**	**6,666,566**	**6,715,548**
Net Cost of Operations	**(735,399)**	**(6,963,414)**	**(7,698,813)**	**(117,615)**	**(6,317,292)**	**(6,434,907)**
Net Change	**1,094,210**	**497,518**	**1,591,728**	**(68,633)**	**349,274**	**280,641**
Cumulative Results of Operations – Ending Balance	**1,646,557**	**5,388,893**	**7,035,450**	**552,347**	**4,891,375**	**5,443,722**
Unexpended Appropriations:						
Beginning Balance	-	4,528,905	4,528,905	27	4,306,394	4,306,421
Budgetary Financing Sources:						
Appropriations Received (Note 18)	-	7,749,948	7,749,948	-	6,683,664	6,683,664
Appropriations Transferred In/(Out), Net	5,332	5,430	10,762	(27)	13,500	13,473
Other Adjustments (Note 18)	-	(54,378)	(54,378)	-	(40,736)	(40,736)
Appropriations Used	(4,870)	(7,049,980)	(7,054,850)	-	(6,433,917)	(6,433,917)
Total Budgetary Financing Sources	**462**	**651,020**	**651,482**	**(27)**	**222,511**	**222,484**
Unexpended Appropriations – Ending Balance	**462**	**5,179,925**	**5,180,387**	**-**	**4,528,905**	**4,528,905**
NET POSITION	**$ 1,647,019**	**$ 10,568,818**	**$ 12,215,837**	**$ 552,347**	**$ 9,420,280**	**$ 9,972,627**

The accompanying notes are an integral part of these statements.

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2008 and 2007 (Note 18) *(In Thousands)*

	FY 2008		FY 2007	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	$ 822,282	$ 59,011	$ 799,694	$ 86,727
Adjustments to Unobligated Balance, Brought Forward	(12)	-	(857)	-
Recoveries of Prior-years Unpaid Obligations	116,481	9,115	120,391	2,477
Budget Authority				
Appropriations	9,551,341	(1)	6,695,491	4,936
Borrowing Authority	500,200	56,910	1,084,164	72,583
Spending Authority From Offsetting Collections				
Earned				
Collected	3,313,100	77,720	3,212,048	64,940
Change in Receivables	7,190	(518)	(38,872)	518
Change in Unfilled Customer Orders				
Advances Received	(24,925)	-	31,143	-
Without Advances	26,570	-	7,232	(355)
Previously Unavailable	2,475	-	1,341	-
Total Budget Authority	**13,375,951**	**134,111**	**10,992,547**	**142,622**
Nonexpenditure Transfers, Net	271,193	-	118,736	-
Temporarily Not Available Pursuant to Public Law	(1,654)	-	(12,189)	-
Permanently Not Available	(719,836)	(56,134)	(36,429)	(48,538)
TOTAL BUDGETARY RESOURCES	**$ 13,864,405**	**$ 146,103**	**$ 11,981,893**	**$ 183,288**
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	$ 8,510,374	$ 85,807	$ 8,125,038	$ 91,071
Reimbursable	3,064,675	719	3,034,573	33,206
Total Obligations Incurred	**11,575,049**	**86,526**	**11,159,611**	**124,277**
Unobligated Balance				
Apportioned	806,243	-	442,461	1,932
Exempt From Apportionment	308,833	-	298,865	-
Total Unobligated Balance	**1,115,076**	**-**	**741,326**	**1,932**
Unobligated Balance Not Available	1,174,280	59,577	80,956	57,079
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 13,864,405**	**$ 146,103**	**$ 11,981,893**	**$ 183,288**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	$ 7,007,742	$ 206,855	$ 5,763,273	$ 245,901
Less: Uncollected Customer Payments, Brought Forward	(281,307)	(1,253)	(312,947)	(1,090)
Total Unpaid Obligated Balance, Net, Brought Forward	**6,726,435**	**205,602**	**5,450,326**	**244,811**
Adjustments to Unpaid Obligations, Brought Forward	1,123	-	-	-
Obligations Incurred	11,575,049	86,526	11,159,611	124,277
Less: Gross Outlays	(11,042,570)	(68,563)	(9,794,751)	(160,846)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(116,481)	(9,115)	(120,391)	(2,477)
Change in Uncollected Customer Payments	(33,760)	518	31,640	(163)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**7,109,796**	**214,968**	**6,726,435**	**$ 205,602**
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	$ 7,424,863	$ 215,703	$ 7,007,742	$ 206,855
Less: Uncollected Customer Payments	(315,067)	(735)	(281,307)	(1,253)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 7,109,796**	**$ 214,968**	**$ 6,726,435**	**$ 205,602**
NET OUTLAYS:				
Gross Outlays	$ 11,042,570	$ 68,563	$ 9,794,751	$ 160,846
Less: Offsetting Collections	(3,288,175)	(77,720)	(3,243,191)	(64,940)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(20,397)	-	(72,871)	-
NET OUTLAYS	**$ 7,733,998**	**$ (9,157)**	**$ 6,478,689**	**$ 95,906**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(All Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, the National Intellectual Property Law Enforcement Coordination Council, and Departmental Management. The Technology Administration (TA) was abolished by the America COMPETES Act of 2007, signed into law on August 6, 2007.

For the *Consolidating Statements of Net Cost* (see Note 17), the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA) — based on organizational structure
    - Bureau of Economic Analysis (BEA)
    - Census Bureau
- National Institute of Standards and Technology (NIST)
- National Technical Information Service (NTIS)
- Others
    - Bureau of Industry and Security (BIS)
    - Economic Development Administration (EDA)
    - Emergency Oil and Gas and Steel Loan Guarantee Programs (ELGP)
    - International Trade Administration (ITA)
    - Minority Business Development Agency (MBDA)
    - National Intellectual Property Law Enforcement Coordination Council (NIPC)
    - National Telecommunications and Information Administration (NTIA)

- Departmental Management (DM)
    - Franchise Fund
    - Gifts and Bequests (G&B)
    - Herbert C. Hoover Building Renovation Project (HCHB)
    - Office of Inspector General (OIG)
    - Salaries and Expenses (S&E)
    - Working Capital Fund (WCF)

B ***Basis of Accounting and Presentation***

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Revised Circular No. A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

The Department is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Within the Department, EDA allocates funds, as the parent to the U.S. Department of Agriculture's Rural Development Administration. Therefore, all financial activity related to these funds are reported in the Department's financial statements. NIST, NOAA, EDA, the Census Bureau, BEA, NTIS, and USPTO receive allocation transfers, as the child, from the General Services Administration, Environmental Protection Agency, Delta Regional Authority, and Appalachian Regional Commission. Activity relating to these child allocation transfers is not reported in the Department's financial statements.

C Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Earmarked funds include a general fund, public enterprise revolving funds (not including credit reform financing funds), special funds, and a trust fund. (See Note 20, Earmarked Funds.)

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Transactions and balances within a reporting entity (intra-entity) have been eliminated from the financial statements, except as noted below. Transactions and balances among the Department's entities (intra-Departmental) have been eliminated from the *Consolidated Balance Sheets,* the *Consolidated Statements of Net Cost*, and the *Consolidated Statements of Changes in Net Position*. The *Statements of Budgetary Resources* are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds primarily represent the Spectrum Auction Proceeds Liability to the Federal Communications Commission (FCC) and amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

F Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

G Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (monthly or quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

H Loans Receivable and Related Foreclosed Property, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

Direct Loans and Loan Guarantees Obligated before October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end, based on its outstanding receivables at September 30.

Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year.

I Inventory, Materials, and Supplies, Net

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the weighted-average and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

J General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, Net (General PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. General PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department's general policy is to capitalize General PP&E if the initial acquisition price is $25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, based on a cost vs. benefits and materiality analysis given the size of NOAA, having a capitalization threshold of $200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA. Land Improvements consist of a retaining wall to protect against shoreline erosion.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account for capitalization.

K Notes Receivable

Notes Receivable, included in Other Assets, arise through the NOAA sale of foreclosed property to non-federal parties. The property is used as collateral, and an Allowance for Uncollectible Amounts is established if the net realizable value of the collateral is less than the outstanding balance of the Notes Receivable. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

L Non-entity Assets

Non-entity assets are assets held by the Department that are not available for use in its operations. The non-entity Fund Balance with Treasury primarily represents the amount of the Fund Balance with Treasury which is also a liability to FCC for the spectrum auction proceeds for which licenses have not yet been granted by FCC. See Note 18 for more information. The non-entity Fund Balance with Treasury also includes customer deposits held by the Department until customer orders are received. Non-entity Loans Receivable and Related Foreclosed Property, Net represents EDA's Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

Ⓜ *Liabilities*

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt to Treasury: The Department has borrowed funds from Treasury for its various credit programs: Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, Pacific Groundfish Buyback Loans, Crab Buyback Loans, Bering Sea and Aleutian Islands Non-Pollock Buyback Loans, and Emergency Steel Loan Guarantee Program. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense. The amount reported for Debt to Treasury includes accrued interest payable.

The Department has also borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This NTIA fund, which was created by the Digital Television Transition and Public Safety Act of 2005, receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts. This Act, as well as the Security and Accountability For Every Port Act of 2006, also provides borrowing authority to the Department to commence specified programs prior to the availability of auction receipts. NTIA shall reimburse Treasury for the borrowings, without interest, as funds are deposited into the Fund. For more information on certain programs under the Digital Television Transition and Public Safety Fund, see Note 18, *Combined Statements of Budgetary Resources.*

Spectrum Auction Proceeds Liability to Federal Communications Commission: FCC completed the auction of licenses for recovered analog spectrum in March 2008. These auction proceeds provide funding for several programs. An auction proceed is considered a liability to FCC until FCC grants the license. When the license is granted, a budgetary financing source is recognized on the Consolidated Statement of Changes in Net Position, and the liability is reduced. See Note 18 for more information on NTIA's Digital Television and Transition Public Safety Fund.

Resources Payable to Treasury: Resources Payable to Treasury includes liquidating fund assets in excess of liabilities that are being held as working capital for the Economic Development Revolving Fund loan programs and the FVOG loan guarantee program. EDA's Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly, and the liability is reduced accordingly.

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

Accrued FECA Liability: The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the Department and subsequently seeks reimbursement from the Department for these paid claims. Accrued FECA Liability, included in Intragovernmental Other Liabilities, represents amounts due to DOL for claims paid on behalf of the Department.

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

For a non-acquired guaranteed loan outstanding, the present value of the estimated cash inflows less cash outflows of the loan guarantee is recognized as a Loan Guarantee Liability. The Loan Guarantee Liability is normally reestimated annually each year, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense).

Federal Employee Benefits:

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on two tests: (1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments; and (2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board of Actuaries economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S.

Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be $73.1 million. The NIST decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2024. Currently, an offsite disposal location has not been identified, and the NIST environmental liability cost estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof Island in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with asbestos-containing materials (ACM) and lead-based paints (LBP) at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for ACM and LBP contamination. All known issues, however, are contained, and NOAA facilities meet current environmental standards. No cost estimates are presently available for facilities that have not yet been assessed for ACM or LBP issues.

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of September 30. Annually, as of September 30, the balances of Accrued Annual Leave are adjusted to reflect current pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Accrued Grants: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by grantees. These drawdown requests may be received and fulfilled before grantees make the program expenditures. When the Department has disbursed funds but the grant recipient has not yet reported expenditures, these disbursements are recorded as advances. If a recipient, however, reports program expenditures that have not been advanced by the Department by September 30, such amounts are recorded as grant expenses and grants payable as of September 30.

Accrued Coupons for Digital-to-Analog Converter Box Program: NTIA's Digital-to-Analog Converter Box Program provides households in the U.S. with forty dollar coupons (two per household maximum) that can be applied toward the purchase of digital-to-analog converter boxes. This liability represents the projected amount due for coupons issued as of September 30, 2008 but not yet redeemed. See Note 18 for more information on the Digital-to-Analog Converter Box Program.

Capital Lease Liabilities: Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department.

ITA Foreign Service Nationals' Voluntary Separation Pay: This liability, included in Other Liabilities, is based on the salaries and benefit statuses of employees in countries where governing laws require a provision for separation pay.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources: These are liabilities for which congressional actions are needed before budgetary resources can be provided. The Department anticipates that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed in Note 15.

Debt to Treasury for the Department's Digital Television Transition and Public Safety Fund is considered not covered by budgetary resources in accordance with financial reporting guidance issued by OMB.

Under accrual accounting, the expense for annual leave is recognized when the leave is earned. However, for most of the Department's fund groups, appropriations are provided to pay for the leave when it is taken. As a result, budgetary resources do not cover a large portion of Accrued Annual Leave.

The Department generally receives budgetary resources for Federal Employee Benefits when they are needed for disbursements.

N *Commitments*

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 16.

O *Net Position*

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended Appropriations are reduced for Appropriations Used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

P Revenues and Other Financing Sources

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-year, and no-year bases. Upon expiration of an annual or multiple-year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available for expenditures. Annual and multiple-year appropriations are canceled at the end of the fifth year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, and other sales of goods and services. This revenue is presented on the Department's *Consolidated Statements of Net Cost*, and serves to reduce the reported cost of operations borne by the taxpayer. Non-exchange revenue is derived from the government's sovereign right to demand payment, including fines for violations of fisheries and marine protection laws. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. This revenue is not considered to reduce the cost of the Department's operations, and, is, therefore, reported on the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing Sources From Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. OMB currently limits Imputed Costs to be recognized by federal entities to the following: (1) employees' pension benefits; (2) health insurance, life insurance, and other benefits for retired employees; (3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and (4) losses in litigation proceedings. The Department includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source From Cost Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

Transfers In/(Out): Intragovernmental transfers of budget authority (i.e., appropriated funds) or of assets without reimbursement are recorded at book value.

Q Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7.0 percent of an employee's basic pay. Employees contributed 7.0 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

For FERS-covered regular employees, the Department was required to make contributions of 11.2 percent (since FY 2005) of basic pay. Employees contributed .8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which the Department contributes a matching amount to the Social Security Administration. For both FY 2008 and FY 2007, this plan was fully funded by the Department and its employees.

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2008, included 289 active duty officers, 343 nondisability retiree annuitants, 18 disability retiree annuitants, and 46 surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. Beginning in January 2007, FERS and CSRS covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for 2008 may not exceed the IRS limit of $15.5 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement health benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and an Imputed Financing Source From Cost Absorbed by Others.

R *Use of Estimates*

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S *Tax Status*

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	FY 2008	FY 2007
General Funds	$ 7,127,382	$ 6,397,039
Revolving Funds	705,489	695,616
Special Funds		
Patent and Trademark Surcharge Fund	233,529	233,529
Digital Television Transition and Public Safety Fund	1,204,539	104,505
Others	60,861	50,494
Deposit Funds		
Spectrum Auction Proceeds Liability to FCC	17,177,707	-
Others	129,149	113,834
Trust Funds	786	646
Other Fund Types	(6,028)	992
Total	$ 26,633,414	$ 7,596,655

Status of Fund Balance with Treasury is as follows:

	FY 2008	FY 2007
Temporarily Not Available Pursuant to Public Law	$ 556,087	$ 558,468
Unobligated Balance		
Available	950,357	728,805
Unavailable	1,233,473	137,860
Obligated Balance Not Yet Disbursed	6,359,140	5,823,173
Non-budgetary	17,534,357	348,349
Total	$ 26,633,414	$ 7,596,655

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2008 and FY 2007.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2008

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 64,963	$ -	$ 64,963
With the Public	$ 48,851	$ (10,660)	$ 38,191

FY 2007

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 65,431	$ -	$ 65,431
With the Public	$ 45,261	$ (8,352)	$ 36,909

NOTE 4. CASH

	FY 2008	FY 2007
Cash Not Yet Deposited with Treasury	$ 4,621	$ 7,205
Imprest Funds	514	491
Total	$ 5,135	$ 7,696

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments.

NOTE 5. LOANS RECEIVABLE AND RELATED FORECLOSED PROPERTY, NET

The Department operates the following direct loan and loan guarantee programs:

Direct Loan Programs:

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans[1]
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans[1]
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Finance Tuna Fleet Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans

[1] *No loans have been issued under these programs as of September 30, 2008.*

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
ELGP-Oil/Gas	Emergency Oil and Gas Loan Guarantee Program
ELGP-Steel	Emergency Steel Loan Guarantee Program
NOAA	Fishing Vessel Obligation Guarantee Program (FVOG Program)

The net assets for the Department's loan programs consist of:

	FY 2008	FY 2007
Direct Loans Obligated Prior to FY 1992	$ 31,564	$ 34,961
Direct Loans Obligated After FY 1991	476,005	479,967
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	3,436	4,922
Total	$ 511,009	$ 519,854

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2008

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 20,902	$ 4,903	$ (17,380)	$ 8,425
Drought Loan Portfolio	15,620	207	(158)	15,669
Economic Development Revolving Fund	7,488	58	(76)	7,470
Fisheries Loan Fund	354	39	(393)	-
Total	$ 44,364	$ 5,207	$ (18,007)	$ 31,564

FY 2007

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	$ 21,240	$ 4,892	$ (17,401)	$ 8,731
Drought Loan Portfolio	17,389	220	(177)	17,432
Economic Development Revolving Fund	8,807	77	(86)	8,798
Fisheries Loan Fund	354	39	(393)	-
Total	$ 47,790	$ 5,228	$ (18,057)	$ 34,961

Direct Loans Obligated After FY 1991 consist of:

FY 2008

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 35,000	$ 1,181	$ 194	$ 36,375
Bering Sea Pollock Fishery Buyback	51,260	101	3,644	55,005
Crab Buyback Loans	96,336	3,107	19,826	119,269
Fisheries Finance IFQ Loans	18,693	197	3,076	21,966
Fisheries Finance Traditional Loans	162,999	1,673	25,597	190,269
Fisheries Finance Tuna Fleet Loans	6,451	60	786	7,297
Pacific Groundfish Buyback Loans	34,727	1,046	10,051	45,824
Total	$ 405,466	$ 7,365	$ 63,174	$ 476,005

FY 2007

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 35,000	$ 712	$ 8,734	$ 44,446
Bering Sea Pollock Fishery Buyback	53,935	-	4,142	58,077
Crab Buyback Loans	97,163	3,134	13,506	113,803
Fisheries Finance IFQ Loans	16,851	131	3,317	20,299
Fisheries Finance Traditional Loans	155,931	1,515	32,192	189,638
Fisheries Finance Tuna Fleet Loans	7,005	56	900	7,961
Pacific Groundfish Buyback Loans	35,354	1,152	9,237	45,743
Total	$ 401,239	$ 6,700	$ 72,028	$ 479,967

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	**FY 2008**	**FY 2007**
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ 35,000
Fisheries Finance IFQ Loans	3,616	1,564
Fisheries Finance Traditional Loans	16,651	47,441
Total	$ 20,267	$ 84,005

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2008

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (662)	$ 15	$ (25)	$ 310	$ (362)
Fisheries Finance Traditional Loans	(2,195)	37	(113)	953	(1,318)
Total	$ (2,857)	$ 52	$ (138)	$ 1,263	$ (1,680)

FY 2007

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ -	$ 350	$ 350
Fisheries Finance IFQ Loans	(299)	9	(11)	119	(182)
Fisheries Finance Traditional Loans	(6,206)	114	(329)	2,219	(4,202)
Total	$ (6,505)	$ 123	$ (340)	$ 2,688	$ (4,034)

Modifications and Reestimates:

Direct Loan Program	FY 2008 Total Modifications	FY 2008 Interest Rate Reestimates	FY 2008 Technical Reestimates	FY 2008 Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ 8,118	$ 8,118
Bering Sea Pollock Fishery Buyback	-	-	(92)	(92)
Crab Buyback Loans	-	-	(8,191)	(8,191)
Fisheries Finance IFQ Loans	-	-	444	444
Fisheries Finance Traditional Loans	-	-	6,935	6,935
Fisheries Finance Tuna Fleet Loans	-	-	(25)	(25)
Pacific Groundfish Buyback Loans	-	-	(1,624)	(1,624)
Total	$ -	$ -	$ 5,565	$ 5,565

Direct Loan Program	FY 2007 Total Modifications	FY 2007 Interest Rate Reestimates	FY 2007 Technical Reestimates	FY 2007 Total Reestimates
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ -	$ -	$ (8,119)	$ (8,119)
Bering Sea Pollock Fishery Buyback	-	-	968	968
Crab Buyback Loans	-	-	15,974	15,974
Fisheries Finance IFQ Loans	-	-	(523)	(523)
Fisheries Finance Traditional Loans	-	-	(9,555)	(9,555)
Fisheries Finance Tuna Fleet Loans	-	-	343	343
Pacific Groundfish Buyback Loans	-	-	(9,304)	(9,304)
Total	$ -	$ -	$ (10,216)	$ (10,216)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2008	FY 2007
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	$ 8,118	$ (7,769)
Bering Sea Pollock Fishery Buyback	(92)	968
Crab Buyback Loans	(8,191)	15,974
Fisheries Finance IFQ Loans	82	(705)
Fisheries Finance Traditional Loans	5,617	(13,757)
Fisheries Finance Tuna Fleet Loans	(25)	343
Pacific Groundfish Buyback Loans	(1,624)	(9,304)
Total	$ 3,885	$ (14,250)

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2008

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(17.66) %	0.38 %	(0.68) %	7.38 %	(10.58) %
Fisheries Finance Traditional Loans	(13.95) %	0.15 %	(0.57) %	9.73 %	(4.64) %

FY 2007

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	11.14 %	(8.08) %
Fisheries Finance Traditional Loans	(13.56) %	0.23 %	(0.70) %	6.02 %	(8.01) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal-year(s) cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	FY 2008	FY 2007
Beginning Balance of the Allowance for Subsidy Cost	$ 72,028	$ 59,403
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	2,857	6,505
Default Costs (Net of Recoveries)	(52)	(123)
Fees and Other Collections	138	340
Other Subsidy Costs	(1,263)	(2,688)
Total of the above Subsidy Expense Components	1,680	4,034
Adjustments:		
Fees Received	(155)	(358)
Subsidy Allowance Amortization	(4,814)	4
Other	-	(1,271)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	68,739	61,812
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(5,565)	10,216
Ending Balance of the Allowance for Subsidy Cost	$ 63,174	$ 72,028

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2008

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 11,997	$ 4	$ (11,997)	$ 4

FY 2007

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 12,209	$ 5	$ (12,210)	$ 4

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2008

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 14,128	$ 1,254	$ -	$ (11,946)	$ 3,436

FY 2007

Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	$ 17,661	$ 1,254	$ 526	$ (14,519)	$ 4,922

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2008 and 2007, which are not reflected in the financial statements, are as follows:

	FY 2008		FY 2007	
Loan Guarantee Program	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Emergency Steel Loan Guarantee Program	$ -	$ -	$ 149,900	$ 131,912
FVOG Program	9,353	9,353	12,673	12,673
Total	$ 9,353	$ 9,353	$ 162,573	$ 144,585

New Guaranteed Loans Disbursed:

There were no new guaranteed loans disbursed during FY 2008 and FY 2007.

Loan Guarantee Liabilities:

Loan Guarantee Program	FY 2008 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	FY 2007 Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Steel Loan Guarantee Program	$ -	$ 54,734
FVOG Program	621	998
Total	$ 621	$ 55,732

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

As there were no new loan guarantees disbursed during FY 2008 and FY 2007, there is not any related subsidy expense.

Modifications and Reestimates:

FY 2008		FY 2008		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Steel Loan Guarantee Program	$ 1,152	$ -	$ (56,105)	$ (56,105)
FVOG Program	-	-	(281)	(281)
Total	$ 1,152	$ -	$ (56,386)	$ (56,386)

FY 2007		FY 2007		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	$ -	$ -	$ (253)	$ (253)
Emergency Steel Loan Guarantee Program	(18,910)	-	2,739	2,739
FVOG Program	-	-	(1,322)	(1,322)
Total	$ (18,910)	$ -	$ 1,164	$ 1,164

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2008	FY 2007
Emergency Oil and Gas Loan Guarantee Program	$ -	$ (253)
Emergency Steel Loan Guarantee Program	(54,953)	(16,171)
FVOG Program	(281)	(1,322)
Total	$ (55,234)	$ (17,746)

Subsidy Rates for Loan Guarantees by Program and Component:

Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:

There were no new cohorts of guaranteed loans during FY 2008 and FY 2007.

Schedule for Reconciling Loan Guarantee Liabilities (Post-FY 1991 Loan Guarantees):

	FY 2008	FY 2007
Beginning Balance of Loan Guarantee Liabilities	$ 55,732	$ 73,675
Adjustments:		
Loan Guarantee Modifications	1,152	(18,910)
Fees Received	33	63
Interest Accumulation on the Liabilities Balance	478	(710)
Other	(388)	4,934
Ending Balance of Loan Guarantee Liabilities Before Reestimates	57,007	59,052
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(56,386)	(662)
Total of the above Reestimate Components	(56,386)	(662)
Transfer of Subsidy Cost for Defaulted Guaranteed Loans to Loans Receivable and Related Foreclosed Property, Net	-	(2,658)
Ending Balance of Loan Guarantee Liabilities	$ 621	$ 55,732

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2008	FY 2007
Drought Loan Portfolio and Economic Development Revolving Fund	$ 932	$ 925
NOAA Direct Loan Programs	2,776	1,037
Total	$ 3,708	$ 1,962

Loan Guarantee Program	FY 2008	FY 2007
Emergency Oil and Gas Loan Guarantee Program	$ 41	$ 4
Emergency Steel Loan Guarantee Program	249	857
FVOG Program	245	88
Total	$ 535	$ 949

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2008	FY 2007
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	$ 21,220	$ 20,732
Other	Various	212	288
Allowance for Excess, Obsolete, and Unserviceable Items		(108)	(95)
Total Inventory, Net		21,324	20,925
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	50,505	51,775
NOAA's National Reconditioning Center	Weighted-average	39,027	45,248
Other	Various	4,722	4,401
Allowance for Excess, Obsolete, and Unserviceable Items		(14,983)	(15,548)
Total Materials and Supplies, Net		79,271	85,876
Total		$ 100,595	$ 106,801

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

NOTE 7. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2008

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,771	$ -	$ 16,771
Land Improvements	30-40	2,996	(1,102)	1,894
Structures, Facilities, and Leasehold Improvements	2-60	1,252,509	(434,930)	817,579
Satellites/Weather Systems Personal Property	3-20	4,281,431	(3,589,625)	691,806
Other Personal Property	2-30	1,893,641	(1,245,621)	648,020
Assets Under Capital Lease	3-40	51,348	(27,248)	24,100
Construction-in-progress	N/A	3,990,238	-	3,990,238
Total		$ 11,488,934	$ (5,298,526)	$ 6,190,408

FY 2007

Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,656	$ -	$ 16,656
Land Improvements	30-40	2,996	(1,010)	1,986
Structures, Facilities, and Leasehold Improvements	2-60	1,186,066	(395,995)	790,071
Satellites/Weather Systems Personal Property	3-20	4,194,763	(3,337,220)	857,543
Other Personal Property	2-30	1,823,209	(1,127,281)	695,928
Assets Under Capital Lease	3-40	31,269	(21,434)	9,835
Construction-in-progress	N/A	3,357,745	-	3,357,745
Total		$ 10,612,704	$ (4,882,940)	$ 5,729,764

NOTE 8. OTHER ASSETS

	FY 2008	FY 2007
With the Public		
Advances and Prepayments	$ 55,439	$ 66,113
Notes Receivable	1,849	1,857
Bibliographic Database	5,711	5,293
Other	4	4
Total	$ 63,003	$ 73,267

As of September 30, 2008 and 2007, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balances include accrued interest. This note is considered fully collectible.

The bibliographic database relates to NTIS's scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of $56.4 million and $53.3 million, less accumulated amortization of $50.7 million and $48.0 million, at September 30, 2008 and 2007, respectively.

NOTE 9. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	FY 2008	FY 2007
Intragovernmental		
Fund Balance with Treasury	$ 17,301,365	$ 112,882
Total Intragovernmental	17,301,365	112,882
With the Public		
Cash	1,029	1,022
Accounts Receivable, Net	557	5,660
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	15,669	17,432
Total	$ 17,318,620	$ 136,996

NOTE 10. DEBT TO TREASURY

FY 2008

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 469,526	$ (4,431)	$ 465,095
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	2,551	(2,551)	-
FVOG Program	9,431	(2,600)	6,831
Digital Television Transition and Public Safety Fund	164,489	(159,762)	4,727
Total	$ 645,997	$ (169,344)	$ 476,653

For the Direct Loan and Loan Guarantee Programs, maturity dates range from September 2008 to September 2038, and interest rates range from 3.26 to 7.17 percent.

The funds borrowed for the Digital Television Transition and Public Safety Fund shall be reimbursed to Treasury, without interest, as funds are deposited into the Digital Television Transition and Public Safety Fund. The maturity date for these borrowings is September 30, 2009.

FY 2007

Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 406,568	$ 62,958	$ 469,526
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	3,231	(680)	2,551
FVOG Program	12,272	(2,841)	9,431
Digital Television Transition and Public Safety Fund	-	164,489	164,489
Total	$ 422,071	$ 223,926	$ 645,997

NOTE 11. OTHER LIABILITIES

	FY 2008			FY 2007
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	$ 24,171	$ 9,668	$ 33,839	$ 33,207
Accrued Benefits	30,787	1,571	32,358	25,697
Custodial Activity	557	-	557	1,004
Downward Subsidy Reestimates Payable to Treasury	68,379	-	68,379	36,710
Other	401	-	401	2,308
Total	$ 124,295	$ 11,239	$ 135,534	$ 98,926
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	$ 2,207	$ 7,507	$ 9,714	$ 9,550
Contingent Liabilities	29,229	-	29,229	8,717
Employment-related	6,821	-	6,821	2,328
Other	8,946	-	8,946	7,090
Total	$ 47,203	$ 7,507	$ 54,710	$ 27,685

The Current Portion represents liabilities expected to be paid by September 30, 2009, while the Non-current Portion represents liabilities expected to be paid after September 30, 2009.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	FY 2008	FY 2007
Actuarial FECA Liability	$ 169,463	$ 164,416
NOAA Corps Retirement System Liability	448,100	416,000
NOAA Corps Post-retirement Health Benefits Liability	49,000	45,400
Total	$ 666,563	$ 625,816

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2008	FY 2007
Year 1	4.37%	4.93%
Year 2 and Thereafter	4.77%	5.08%

The wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current year constant dollars, were as follows:

FY 2008

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2009	3.87%	4.00%
2010	2.73%	3.86%
2011	2.20%	3.87%
2012	2.23%	3.93%
2013	2.30%	3.93%

FY 2007

Fiscal Year	Cost of Living Allowance	Consumer Price Index - Medical
2008	2.63%	3.74%
2009	2.90%	4.04%
2010	2.47%	4.00%
2011	2.37%	3.94%
2012	2.30%	3.94%

NOAA Corps Retirement System Liability:

This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2008 and 2007 actuarial calculations used the following U.S. Department of Defense Retirement Board of Actuaries economic assumptions:

	FY 2008	FY 2007
Investment Earnings on Federal Securities	5.75%	6.00%
Annual Basic Pay Scale Increases	3.75%	3.75%
Annual Inflation	3.00%	3.00%

The related pension costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2008	FY 2007
Normal Cost	$ 5,600	$ 5,100
Interest on the Unfunded Liability	25,400	22,600
Prior and Past Service Cost from Plan Amendments	-	10,200
Actuarial (Gains)/Losses, Net		
Impact of New Investment Return	14,900	14,600
Impact of Updated Data for Active Duty Members, Retirees, and Survivors	5,300	6,100
Impact of New Demographic Assumptions	700	5,500
Total Pension Costs	$ 51,900	$ 64,100

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board of Actuaries economic assumptions as used for the NOAA Corps Retirement System actuarial calculations.

The related post-retirement health benefits costs included in the *Consolidated Statements of Net Cost* are as follows:

	FY 2008	FY 2007
Normal Cost	$ 1,400	$ 1,200
Interest on the Unfunded Liability	2,500	2,900
Actuarial (Gains)/Losses, Net	2,700	(4,900)
Total Post-retirement Health Benefits Costs	$ 6,600	$ (800)

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2008	FY 2007
Pribilof Island Cleanup	$ 10,586	$ 17,508
Nuclear Reactor	52,228	46,969
Other	5,049	2,966
Total	$ 67,863	$ 67,443

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2008	FY 2007
Structures, Facilities, and Leasehold Improvements	$ 28,852	$ 28,084
Equipment	22,496	3,185
Less: Accumulated Depreciation	(27,248)	(21,434)
Net Assets Under Capital Leases	$ 24,100	$ 9,835

Capital Lease Liabilities are primarily related to NOAA and the Census Bureau. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from 10 to 40 years. The Census Bureau has a capital lease for equipment and software for the 2010 Decennial Census facilities and operations.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2008

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2009	$ 4,205	$ 19,391	$ 23,596
2010	3,984	10	3,994
2011	4,010	-	4,010
2012	3,791	-	3,791
2013	3,648	-	3,648
Thereafter	16,010	-	16,010
Total Future Lease Payments	35,648	19,401	55,049
Less: Imputed Interest	(15,104)	(887)	(15,991)
Less: Executory Costs	(6,504)	(1,673)	(8,177)
Net Capital Lease Liabilities	$ 14,040	$ 16,841	$ 30,881

FY 2007

	General PP&E Category		
Fiscal Year	Real Property	Personal Property	Total
2008	$ 4,238	$ 1,935	$ 6,173
2009	3,934	1,929	5,863
2010	3,965	22	3,987
2011	4,000	12	4,012
2012	3,782	-	3,782
Thereafter	19,623	-	19,623
Total Future Lease Payments	39,542	3,898	43,440
Less: Imputed Interest	(17,233)	(245)	(17,478)
Less: Executory Costs	(7,105)	(3,299)	(10,404)
Net Capital Lease Liabilities	$ 15,204	$ 354	$ 15,558

Operating Leases:

Most of the Department's facilities are rented from the GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's (1) estimated real property rent payments to GSA for FY 2009 through FY 2013; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2008

	General PP&E Category	
Fiscal Year	GSA Real Property	Non-GSA Real Property
2009	$ 254,965	$ 17,897
2010	262,013	15,751
2011	252,436	14,904
2012	255,809	13,999
2013	259,288	12,817
Thereafter	[1]	62,517
Total Future Lease Payments		$ 137,885

[1] *Not estimated.*

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2008	FY 2007
Intragovernmental		
Debt to Treasury - Digital Television and Transition Public Safety Fund	$ 4,727	$ 164,489
Accrued FECA Liability	33,059	32,008
Other	-	1,232
Total Intragovernmental	37,786	197,729
Accrued Payroll	31,510	28,896
Accrued Annual Leave	233,682	214,415
Federal Employee Benefits	666,563	625,816
Environmental and Disposal Liabilities	67,863	67,443
Contingent Liabilities	29,229	8,717
Unearned Revenue	774,832	795,468
ITA Foreign Service Nationals' Voluntary Separation Pay	9,714	9,550
Other	1,644	983
Total	$ 1,852,823	$ 1,949,017

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported above is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments as of September 30,2008 is shown below.

Major Long-term Commitments:

	FY 2008						
Description	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Thereafter	Total
Geostationary Operational Environmental Satellites	$ 550,300	$ 794,600	$ 897,500	$ 871,900	$ 855,200	$ 3,140,000	$ 7,109,500
Convergence Satellites	288,000	381,800	420,300	415,800	436,300	2,096,100	4,038,300
Polar Operational Environmental Satellites	65,400	43,100	40,800	40,800	40,800	107,700	338,600
Other Weather Service	112,981	117,572	116,884	112,597	99,414	129,476	688,924
Other	1,824	-	-	-	-	-	1,824
Total	$ 1,018,505	$ 1,337,072	$ 1,475,484	$ 1,441,097	$ 1,431,714	$ 5,473,276	$ 12,177,148

Legal Contingencies:

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately $29.2 million and $8.7 million as of September 30, 2008 and 2007, respectively. Accordingly, $29.2 million and $8.7 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2008 and 2007, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $198.7 million as of September 30, 2008. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed $137.9 million as of September 30, 2008. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

Guaranteed Loan Contingencies:

Fishing Vessels Obligation Guarantee Program: This loan guarantee program has outstanding non-acquired guaranteed loans (fully guaranteed by the Department) as of September 30, 2008 and 2007, with outstanding principal balances totaling $9.4 million and $12.7 million, respectively. A loan guarantee liability of $621 thousand and $1.0 million is recorded for the outstanding guarantees at September 30, 2008 and 2007, respectively.

Emergency Steel Loan Guarantee Program: This program has no outstanding non-acquired guaranteed loans as of September 30, 2008, and one outstanding non-acquired guaranteed loan as of September 30, 2007. The guaranteed portion (88 percent) of the outstanding principal balance totaled $131.9 million as of September 30, 2007. A loan guarantee liability of $54.7 million was recorded for the outstanding guarantee as of September 30, 2007. This loan guarantee was terminated in May 2008.

Contingent Loss Related to the National Polar Orbiting Operational Environmental Satellite System (NPOESS) Program:

In a joint effort with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), NOAA is developing the NPOESS. NPOESS is expected to be a state-of-the-art environment-monitoring satellite system that will replace two existing polar-orbiting satellite systems. NOAA and DOD share the costs of funding NPOESS, while NASA funds specific technology projects and studies. Over the last several years, the NPOESS program has experienced schedule delays, cost increases and technical challenges. In FY 2006, the NPOESS program underwent a statutorily required review, known as a Nunn-McCurdy review. Under the law, any DOD-funded program that is more than 25 percent over budget must be reviewed to see if it should be continued, and if so, in what manner. As a result of the review, the NPOESS program will be continued, however the number of satellites and their capabilities will be scaled back. Additionally, NOAA, NASA, and DOD agreed to restructure the NPOESS program from a three-orbit to a two-orbit program and to renegotiation of the contracts for the construction of the NPOESS program. The process may take several years.

As of September 30, 2008, the Department of Commerce Balance Sheet includes approximately $1.95 billion construction-in-progress general property, plant, and equipment related to the NPOESS program. This balance is net of a $17.0 million write-off that NOAA recorded in FY 2006, based on a determination that certain sensors were going to be eliminated from the program, thus triggering an impairment to the property value. The potential impairment for one additional sensor, currently recorded at $108.0 million in the construction-in-progress account, is not yet determinable.

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2008 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	$ -	$ -	$ 370,872	$ -	$ 209,606	$ 74,640	$ 655,118	$ (79,520)	$ 575,598
Gross Costs With the Public	-	-	1,193,020	108,440	576,239	46,406	1,924,105	-	1,924,105
Total Gross Costs	-	-	1,563,892	108,440	785,845	121,046	2,579,223	(79,520)	2,499,703
Intragovernmental Earned Revenue	-	-	(233,519)	-	(35,776)	(85,029)	(354,324)	79,520	(274,804)
Earned Revenue From the Public	-	-	(15,873)	-	(10,895)		(26,768)	-	(26,768)
Total Earned Revenue	-	-	(249,392)	-	(46,671)	(85,029)	(381,092)	79,520	(301,572)
Net Program Costs	**-**	**-**	**1,314,500**	**108,440**	**739,174**	**36,017**	**2,198,131**	**-**	**2,198,131**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness									
Intragovernmental Gross Costs	-	359,059	-	151,201	35,895	74,640	620,795	(89,058)	531,737
Gross Costs With the Public	-	1,533,531	-	679,436	703,318	46,406	2,962,691	-	2,962,691
Total Gross Costs	-	1,892,590	-	830,637	739,213	121,046	3,583,486	(89,058)	3,494,428
Intragovernmental Earned Revenue	-	(7,428)	-	(137,089)	(33,798)	(85,029)	(263,344)	89,058	(174,286)
Earned Revenue From the Public	-	(1,854,746)	-	(42,330)	(303)		(1,897,379)	-	(1,897,379)
Total Earned Revenue	-	(1,862,174)	-	(179,419)	(34,101)	(85,029)	(2,160,723)	89,058	(2,071,665)
Net Program Costs	**-**	**30,416**	**-**	**651,218**	**705,112**	**36,017**	**1,422,763**	**-**	**1,422,763**
Strategic Goal 3: Promote Environmental Stewardship									
Intragovernmental Gross Costs	673,505	-	-	-	-	74,663	748,168	(77,638)	670,530
Gross Costs With the Public	3,619,018	-	-	-	-	46,419	3,665,437	-	3,665,437
Total Gross Costs	4,292,523	-	-	-	-	121,082	4,413,605	(77,638)	4,335,967
Intragovernmental Earned Revenue	(173,045)	-	-	-	-	(85,055)	(258,100)	77,638	(180,462)
Earned Revenue From the Public	(77,586)	-	-	-	-		(77,586)	-	(77,586)
Total Earned Revenue	(250,631)	-	-	-	-	(85,055)	(335,686)	77,638	(258,048)
Net Program Costs	**4,041,892**	**-**	**-**	**-**	**-**	**36,027**	**4,077,919**	**-**	**4,077,919**
NET COST OF OPERATIONS	**$ 4,041,892**	**$ 30,416**	**$ 1,314,500**	**$ 759,658**	**$ 1,444,286**	**$ 108,061**	**$ 7,698,813**	**$ -**	**$ 7,698,813**

FY 2007 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	$ -	$ -	$ 331,723	$ -	$ 183,097	$ 74,612	$ 589,432	$ (90,690)	$ 498,742
Gross Costs With the Public	-	-	956,602	-	633,400	44,927	1,634,929	-	1,634,929
Total Gross Costs	-	-	1,288,325	-	816,497	119,539	2,224,361	(90,690)	2,133,671
Intragovernmental Earned Revenue	-	-	(240,473)	-	(33,214)	(93,426)	(367,113)	90,690	(276,423)
Earned Revenue From the Public	-	-	(13,981)	-	(8,326)	-	(22,307)	-	(22,307)
Total Earned Revenue	-	-	(254,454)	-	(41,540)	(93,426)	(389,420)	90,690	(298,730)
Net Program Costs	**-**	**-**	**1,033,871**	**-**	**774,957**	**26,113**	**1,834,941**	**-**	**1,834,941**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness									
Intragovernmental Gross Costs	-	338,979	-	125,907	53,596	74,615	593,097	(89,589)	503,508
Gross Costs With the Public	-	1,430,679	-	739,512	62,609	44,924	2,277,724	-	2,277,724
Total Gross Costs	-	1,769,658	-	865,419	116,205	119,539	2,870,821	(89,589)	2,781,232
Intragovernmental Earned Revenue	-	(7,944)	-	(123,852)	(30,984)	(93,426)	(256,206)	89,589	(166,617)
Earned Revenue From the Public	-	(1,727,762)	-	(72,590)	(99)	-	(1,800,451)	-	(1,800,451)
Total Earned Revenue	-	(1,735,706)	-	(196,442)	(31,083)	(93,426)	(2,056,657)	89,589	(1,967,068)
Net Program Costs	**-**	**33,952**	**-**	**668,977**	**85,122**	**26,113**	**814,164**	**-**	**814,164**
Strategic Goal 3: Promote Environmental Stewardship									
Intragovernmental Gross Costs	628,808	-	-	-	-	74,637	703,445	(80,375)	623,070
Gross Costs With the Public	3,394,576	-	-	-	-	44,937	3,439,513	-	3,439,513
Total Gross Costs	4,023,384	-	-	-	-	119,574	4,142,958	(80,375)	4,062,583
Intragovernmental Earned Revenue	(189,027)	-	-	-	-	(93,453)	(282,480)	80,375	(202,105)
Earned Revenue From the Public	(74,676)	-	-	-	-	-	(74,676)	-	(74,676)
Total Earned Revenue	(263,703)	-	-	-	-	(93,453)	(357,156)	80,375	(276,781)
Net Program Costs	**3,759,681**	**-**	**-**	**-**	**-**	**26,121**	**3,785,802**	**-**	**3,785,802**
NET COST OF OPERATIONS	**$ 3,759,681**	**$ 33,952**	**$ 1,033,871**	**$ 668,977**	**$ 860,079**	**$ 78,347**	**$ 6,434,907**	**$ -**	**$ 6,434,907**

Major Programs: The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each strategic goal. The "Others" column refers to the Department's reporting entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Totals columns on the *Consolidating Statements of Net Cost*.

FY 2008 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 585,247	$ -	$ -	$ -	$ 585,247
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**585,247**	**-**	**-**	**-**	**585,247**
Other Programs						
Gross Costs	-	888,587	108,440	-	996,949	1,993,976
Less: Earned Revenue	-	(243,930)	-	-	(137,162)	(381,092)
Net Program Costs	**-**	**644,657**	**108,440**	**-**	**859,787**	**1,612,884**
Net Program Costs for Strategic Goal 1	**-**	**1,229,904**	**108,440**	**-**	**859,787**	**2,198,131**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness						
Measurement and Standards Laboratories						
Gross Costs	-	-	671,829	-	-	671,829
Less: Earned Revenue	-	-	(115,746)	-	-	(115,746)
Net Program Costs	**-**	**-**	**556,083**	**-**	**-**	**556,083**
Patents						
Gross Costs	-	-	-	1,655,656	-	1,655,656
Less: Earned Revenue	-	-	-	(1,624,993)	-	(1,624,993)
Net Program Costs	**-**	**-**	**-**	**30,663**	**-**	**30,663**
Trademarks						
Gross Costs	-	-	-	192,587	-	192,587
Less: Earned Revenue	-	-	-	(237,181)	-	(237,181)
Net Program Costs	**-**	**-**	**-**	**(44,594)**	**-**	**(44,594)**
Other Programs						
Gross Costs	-	-	133,714	44,347	885,353	1,063,414
Less: Earned Revenue	-	-	(41,210)	-	(141,593)	(182,803)
Net Program Costs	**-**	**-**	**92,504**	**44,347**	**743,760**	**880,611**
Net Program Costs for Strategic Goal 2	**-**	**-**	**648,587**	**30,416**	**743,760**	**1,422,763**
Strategic Goal 3: Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,645,797	-	-	-	-	1,645,797
Less: Earned Revenue	(67,201)	-	-	-	-	(67,201)
Net Program Costs	**1,578,596**	**-**	**-**	**-**	**-**	**1,578,596**
Other Programs						
Gross Costs	2,646,726	-	-	-	121,082	2,767,808
Less: Earned Revenue	(183,430)	-	-	-	(85,055)	(268,485)
Net Program Costs	**2,463,296**	**-**	**-**	**-**	**36,027**	**2,499,323**
Net Program Costs for Strategic Goal 3	**4,041,892**	**-**	**-**	**-**	**36,027**	**4,077,919**
NET COST OF OPERATIONS	**$ 4,041,892**	**$ 1,229,904**	**$ 757,027**	**$ 30,416**	**$ 1,639,574**	**$ 7,698,813**

FY 2007 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Decennial and Periodic Censuses						
Gross Costs	$ -	$ 230,925	$ -	$ -	$ -	$ 230,925
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	**-**	**230,925**	**-**	**-**	**-**	**230,925**
Other Programs						
Gross Costs	-	966,290	-	-	1,027,146	1,993,436
Less: Earned Revenue	-	(249,661)	-	-	(139,759)	(389,420)
Net Program Costs	**-**	**716,629**	**-**	**-**	**887,387**	**1,604,016**
Net Program Costs for Strategic Goal 1	**-**	**947,554**	**-**	**-**	**887,387**	**1,834,941**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness						
Measurement and Standards Laboratories						
Gross Costs	-	-	618,910	-	-	618,910
Less: Earned Revenue	-	-	(128,288)	-	-	(128,288)
Net Program Costs	**-**	**-**	**490,622**	**-**	**-**	**490,622**
Patents						
Gross Costs	-	-	-	1,533,051	-	1,533,051
Less: Earned Revenue	-	-	-	(1,506,994)	-	(1,506,994)
Net Program Costs	**-**	**-**	**-**	**26,057**	**-**	**26,057**
Trademarks						
Gross Costs	-	-	-	204,527	-	204,527
Less: Earned Revenue	-	-	-	(228,712)	-	(228,712)
Net Program Costs	**-**	**-**	**-**	**(24,185)**	**-**	**(24,185)**
Other Programs						
Gross Costs	-	-	219,339	32,080	262,914	514,333
Less: Earned Revenue	-	-	(45,491)	-	(147,172)	(192,663)
Net Program Costs	**-**	**-**	**173,848**	**32,080**	**115,742**	**321,670**
Net Program Costs for Strategic Goal 2	**-**	**-**	**664,470**	**33,952**	**115,742**	**814,164**
Strategic Goal 3: Promote Environmental Stewardship						
Ecosystems						
Gross Costs	1,534,426	-	-	-	-	1,534,426
Less: Earned Revenue	(101,166)	-	-	-	-	(101,166)
Net Program Costs	**1,433,260**	**-**	**-**	**-**	**-**	**1,433,260**
Other Programs						
Gross Costs	2,488,958	-	-	-	119,574	2,608,532
Less: Earned Revenue	(162,537)	-	-	-	(93,453)	(255,990)
Net Program Costs	**2,326,421**	**-**	**-**	**-**	**26,121**	**2,352,542**
Net Program Costs for Strategic Goal 3	**3,759,681**	**-**	**-**	**-**	**26,121**	**3,785,802**
NET COST OF OPERATIONS	**$ 3,759,681**	**$ 947,554**	**$ 664,470**	**$ 33,952**	**$1,029,250**	**$ 6,434,907**

NOTE 18. COMBINED STATEMENTS OF BUDGETARY RESOURCES

The amount of Budget Authority, Appropriations on the *Combined Statements of Budgetary Resources* (SBR) reconciles to the amount of Budgetary Financing Sources, Appropriations Received reported on the *Consolidated Statements of Changes in Net Position* (SCNP) as follows:

	FY 2008	FY 2007
Budget Authority, Appropriations (SBR)	$ 9,551,340	$ 6,700,427
Less:		
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(20,824)	(17,836)
Other Special Receipts for NTIA Digital Television Transition and Public Safety Fund, Classified as Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	(1,778,983)	-
Other	(1,585)	1,073
Budgetary Financing Sources, Appropriations Received (SCNP)	$ 7,749,948	$ 6,683,664

Total borrowing authority available for NTIA's Digital Television Transition and Public Safety Fund amounted to $914.9 million and $919.7 million at September 30, 2008 and 2007, respectively, while total borrowing authority available for NOAA's loan programs amounted to $214.9 million and $204.4 million at September 30, 2008 and 2007, respectively. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Eighty-six percent of the Department's reporting entities have one or more permanent no-year appropriations to finance operations.

Reductions to the Department's appropriations under Public Law 110-161 amounted to $36.7 million for FY 2008, while reductions for FY 2007 under Public Law 110-05 amounted to $32.0 million. These reductions are included in the SBR Budgetary Resources line Permanently Not Available. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection of the SCNP.

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2008 and FY 2007 include the following:

- The Department's Deposits Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2, *Fund Balance with Treasury*, on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2008 and 2007 includes $528.7 million of USPTO offsetting collections exceeding prior years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines General Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).

- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through the end of FY 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2008 and 2007, $233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Special Fund (Patent and Trademark Surcharge Fund) (breakdown by type), and Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of September 30, 2008 and 2007 includes $25.3 and $27.7 million, respectively, of funds temporarily not available for the Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans. These funds are included in Note 2, *Fund Balance with Treasury*, on the lines Revolving Funds (breakdown by type), and Temporarily Not Available Pursuant to Public Law (breakdown by status).
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.
- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

There are no material differences between the amounts reported in the Combined Statement of Budgetary Resources for the year ended September 30, 2007 and the actual amounts reported in the FY 2009 budget of the U.S. government.

Apportionment Categories of Obligations Incurred:

The amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment are as follows:

	FY 2008		
	Direct	Reimbursable	Total
Category A	$ 2,988,891	$ 2,237,810	$ 5,226,701
Category B	5,433,981	48,247	5,482,228
Exempt from Apportionment	173,309	779,337	952,646
Total	$ 8,596,181	$ 3,065,394	$ 11,661,575

	FY 2007		
	Direct	Reimbursable	Total
Category A	$ 6,461,301	$ 2,173,881	$ 8,635,182
Category B	1,584,885	144,267	1,729,152
Exempt from Apportionment	169,923	749,631	919,554
Total	$ 8,216,109	$ 3,067,779	$ 11,283,888

Category A apportionments distribute budgetary resources by fiscal quarters, whereas Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

Undelivered Orders:

Undelivered orders were $6.64 billion and $6.41 billion at September 30, 2008 and 2007, respectively.

Digital Television Transition and Public Safety Fund:

The Digital Television Transition and Public Safety Fund (Fund) was created by the Digital Television Transition and Public Safety Act of 2005. This NTIA fund receives proceeds from the auction of licenses for recovered analog spectrum from discontinued analog television signals, and provides funding for several programs from these receipts. Funding for these programs, prior to the availability of auction receipts, is provided by Treasury borrowings, as discussed in Note 1, *Summary of Significant Accounting Policies*.

The Federal Communications Commission (FCC) completed the auction of licenses for recovered analog spectrum in March 2008. The auction resulted in proceeds of $18.96 billion, which were deposited to the Fund by FCC on June 30, 2008. An auction proceed becomes a budgetary resource on the SBR when FCC grants the license and the auction proceed is provided as a budgetary resource by OMB. Auction proceeds for which licenses have been granted as of September 30, 2008, totaling $1.78 billion, are included as a budgetary resource on the SBR (Budget Authority, Appropriations) and as a financing sources on SCNP for FY 2008. Auction proceeds for which licenses have not yet been granted as of September 30, 2008, totaling $17.18 billion, are considered a non-budgetary financing source (unavailable for use), and, accordingly, are not included in the SBR for FY 2008 and are recorded as a liability to FCC on the Consolidated Balance Sheet as of September 30, 2008. For the proprietary financial statements, an auction proceed is considered a liability to FCC until FCC grants the license. When the license is granted, a budgetary financing source (Transfers In of Spectrum Auction Proceeds from FCC) is recognized on the SCNP. Earned auction proceeds of $1.78 billion were subsequently utilized in part, during the fourth quarter of FY 2008, to make substantial repayments on Treasury borrowings.

As of September 30, 2008, payments for the programs under this Fund may not exceed $2.82 billion, while Treasury borrowings under this Fund may not exceed $2.69 billion.

On September 30, 2009, the Fund shall transfer $7.36 billion to the General Fund of the Treasury. The Department understands that Congress' intent is for the Fund to further transfer funds beyond the needs of its programs to the General Fund of the Treasury.

Below is a brief summary of the three largest programs under this Fund, and significant financial activity recorded for the FY 2008 and FY 2007 SBR for each program:

Public Safety Interoperable Communications (PSIC): This is a grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems that can utilize reallocated public safety spectrum for radio communication. The Fund may make payments not to exceed $1.00 billion through FY 2010. The Department has in place a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA), in which FEMA administers the PSIC grant program. NTIA provides FEMA with funds for the grants under the program, and for the charges for FEMA's management and administrative services. NTIA records budgetary obligations with FEMA, while FEMA records the grants activity under the program. Budgetary obligations for FY 2008 and FY 2007 to FEMA under the PSIC program amounted to $6.7 million and $974.7 million.

Digital-to-Analog Converter Box Program: This program is to provide households in the U.S. with forty dollar coupons (two per-household maximum) that can be applied toward the purchase of digital-to-analog converter boxes. The Fund may make payments not to exceed $1.50 billion through FY 2009. Budgetary obligations for FY 2008 and FY 2007 for this program amounted to $840.8 million and $87.3 million, respectively.

NOTE 19. CUSTODIAL NONEXCHANGE ACTIVITY

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury. For the period ended September 30, 2008, the Department had custodial nonexchange revenue of $3.9 million; custodial nonexchange revenue of $486 thousand was payable to Treasury at September 30, 2008. For the period ended September 30, 2007, the Department had custodial nonexchange revenue of $14.5 million; custodial nonexchange revenue of $1.0 million was payable to Treasury.

NOTE 20. EARMARKED FUNDS

The following tables depict major earmarked funds separately chosen based on their significant financial activity and importance to taxpayers. All other earmarked funds not shown are aggregated as "Other Earmarked Funds."

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2008 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS							
Fund Balance with Treasury	$ 1,318,817	$ 1,204,539	$ 25,268	$ 23,919	$ 41,737	$ 60,627	$ 2,674,907
Cash	3,399	-	-	-	-	-	3,399
Accounts Receivable, Net	517	124	-	1,218	11	3	1,873
Loans Receivable and Related Foreclosed Property, Net	-	-	8,426	-	-	-	8,426
Inventory, Materials, and Supplies, Net	-	-	-	120	-	-	120
General Property, Plant, and Equipment, Net	204,184	-	-	583	-	-	204,767
Other	7,989	55,309	-	5,995	-	161	69,454
TOTAL ASSETS	**$ 1,534,906**	**$ 1,259,972**	**$ 33,694**	**$ 31,835**	**$ 41,748**	**$ 60,791**	**$ 2,962,946**
LIABILITIES							
Accounts Payable	$ 96,693	$ 20,493	$ -	$ 7,580	$ 3,753	$ 185	$ 128,704
Debt to Treasury	-	4,727	-	-	-	-	4,727
Federal Employee Benefits	8,318	-	-	655	-	-	8,973
Other							
Accrued Payroll and Annual Leave	136,111	149	-	1,376	75	123	137,834
Accrued Grants	-	-	-	-	-	932	932
Spectrum Auction Proceeds Liability to Federal Communications Commission (Note 18)	-	-	-	-	-	-	-
Unearned Revenue	848,505	-	-	7,806	-	-	856,311
Other	12,675	165,534	-	186	51	-	178,446
TOTAL LIABILITIES	**$ 1,102,302**	**$ 190,903**	**$ -**	**$ 17,603**	**$ 3,879**	**$ 1,240**	**$ 1,315,927**
NET POSITION							
Unexpended Appropriations	$ -	$ (27)	$ -	$ -	$ -	$ 489	$ 462
Cumulative Results of Operations	432,604	1,069,096	33,694	14,232	37,869	59,062	1,646,557
TOTAL NET POSITION	**$ 432,604**	**$ 1,069,069**	**$ 33,694**	**$ 14,232**	**$ 37,869**	**$ 59,551**	**$ 1,647,019**
TOTAL LIABILITIES AND NET POSITION	**$ 1,534,906**	**$ 1,259,972**	**$ 33,694**	**$ 31,835**	**$ 41,748**	**$ 60,791**	**$ 2,962,946**

United States Department of Commerce Consolidated Balance Sheet
As of September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS							
Fund Balance with Treasury	$ 1,302,303	$ 104,505	$ 27,742	$ 26,856	$ 33,392	$ 50,494	$ 1,545,292
Cash	5,990	-	-	-	-	-	5,990
Accounts Receivable, Net	422	-	-	1,321	36	2	1,781
Loans Receivable and Related Foreclosed Property, Net	-	-	8,731	-	-	-	8,731
Inventory, Materials, and Supplies, Net	-	-	-	207	-	-	207
General Property, Plant, and Equipment, Net	204,577	-	-	212	-	-	204,789
Other	6,133	17,467	-	5,635	349	349	29,933
TOTAL ASSETS	**$ 1,519,425**	**$ 121,972**	**$ 36,473**	**$ 34,231**	**$ 33,777**	**$ 50,845**	**$ 1,796,723**
LIABILITIES							
Accounts Payable	$ 95,419	$ 2,854	$ 12	$ 7,754	$ 695	$ 213	$ 106,947
Debt to Treasury	-	164,489	-	-	-	-	164,489
Federal Employee Benefits	7,929	-	-	571	-	-	8,500
Other							
Accrued Payroll and Annual Leave	113,481	104	-	1,367	32	102	115,086
Accrued Grants	-	914	-	-	-	852	1,766
Unearned Revenue	828,070	-	-	8,828	-	-	836,898
Other	10,506	-	-	176	8	-	10,690
TOTAL LIABILITIES	**$ 1,055,405**	**$ 168,361**	**$ 12**	**$ 18,696**	**$ 735**	**$ 1,167**	**$ 1,244,376**
NET POSITION							
Unexpended Appropriations	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cumulative Results of Operations	464,020	(46,389)	36,461	15,535	33,042	49,678	552,347
TOTAL NET POSITION	**$ 464,020**	**$ (46,389)**	**$ 36,461**	**$ 15,535**	**$ 33,042**	**$ 49,678**	**$ 552,347**
TOTAL LIABILITIES AND NET POSITION	**$ 1,519,425**	**$ 121,972**	**$ 36,473**	**$ 34,231**	**$ 33,777**	**$ 50,845**	**$ 1,796,723**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2008 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers							
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ 4,843	$ 4,843
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**4,843**	**4,843**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness							
Gross Costs	1,892,590	663,648	-	24,565	-	-	2,580,803
Less: Earned Revenue	(1,862,174)	(123)	-	(22,340)	-	-	(1,884,637)
Net Program Costs	**30,416**	**663,525**	**-**	**2,225**	**-**	**-**	**696,166**
Strategic Goal 3: Promote Environmental Stewardship							
Gross Costs	-	-	(32)	-	16,751	17,871	34,590
Less: Earned Revenue	-	-	(200)	-	-	-	(200)
Net Program Costs	**-**	**-**	**(232)**	**-**	**16,751**	**17,871**	**34,390**
NET COST OF OPERATIONS	**$ 30,416**	**$ 663,525**	**$ (232)**	**$ 2,225**	**$ 16,751**	**$ 22,714**	**$ 735,399**

United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers							
Gross Costs	$ -	$ -	$ -	$ -	$ -	$ 5,332	$ 5,332
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	**-**	**-**	**-**	**-**	**-**	**5,332**	**5,332**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness							
Gross Costs	1,769,658	46,389	-	24,518	-	-	1,840,565
Less: Earned Revenue	(1,735,706)	-	-	(22,625)	-	-	(1,758,331)
Net Program Costs	**33,952**	**46,389**	**-**	**1,893**	**-**	**-**	**82,234**
Strategic Goal 3: Promote Environmental Stewardship							
Gross Costs	-	-	(3,657)	-	19,744	15,189	31,276
Less: Earned Revenue	-	-	(1,227)	-	-	-	(1,227)
Net Program Costs	**-**	**-**	**(4,884)**	**-**	**19,744**	**15,189**	**30,049**
NET COST OF OPERATIONS	**$ 33,952**	**$ 46,389**	**$ (4,884)**	**$ 1,893**	**$ 19,744**	**$ 20,521**	**$ 117,615**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2008 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:							
Beginning Balance	$ 464,020	$ (46,389)	$ 36,461	$ 15,535	$ 33,042	$ 49,678	$ 552,347
Budgetary Financing Sources:							
Appropriations Used	-	27	-	-	-	4,843	4,870
Non-exchange Revenue	-	-	-	-	14,780	9,391	24,171
Transfers In of Spectrum Auction Proceeds from Federal Communications Commission	-	1,778,983	-	-	-	-	1,778,983
Transfers In/(Out) Without Reimbursement, Net	(1,000)	-	(2,999)	-	6,798	7,595	10,394
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	922	-	-	922
Other Financing Sources/(Uses), Net	-	-	-	-	-	10,269	10,269
Total Financing Sources	**(1,000)**	**1,779,010**	**(2,999)**	**922**	**21,578**	**32,098**	**1,829,609**
Net Cost of Operations	**(30,416)**	**(663,525)**	**232**	**(2,225)**	**(16,751)**	**(22,714)**	**(735,399)**
Net Change	**(31,416)**	**1,115,485**	**(2,767)**	**(1,303)**	**4,827**	**9,384**	**1,094,210**
Cumulative Results of Operations	**432,604**	**1,069,096**	**33,694**	**14,232**	**37,869**	**59,062**	**1,646,557**
Unexpended Appropriations:							
Beginning Balance	-	-	-	-	-	-	-
Budgetary Financing Sources:							
Appropriations Transferred In/(Out), Net	-	-	-	-	-	5,332	5,332
Appropriations Used	-	(27)	-	-	-	(4,843)	(4,870)
Total Budgetary Financing Sources	-	(27)	-	-	-	489	462
Unexpended Appropriations	**-**	**(27)**	**-**	**-**	**-**	**489**	**462**
NET POSITION	**$ 432,604**	**$ 1,069,069**	**$ 33,694**	**$ 14,232**	**$ 37,869**	**$ 59,551**	**$ 1,647,019**

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2007 (In Thousands)

	USPTO Earmarked Funds	NTIA Digital Television Transition and Public Safety Fund	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Cumulative Results of Operations:							
Beginning Balance	$ 497,972	$ -	$ 34,577	$ 16,384	$ 27,626	$ 44,421	$ 620,980
Budgetary Financing Sources:							
Non-exchange Revenue	-	-	-	-	7,133	9,722	16,855
Transfers In/(Out) Without Reimbursement, Net	-	-	(3,000)	-	18,027	9,149	24,176
Other Financing Sources (Non-exchange):							
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	1,044	-	-	1,044
Other Financing Sources/(Uses), Net	-	-	-	-	-	6,907	6,907
Total Financing Sources	**-**	**-**	**(3,000)**	**1,044**	**25,160**	**25,778**	**48,982**
Net Cost of Operations	**(33,952)**	**(46,389)**	**4,884**	**(1,893)**	**(19,744)**	**(20,521)**	**(117,615)**
Net Change	**(33,952)**	**(46,389)**	**1,884**	**(849)**	**5,416**	**5,257**	**(68,633)**
Cumulative Results of Operations	**464,020**	**(46,389)**	**36,461**	**15,535**	**33,042**	**49,678**	**552,347**
Unexpended Appropriations:							
Beginning Balance	27	-	-	-	-	-	27
Budgetary Financing Sources	(27)	-	-	-	-	-	(27)
Unexpended Appropriations	**-**	**-**	**-**	**-**	**-**	**-**	-
NET POSITION	**$ 464,020**	**$ (46,389)**	**$ 36,461**	**$ 15,535**	**$ 33,042**	**$ 49,678**	**$ 552,347**

Below is a description of major earmarked funds shown in the above tables.

The **USPTO Earmarked Funds** consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's two core business activities—granting patents and registering trademarks—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. Since FY 1993, the Salaries and Expenses Fund has been funded primarily by the collection of fees for patent and trademark services. The USPTO may use monies from this fund only as authorized by Congress via appropriations.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*. The USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2008, $233.5 million is held in this fund.

The **NTIA Digital Television Transition and Public Safety Fund** makes digital television available to every home in America, improves communications between local, state, and federal agencies, allows smaller television stations to broadcast digital television, and improves how warnings are received when disasters occur. NTIA receives funding from borrowings from the Bureau of Public Debt, and repays the Bureau of Public Debt from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and will also be used to reduce the National Deficit. The law establishing this program can be found in Deficit Reduction Act of 2005, P.L. 109-171 Section 3001-3014.

The **Coastal Zone Management Fund**, operated by NOAA, is primarily used for interstate projects, demonstration projects for improving coastal zone management, and emergency grants to state coastal zone management agencies to address unforeseen or disaster-related circumstances. The law establishing the Coastal Zone Management Fund can be found in 16 USC Section 1456a.

The **NTIS Revolving Fund** is used to collect, process, market, and disseminate government-sponsored and foreign scientific, technical, and business information, and to assist other agencies with their information programs. Activities funded by the NTIS Revolving Fund allow customers, both public and private, access to scientific and technical information produced by and for the federal government. All receipts from the sale of products and services are deposited in this fund, and all expenses, including capital expenditures, are paid from it.

The **Damage Assessment and Restoration Revolving Fund** is established by the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, indian, or foreign trustee for natural resource damages is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706. Natural Resources.

NOTE 21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget reconciles the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting Net Obligations plus the proprietary basis of accounting Other Resources, to the proprietary basis of accounting Net Cost of Operations. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in Net Cost of Operations. The third section, *Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period*, adds items included in Net Cost of Operations that are not included in the first section.

The third section's subsection, Components Requiring or Generating Resources in Future Periods, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 15. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources.

The reconciliation of net cost of operations to budget for FY 2008 and FY 2007 is as follows:

	FY 2008	FY 2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 11,661,575	$ 11,283,888
Less: Spending Authority From Offsetting Collections and Recoveries	(3,527,208)	(3,400,863)
Obligations Net of Offsetting Collections and Recoveries	8,134,367	7,883,025
Less: Distributed Offsetting (Receipts)/Outlays, Net	(20,397)	(72,871)
Net Obligations	8,113,970	7,810,154
Other Resources		
Donations and Forfeitures of Property	228	16,535
Transfers In/(Out) Without Reimbursement, Net	3,301	220
Imputed Financing From Cost Absorbed by Others	214,243	196,903
Downward Subsidy Reestimates Payable to Treasury	(68,379)	(36,710)
Loan Modification Savings Paid to Treasury	-	(18,910)
Other Financing Sources/(Uses), Net	20,193	(278)
Net Other Resources Used to Finance Activities	169,586	157,760
Total Resources Used to Finance Activities	**8,283,556**	**7,967,914**
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(230,158)	(1,174,919)
Resources that Fund Expenses Recognized in Prior Periods	(29,815)	(45,317)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(21,700)	(29,056)
Budgetary Obligation for Loan Modification Savings Payable to Treasury	-	(18,910)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	20,397	72,871
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	49,630	44,231
Budgetary Financing Sources/(Uses), Net	18,449	11,069
Resources that Finance the Acquisition of Assets	(1,009,263)	(1,008,933)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	1,645	38,020
Donations and Forfeitures of Property	(228)	(16,535)
Transfers In/(Out) Without Reimbursement, Net	(3,301)	(220)
Downward Subsidy Reestimates Payable to Treasury	68,379	36,710
Loan Modification Savings Paid to Treasury	-	18,910
Other Financing Sources/(Uses), Net	(20,193)	278
Other	(389)	(66)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	**(1,156,547)**	**(2,071,867)**
Total Resources Used to Finance Net Cost of Operations	**7,127,009**	**5,896,047**
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual Leave Liability	19,267	12,803
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	35,700	41,600
Increase (Decrease) in Contingent Liabilities	20,512	(4,346)
Reestimates of Credit Subsidy Expense	(58,038)	14,170
Other	14,452	5,627
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	31,893	69,854
Components Not Requiring or Generating Resources		
Depreciation and Amortization	503,524	468,925
NOAA Issuances of Materials and Supplies	19,336	22,658
Revaluation of Assets or Liabilities	16,676	(922)
Loan Modification Savings	-	(18,910)
Other	375	(2,745)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	539,911	469,006
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**571,804**	**538,860**
NET COST OF OPERATIONS	**$ 7,698,813**	**$ 6,434,907**

The accompanying notes are an integral part of these statements.

NOTE 22. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and the Census Bureau are the only entities within the Department that have Stewardship PP&E. Additional information on Stewardship PP&E is presented in the Required Supplementary Information section.

Stewardship Marine Sanctuaries, Marine National Monument, and Conservation Area:

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate discrete areas as National Marine Sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. The sanctuaries are also used for recreational diving and sport fishing, and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2008, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19,000 square miles. Each individual sanctuary site (Monterey Bay, the Florida Keys, the Olympic Coast, and Channel Island are the largest four) conducts research and monitoring activities to characterize existing resources and document changes.

Papahãnaumokuãkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The NWHI Coral Reef Ecosystem Reserve is the nation's largest marine protected area, and was established by Executive Orders in December 2000 and January 2001, in accordance with the National Marine Sanctuaries Amendments Act of 2000. On June 15, 2006, the President created the world's second largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Northwestern Papahãnaumokuãkea Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by NOAA, with the Department of the Interior, and the State of Hawaii.

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA Fisheries Service formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers 279,114 square nautical miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists will be closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat and prevent any further damage of the area.

Written policy statements or permit guidelines for the National Marine Sanctuaries and the Papahãnaumokuãkea Marine National Monument have been developed for the areas of acoustic impacts, artificial reefs, and climate change. In development are policy positions or management approaches for alternative energy, aquaculture, cruise ship discharge, invasive species, marine debris, and underwater cables.

Heritage Assets:

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

In cases where a heritage asset also has a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

NIST currently maintains the Museum and History Program, which collects, conserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science. The Information Services Division (ISD) maintains the historical archives, rare book collection, and oversees the oral history program. The historical archive and rare book collection contains titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, and books by NIST authors or about NIST work. Titles are recommended for inclusion by ISD staff and customers. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Photos and manuscripts include images of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments.

NIST's Museum Program has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. Archives, including the historical book collection, are used according to established research library policies and procedures. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity
- Direct connection to a NIST prominent person
- Physical size
- Safety considerations

Archive material is not loaned. Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts include an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

The Information Services Division (ISD) preserves and promotes the history of the NIST through a program that collects, organizes, and preserves records of enduring value and encourages and supports their use by researchers. The policies and procedures cover such topics as submitting reference inquiries, regulations for use of the archives collection, scope of archives collection, criteria for accepting archival material, providing physical and bibliographic access, preservation, and reviewing the collection.

Heritage assets at the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts. Some examples of these historical artifacts include:

1900 Hollerith Key Punch: Census Bureau clerks used the key punch during the 1900s to punch round holes into cards for tabulation by electric tabulating machines housed at the Census Bureau. The key punch increased the speed with which clerks could transfer data entered on census schedules to the punch cards used to tabulate census results.

Hollerith Tabulator (Dial): The Hollerith Tabulator dial was manufactured by the Tabulating Machine Company for the Census Bureau and it has been in the agency's possession since. The Hollerith Tabulator dial mechanically illustrated the data being read from punched paper cards entered into the tabulator. The holes punched in cards were sensed by pins or pointers making contact through the holes to a drum. The completion of an electric circuit through a hole advanced the counter on this dial representing data tabulated for a specific population, economic, or agriculture inquiry on the census schedule.

Gang Punch: The Gang punch was manufactured by the Tabulating Machine Company for the Census Bureau, and it has been in the agency's possession since. The gang punch was used for recording facts common to a number of punch cards, such as the month, day, year, etc. It is equipped with a number of moveable punches, which can easily be changed and set for any desired combination. Using the gang punch, clerks could punch a number of cards at once, thus speeding the transcription of data.

Pantograph: This item was manufactured by the Tabulating Machine Company for the Census Bureau, and it has been in the agency's possession since. Census Bureau clerks used the pantograph, or keyboard punch, to transfer information on the census schedule to punch cards. To operate the pantograph, the clerk guided one end of the lever over a board showing the categories of information from the census (age, sex, place of birth, etc.) and depressed the lever at the appropriate position, punching a hole in the punch card. With the information found on the schedule translated into punch holes on cards, the data could then be read and the results tallied by tabulators designed to read the punch cards.

Census Bureau Enumerators Badge: The Census Bureau provided enumerators with badges during the 1900s and later censuses, and recipients were instructed to wear them when on duty. The 1900s instructions to enumerators noted that the badge offered additional evidence of the bearer's authority to ask the question required by law. Furthermore, enumerators were instructed to wear the badge attached to the vest under the coat, and to exhibit it only when it would aid the enumerator in obtaining the information. Upon completion of the census, the Census Bureau permitted enumerators to keep the badge as a souvenir of their service.

Data Stewardship Button: The data stewardship button served as a visible reminder to employees that the Census Bureau complies with all federal legal requirements affecting the collection, handling, and dissemination of personal and business information. In addition, the Census Bureau believes that individuals and businesses have fundamental rights to be treated fairly and ethically when asked to provide their personal information to the government for statistical purposes.

Steel Hand Bander: The steel hand bander is used to secure paper, boxes, and other goods to pallets, via ribbons of steel, for shipment. The Census Bureau has used similar banders since the early 20th century to secure boxes of questionnaires, publications, etc., for shipment to census offices throughout the United States, Puerto Rico, and the Island Areas.

Unisys Tape and Reel: It is assumed that Unisys Corporation manufactured this tape and reel in the 1980s, and it has been in the Census Bureau's possession since new. This tape technology, released in 1964, introduced what is now generally known as 9-track tape. The magnetic tape is ½ inch wide, with eight data tracks and one parity track for a total of nine parallel tracks. Data is stored as 8-bit characters, spanning the full width of the tape (including the parity bit). Various recording methods are used to place the data on tape, depending on the tape speed and data density, including PE (phase encoding), GCR (group code recording), and NRZI (non-return-to-zero, inverted).

Film Optical Sensing Device for Input to Computers (FOSDIC): This 1980s file cabinet-sized version of FOSDIC was manufactured by the Census Bureau for the 1990 census and it has been in the agency's possession since. During the 1950s, the Census Bureau and the National Bureau of Standards developed a system called Film Optical Sensing Device for Input to Computers (FOSDIC), which took census and survey questionnaires that had been photographed onto microfilm, read blackened dots opposite the appropriate answers, and transferred that data to magnetic tape. These tapes constituted the input for the Census Bureau's computers. One important result of this process was the elimination of most discrepancies in data records sent for processing. First used to process 1960 census results, FOSDIC played an integral part in the Census Bureau's data processing system into the mid-1990s.

Artwork and Gifts: Census Bureau's artwork and gifts include items bequeathed to, given to, or commissioned by the agency, such as posters, paintings, sculptures, postage stamps, photographs, antiques, memorial plaques, cultural artifacts from other statistical agencies and countries, awards, time capsules, buttons and badges, and more.

Written policies to guide the acquisition, maintenance, use, and disposal of the above heritage assets at the Census Bureau are currently being developed.

Historical artifacts are designated heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (U. S. Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA has established the heritage assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the NOAA heritage assets Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System;
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets;
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current condition of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans;
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA.

NOAA maintains the following Heritage Assets:

Galveston Laboratory: Galveston Laboratory is comprised of seven buildings that were originally part of Fort Crockett, an army coastal defense facility built shortly after 1900. These buildings are eligible for placement on the National Register. Due to their historic significance, exterior architectural features, and predominant use in government operations, the Galveston Laboratory is considered a multi-use heritage asset. This facility is undergoing a renovation in three phases. Phases I and II are complete.

Phase III commenced in October 2004, and is subdivided into four different projects. Phase III-A, renovation of Building 306 and mechanical/electrical site work, was completed in January 2006. Phase III-B, renovation of Buildings 301, 305, and 307, was completed at the end of April 2007. Phase III-C-1, renovation of Building 303, and site work, was completed in May 2007. Phase III-C-2, New SS Cooling Tower and HVAC Control for the Galveston laboratory campus, was completed in December 2007. The Boat Barn Building was completed at the end of July 2008. In July 2008, Building 303 caught fire due to lightning, and the building suffered considerable damage. A contract has been put in place to make the necessary repairs and the work was scheduled to start in October 2008. There will be an assessment performed to evaluate the overall standings after Hurricane Ike.

National Marine Fisheries Service (NMFS) St. George Sealing Plant: On St. George Island, in the Pribilof Islands group, Alaska, is the only remaining northern fur seal pelt processing building in the world. In 1986, the building was listed on the National Register of Historic Properties, within the Seal Islands National Historic Landmark. The Pribilof Island commercial fur seal harvest was an extremely profitable business for the U.S. government, and, by the early 1900s, had covered the purchase price of Alaska. The building is the largest on the island, and is composed of four distinct work areas from the seal pelt processing area. In 1950, the original wood-framed pelt processing plant was destroyed in a fire and rebuilt in 1951 with concrete walls on remnants of the original foundation. Harsh weather and a lack of maintenance funding after the expiration of the Northern Fur Seal Convention in 1985 resulted in significant deterioration of the building by the early 1990s.

In November 1999, after numerous site surveys and assessments, the building's crumbling foundation was stabilized and the building's exterior was painted. This effort allowed for NOAA's continued, but limited, use of the building by the NMFS Alaska Region and Alaska Fisheries Science Center to achieve NOAA's mission on St. George Island. In addition, the U.S. Fish and Wildlife Service (USFWS) Alaska Maritime National Wildlife Refuge used the building as a bunkhouse until 2006 when NOAA's Safety Officer and the USFWS Safety Officer both determined the bunkhouse portion of the building lacked sufficient means of egress in the event of fire and deemed it to be unsafe for habitation. It was determined by USFWS that the cost of making the necessary modifications to the space was not fiscally justifiable. NOAA's Preserve America program funded an interpretive display project in the Seal Plant to promote public outreach and education for the modest tourism program on St. George.

NMFS Cottage M, St. George: The last remnants of the U.S. commercial harvest of northern fur seals can be found on St. George Island, in the Pribilof Islands group, Alaska. In 1986, Cottage M (locally known as Cottage C), was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. This building was constructed in the 1930s and was the residence of the island doctor and hospital through 1955, when the current clinic/hospital was built. Later, the construction of a health clinic on St. George Cottage M provided housing for government scientists and managers. In recent years, USFWS Alaska Maritime National Wildlife Refuge staff have also used the building. The NMFS Cottage M is considered a multi-use heritage asset because of the critical housing for NOAA's research and management staff, along with USFWS staff.

NMFS St. Paul Old Clinic/Hospital: On St. Paul Island, in the Pribilof Islands group, Alaska, fewer historic structures remain than on St. George Island. In 1986, the clinic/hospital was listed on the National Register of Historic Places within the Seal Islands National Historic Landmark. The old clinic/hospital is the combination of three historic buildings (physician's house, 1929; dispensary, 1929; and hospital, 1934) connected in 1974 with an addition. The building was used as a clinic/hospital under a Memorandum of Agreement between NMFS and the Department of Health, Education and Welfare, and later, the Indian Health Service/Bureau of Indian Affairs (IHS/BIA) through 2006. A new health center was constructed on St. Paul Island in 2006, though a closeout procedure and custody transfer between NMFS and IHS/BIA is still being negotiated. The NMFS has not used the building to meet its mission for at least the past 20 years.

NMFS Aquarium: In Woods Hole, Massachusetts, this aquarium was established in 1875 by Spencer Baird, the originator of NMFS. In addition to being part of the first laboratory of today's NMFS, this aquarium is the oldest marine research display aquarium in the world. It is used to educate the public, raise public awareness of NMFS activities, and accommodate in-house research for the Northeast Fisheries Science Center, part of NOAA's mission. The aquarium houses 16 permanent exhibition tanks and approximately 12 freestanding aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. The aquarium's outdoor habitat for resident seals was completely replaced in 2008, and was re-opened to the public in July 2008. The NMFS Aquarium is considered a multi-use heritage asset because it is also used for NOAA's scientific research, which is part of its mission.

Office of Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory (GLERL), Lake Michigan Field Station (LMFS): In Muskegon, Michigan, the GLERL main building, constructed in 1904 by the U.S. Life Saving Service, is eligible for National Register designation and has been recognized by state and local historical societies for its maritime significance. With the creation of the U.S. Coast Guard in 1915, the facility was transferred and served as a base for search and rescue operations for 75 years. In 2004, a renovation project was completed that restored the exterior to its original architecture and color scheme - a style that is considered rare. Today, GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. GLERL/LMFS includes three buildings and a research vessel dockage. The function of the field station is to provide a base of operations for GLERL's primary research vessel, which is presently the Research Vessel Laurentian, and to provide a focal point for GLERL's research on Lake Michigan. Due to its historic significance, exterior architectural features, and predominant use in government operations, GLERL/LMFS is considered a multi-use heritage asset.

Collection-type Heritage Assets: NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). The Library has an extensive collection of historical Coast and Geodetic Survey materials (from 1807) and Weather Bureau materials (from the 1830s), including foreign and historical meteorological data, information on instruments, and metadata. As evidenced by a search of international catalogs, 35 to 50 percent of the Library's collection is unique. Historically, 40 percent of the items catalogued are not found anywhere else. Many older books cannot be replaced. The works include 17th century works of Francis Bacon and Robert Boyle, 18th century works of Daniel Bernouilli, Daniel Defoe, and Pierre Bougher, and 19th and 20th century works of Benjamin Franklin and George Washington Carver. Collections of the Library include a) the Charles Fitshugh Talman Special Collections Room—approximately 3,000 titles and over 5,000 items; b) the Coast and Geodetic Survey Collection—approximately 23,000 items; and c) the Weather Bureau Collection—approximately 62,500 items.

A recount of the Library was completed during FY 2008 and provides a new base number of the collection containing heritage assets. The Library's Regular Collection consists of over 144,000 journal items (pre-1970 and current) and approximately 140,700 books, plus its historical Weather Bureau Collection, Coast and Geodetic Collection, and Rare Book Collection. Many Regular Collection items contain publications from pre-NOAA organizations that are heritage assets and are integrated into the collection.

The NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of a) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

Collection-type Heritage Assets		
Category	**Description of Assets**	**Quantity of Items Held September 30, 2008**
NOAA Central Library	Publications acquired or issued by the Coast and Geodetic Survey from 1807 to 1970	22,960
	Weather Bureau Collection	62,549
	Black and white Photographs	40,000 (est.)
	Books, publications, periodicals, and journals	465,528
	Manuscripts, records, nautical chart plates, artifacts, and other items	11,461
NOAA National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,824
Census Bureau Collectable Assets	Publication, books, manuscripts, photographs, and maps	19
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	132
NIST Artifacts and Scientific Measures	National Bureau of Standards (NBS)/NIST scientific instruments, equipment, and objects	343
NIST Historical Books and Manuscripts	Books of historical scientific interest, books by prominent contemporary scientists, and books by NBS/NIST authors and manuscripts of NBS/NIST staff, facilities, and artifacts	1,527
Total		**714,597**

Additional information of the condition on the above Heritage Assets is presented in the Required Supplementary Information section.

Consolidating Balance Sheet


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2008 *(In Thousands)*

	Consolidating Total	Intra-Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	HCHB	ITA	MBDA	NIPC	NIST	NOAA	NTIA	NTIS	OIG	USPTO
ASSETS																					
Intragovernmental:																					
Fund Balance with Treasury	$ 26,633,414	$ -	$ 17,382	$ 705,041	$ 786	$ 48,709	$ 36,923	$ 1,308,701	$ 105,037	$ 13,098	$ 4,549	$ 3,462	$ 93,817	$ 13,443	$ 317	$ 754,283	$ 3,589,596	$ 18,476,552	$ 25,080	$ 5,396	$ 1,431,242
Accounts Receivable	64,963	(8,294)	316	9,428	-	5,203	76	8,176	389	2	508	-	3,920	2	-	1,366	42,964	52	855	-	-
Other - Advances and Prepayments	110,087	(88,387)	2,002	8,635	-	3,287	3,092	940	(1)	1,630	432	-	7,589	830	6	20,377	88,915	57,173	246	730	2,591
Total Intragovernmental	26,808,464	(96,681)	19,700	723,104	786	57,199	40,091	1,317,817	105,425	14,730	5,489	3,462	105,326	14,275	323	776,026	3,721,475	18,533,777	26,181	6,126	1,433,833
Cash	5,135	-	-	-	-	-	-	-	-	-	-	-	193	1	-	-	513	-	70	-	4,358
Accounts Receivable, Net	38,191	-	1,011	3,616	-	19	11	111	-	5	-	-	636	11	-	7,832	24,047	12	363	-	517
Loans Receivable and Related Foreclosed Property, Net	511,009	-	-	-	-	-	-	23,139	-	-	-	-	-	-	-	-	487,870	-	-	-	-
Inventory, Materials, and Supplies, Net	100,595	-	-	335	-	-	12	-	-	-	-	-	-	(1)	-	25,581	74,548	-	120	-	-
General Property, Plant, and Equipment, Net	6,190,408	-	260	115,807	8,631	796	11,696	-	-	-	468	-	3,619	46	-	595,954	5,238,349	10,013	583	2	204,184
Other	63,003	-	(1)	7,019	3	10	3	212	-	-	-	-	1,397	4	-	45	43,164	1	5,748	-	5,398
TOTAL ASSETS	$ 33,716,805	$ (96,681)	$ 20,970	$ 849,881	$ 9,420	$ 58,024	$ 51,813	$ 1,341,279	$ 105,425	$ 14,735	$ 5,957	$ 3,462	$ 111,171	$ 14,336	$ 323	$ 1,405,438	$ 9,589,966	$ 18,543,803	$ 33,065	$ 6,128	$ 1,648,290
LIABILITIES																					
Intragovernmental:																					
Accounts Payable	$ 109,931	$ (8,135)	$ 2,243	$ 6,374	$ -	$ 604	$ 587	$ 105	$ (388)	$ 177	$ -	$ -	$ 956	$ 460	$ -	$ 866	$ 94,965	$ 153	$ 6,260	$ 29	$ 4,675
Debt to Treasury	476,653	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	471,926	4,727	-	-	-
Other																					
Spectrum Auction Proceeds Liability to Federal Communications Commission	17,177,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		17,177,707	-	-	-
Resources Payable to Treasury	25,792	-	-	-	-	-	-	23,907	-	-	-	-	-	-	-	-	1,885	-	-	-	-
Unearned Revenue	359,411	(88,387)	2,943	88,904	-	30,536	35,386	75,288	-	7	2,897	-	-	58	-	115,050	55,244	32,797	4,123	30	4,535
Other	135,534	(159)	1,229	16,460	-	804	1,313	395	56,493	534	16	-	3,084	648	-	4,421	37,941	611	187	283	11,274
Total Intragovernmental	18,285,028	(96,681)	6,415	111,738	-	31,944	37,286	99,695	56,105	718	2,913	-	4,040	1,166	-	120,337	661,961	17,215,995	10,570	342	20,484
Accounts Payable	345,215	-	1,407	55,007	76	7,784	4,237	479	15	846	484	4	802	1,181	-	22,941	133,639	22,257	1,320	718	92,018
Loan Guarantee Liabilities	621	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	621	-	-	-	-
Federal Employee Benefits	666,563	-	2,343	61,406	-	1,703	4,345	1,254	-	164	110	-	7,590	2,702	-	9,353	564,041	1,628	655	951	8,318
Environmental and Disposal Liabilities	67,863	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,220	13,643	-	-	-	-
Other																					
Accrued Payroll and Annual Leave	452,073	-	4,683	65,765	-	4,468	8,790	2,793	2	6,458	345	-	26,799	948	-	34,096	153,189	4,574	1,376	1,676	136,111
Accrued Grants	373,525	-	-	-	-	-	-	240,101	-	-	-	-	4,658	2,476	-	23,747	83,591	18,952	-	-	-
Accrued Coupons for Digital-to-Analog Converter Box Program	165,533	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165,533	-	-	-
Capital Lease Liabilities	30,881	-	-	16,669	-	-	-	-	-	-	-	-	-	-	-	38	14,174	-	-	-	-
Unearned Revenue	1,058,956	-	2,057	4,160	-	-	-	7	-	730	103	-	11,387	-	-	36,730	41,489	25	4,914	-	957,354
Other	54,710	-	224	3,281	(1)	8,146	-	1,176	-	(1)	(1)	(1)	11,930	3	-	2,493	26,059	2	(1)	-	1,401
TOTAL LIABILITIES	$ 21,500,968	$ (96,681)	$ 17,129	$ 318,026	$ 75	$ 54,045	$ 54,658	$ 345,505	$ 56,122	$ 8,915	$ 3,954	$ 3	$ 67,206	$ 8,476	$ -	$ 303,955	$ 1,692,407	$ 17,428,966	$ 18,834	$ 3,687	$ 1,215,686
NET POSITION																					
Unexpended Appropriations																					
Unexpended Appropriations - Earmarked Funds	$ 462	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 489	$ -	$ -	$ -	$ -	$ (27)	$ -	$ -	$ -
Unexpended Appropriations - Other Funds	5,179,925	-	9,086	348,004	-	12,737	-	1,000,030	49,303	9,230	-	3,459	73,934	9,637	323	506,082	3,113,158	40,249	-	4,693	-
Cumulative Results of Operations																					
Cumulative Results of Operations - Earmarked Funds	1,646,557	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,626	1,069,096	14,231	-	432,604
Cumulative Results of Operations - Other Funwds	5,388,893	-	(5,245)	183,851	9,345	(8,758)	(2,845)	(4,256)	-	(3,410)	2,003	-	(30,458)	(3,777)	-	595,401	4,653,775	5,519	-	(2,252)	-
TOTAL NET POSITION	$ 12,215,837	$ -	$ 3,841	$ 531,855	$ 9,345	$ 3,979	$ (2,845)	$ 995,774	$ 49,303	$ 5,820	$ 2,003	$ 3,459	$ 43,965	$ 5,860	$ 323	$ 1,101,483	$ 7,897,559	$ 1,114,837	$ 14,231	$ 2,441	$ 432,604
TOTAL LIABILITIES AND NET POSITION	$ 33,716,805	$ (96,681)	$ 20,970	$ 849,881	$ 9,420	$ 58,024	$ 51,813	$ 1,341,279	$ 105,425	$ 14,735	$ 5,957	$ 3,462	$ 111,171	$ 14,336	$ 323	$ 1,405,438	$ 9,589,966	$ 18,543,803	$ 33,065	$ 6,128	$ 1,648,290

See accompanying independent auditors' report.

Required Supplementary Information

(UNAUDITED)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Information (unaudited)

A Deferred Maintenance

Deferred maintenance is maintenance that was not performed when it should have been, that was scheduled and not performed, or that was delayed for a future period. Maintenance is the act of keeping property, plant, and equipment (PP&E) in acceptable operating condition and includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from or significantly greater than those originally intended. Critical maintenance is defined as those projects where the required maintenance will have a critical impact on the public access, functionality and mission support, health and safety, and life cycle cost of a facility if the maintenance is not performed. The significant portions of Departmental deferred maintenance relate to the PP&E of both NOAA and NIST (see below for abbreviations). These two entities represent 94 percent of the Department's General PP&E, Net balance as of September 30, 2008.

National Oceanic and Atmospheric Administration (NOAA):

NOAA uses the Condition Assessment Survey (CAS) method to identify and quantify deferred maintenance for assets meeting NOAA's $200 thousand capitalization threshold. The CAS method employs a periodic inspection of real property and heritage assets to determine its current condition and to estimate costs to correct any deficiencies. Estimated costs reflect potential cost variance of +/- 10%.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than $50 thousand, as of September 30, 2008:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	$ 6,050 to $ 7,395
Heritage Assets	4, 3	11,760 to 14,370
Total		**$ 17,810 to $ 21,765**

NOAA has established a facility condition code to classify the condition of the Buildings and Structures. Each Building and Structure is assessed an individual facility condition code. The average of the individual facility condition codes determines the CAS Asset Condition. The CAS method for Buildings and Structures is based on a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. The amounts reported represent non-critical maintenance to bring the assets to good condition. The CAS method for heritage assets is based on the same five-point scale as the Buildings and Structures. Acceptable condition is considered to be those assets rated in good or excellent condition. There is an annual call each year to the NOAA components, requesting their submissions of new projects and updates to existing unfunded projects to reflect changes in requirements or costs.

National Institute of Standards and Technology (NIST):

NIST also uses the CAS method to estimate deferred maintenance. NIST values the condition of assets using a five-point scale, with 1 representing excellent condition; 2 – good condition; 3 – acceptable condition; 4 – poor condition; and 5 – very poor condition. Assets that are assessed at 4 or 5 require repairs and maintenance to increase their value to 3, or acceptable condition. The following shows NIST's deferred maintenance as of September 30, 2008:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	$ 364,000 to $ 446,400
Buildings (Internal Structures)	4	52,600 to 71,100
Buildings (External Structures)	4	36,000 to 46,000
Total		**$ 452,600 to $ 563,500**

B *Stewardship Marine Sanctuaries, Marine National Monument, and Conservation Area*

NOAA maintains the following sanctuaries, Marine National Monument, and conservation area, which are similar in nature to stewardship land and which are more fully described in Note 22, Stewardship Property, Plant, and Equipment, of the Notes to the Financial Statements.

National Marine Sanctuaries: These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. Each of the 13 individual sanctuary sites, which include near-shore coral reefs and open ocean, conducts research and monitoring activities to characterize existing resources and document changes. The waters and resources of the National Marine Sanctuaries are generally in good condition, though some specific resources (e.g. certain coral reefs, some commercial and recreational fisheries, and some benthic habitats) are threatened.

Papahãnaumokuãkea Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the Northwestern Hawaiian Islands (NWHI). The Papahãnaumokuãkea Marine National Monument, located off the coast of the NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 5,178 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The Monument will be managed by the NOAA National Marine Sanctuary, with the Department of the Interior, and the State of Hawaii. The condition of the Papahãnaumokuãkea Marine National Monument is good.

Aleutian Islands Habitat Conservation Area: This conservation area in Alaska, which covers 279,114 square nautical miles, may harbor among the highest diversity of deep-water corals in the world, and protects habitat for deep water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. The condition of the Aleutian Islands Habitat Conservation Area is generally good, although some specific resources are threatened. For example, the conservation area contains six small areas of fragile coral gardens.

Written policy statements or permit guidelines for the National Marine Sanctuaries and the Papahãnaumokuãkea Marine National Monument have been developed for the areas of acoustic impacts, artificial reefs, and climate change. In development are policy positions or management approaches for alternative energy, aquaculture, cruise ship discharge, invasive species, marine debris, and underwater cables.

C Collection-type Heritage Assets

NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, nautical chart plates, and artifacts. Many of these heritage assets are maintained by the NOAA Central Library (Library). A re-count of the library inventory was completed during FY 2008 and provides a new base number of the collection containing heritage assets. The Library's Regular Collection consists of over 144,000 journal items (pre-1970 and current) and approximately 140,700 books, plus its historical Weather Bureau (M collections), Coast and Geodetic Survey collection, and Rare Book Collection. Many Regular Collection items contain publications from pre-NOAA organizations.

NOAA's collection-type heritage assets also include items in the Thunder Bay Sanctuary Research Collection, composed primarily of a) data cards listing most of the ships on the Great Lakes before 1900, a roster of some 15,000 vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and b) ship photograph negatives of 19th and 20th century Great Lakes ships.

NOAA uses the Condition Assessment Survey (CAS) method to describe the condition of its assets. The CAS method is based on a five-point scale with 1 representing excellent condition; 2 – good condition; 3 – fair condition; 4 – poor condition; and 5 – very poor condition. Assets with the condition assessment level between 1 through 3 are defined as being suitable for public display. The books, publications, and manuscripts, that make up the majority of the NOAA collection-type heritage assets, are in 4 – poor condition, and 5 – very poor condition. The heritage assets of the Thunder Bay Sanctuary Research Collection are in 2 – good condition.

NIST currently maintains the Museum and History Program, which collects, conserves, and exhibits artifacts such as scientific instruments, equipment, objects and records of significance to NIST and the National Bureau of Standards (NBS). This program provides institutional memory and demonstrates the contributions of NIST to the development of standards, measurement, technology, and science. Conditions of these artifacts are listed in the Registrar's database and are generally fair.

NIST Information Services Division (ISD) maintains the historical archives, rare book collection, and oversees the oral history program. The historical collection contains titles that are considered "classics" of historical scientific interest, books by prominent contemporary scientists, and books by NIST authors or about NIST work. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Conditions of these books are generally fair. The photos and manuscripts maintained include images of NIST staff, facilities, and artifacts that demonstrate NIST accomplishments. These images are in good condition.

Heritage assets at the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. These assets help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items, because of their age or obvious historical significance, are inherently historical artifacts. These historical artifacts include but are not limited to: Hollerith Key Punch, Hollerith Tabulator, Gang Punch, Pantograph Census Enumerators Badge, Steel Hand Bander, Unisys Tape and Reel, Film Optical Sensing Device, and any items which represent the uniqueness of the mission of the Census Bureau. The heritage assets at the Census Bureau are classified as generally being in good condition.

D Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Departments budgetary resources by major budget account. The "Other Programs" column refers to the Department's reporting entities and their budget accounts that are not listed.

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2008 *(In Thousands)*

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:									
Unobligated Balance, Brought Forward, October 1	$ 881,293	$ 193,506	$ 28,036	$ 40,738	$ 13,892	$ 9,539	$ 6,247	$ 9,439	$ 579,896
Adjustments to Unobligated Balance, Brought Forward	(12)	-	-	-	-			-	(12)
Recoveries of Prior-years Unpaid Obligations	125,596	18,977	11,963	10,780	1	13,594	4,097	26,281	39,903
Budget Authority									
Appropriations	9,551,340	2,965,396		985,207	1,778,983	405,172	1,237,406	749,100	1,430,076
Borrowing Authority	557,110	-	-	-	500,200	-	-	-	56,910
Spending Authority From Offsetting Collections									
Earned									
Collected	3,390,820	228,178	1,862,291	1,861	749	14,249	314	20,765	1,262,413
Change in Receivables	6,672	(1,059)	(77)	-	123	3,612	-	7,600	(3,527)
Change in Unfilled Customer Orders									
Advances Received	(24,925)	717	23,407	-	(123)	112	-	(7,728)	(41,310)
Without Advances	26,570	3,658	-	-	-	10,038	-	-	12,874
Previously Unavailable	2,475	-	-	-	-	-	-	-	2,475
Total Budget Authority	**13,510,062**	**3,196,890**	**1,885,621**	**987,068**	**2,279,932**	**433,183**	**1,237,720**	**769,737**	**2,719,911**
Nonexpenditure Transfers, Net	271,193	250,811	(1,000)	(979)	-	1,028	(3,000)	-	24,333
Temporarily Not Available Pursuant to Public Law	(1,654)	-	-	-	-	-	-	-	(1,654)
Permanently Not Available	(775,970)	(15,379)	-	(6,265)	(664,690)	(625)	(1,365)	(5,701)	(81,945)
TOTAL BUDGETARY RESOURCES	**$ 14,010,508**	**$ 3,644,805**	**$ 1,924,620**	**$ 1,031,342**	**$ 1,629,135**	**$ 456,719**	**$ 1,243,699**	**$ 799,756**	**$ 3,280,432**
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	$ 8,596,181	$ 3,100,480	$ -	$ 994,572	$ 942,432	$ 422,904	$ 1,148,807	$ 288,587	$ 1,698,399
Reimbursable	3,065,394	219,872	1,852,541	-	-	16,274	-	16,580	960,127
Total Obligations Incurred	**11,661,575**	**3,320,352**	**1,852,541**	**994,572**	**942,432**	**439,178**	**1,148,807**	**305,167**	**2,658,526**
Unobligated Balance									
Apportioned	806,243	184,281	64,068	21,914	164,554	14,368	89,949	94,589	172,520
Exempt From Apportionment	308,833	-	-	-	-	-	-	-	308,833
Total Unobligated Balance	**1,115,076**	**184,281**	**64,068**	**21,914**	**164,554**	**14,368**	**89,949**	**94,589**	**481,353**
Unobligated Balance Not Available	1,233,857	140,172	8,011	14,856	522,149	3,173	4,943	400,000	140,553
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 14,010,508**	**$ 3,644,805**	**$ 1,924,620**	**$ 1,031,342**	**$ 1,629,135**	**$ 456,719**	**$ 1,243,699**	**$ 799,756**	**$ 3,280,432**
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1									
Unpaid Obligations, Brought Forward	$ 7,214,597	$ 2,112,736	$ 511,466	$ 1,072,168	$ 1,010,288	$ 96,992	$ 142,986	$ 786,046	$ 1,481,915
Less: Uncollected Customer Payments, Brought Forward	(282,560)	(208,537)	584	-	-	(3,504)	-	-	(71,103)
Total Unpaid Obligated Balance, Net, Brought Forward	**6,932,037**	**1,904,199**	**512,050**	**1,072,168**	**1,010,288**	**93,488**	**142,986**	**786,046**	**1,410,812**
Adjustments to Unpaid Obligations, Brought Forward	1,123	1,123	-	-	-	-	-	-	-
Obligations Incurred	11,661,575	3,320,352	1,852,541	994,572	942,432	439,178	1,148,807	305,167	2,658,526
Less: Gross Outlays	(11,111,133)	(3,317,173)	(1,868,184)	(1,075,706)	(519,935)	(441,220)	(980,673)	(251,360)	(2,656,882)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(125,596)	(18,977)	(11,963)	(10,780)	(1)	(13,594)	(4,097)	(26,281)	(39,903)
Change in Uncollected Customer Payments	(33,242)	(2,599)	77	-	(123)	(13,650)	-	(7,600)	(9,347)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 7,324,764**	**$ 1,886,925**	**$ 484,521**	**$ 980,254**	**$ 1,432,661**	**$ 64,202**	**$ 307,023**	**$ 805,972**	**$ 1,363,206**
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	$ 7,640,566	$ 2,098,061	$ 483,860	$ 980,254	$ 1,432,784	$ 81,356	$ 307,023	$ 813,572	$ 1,443,656
Less: Uncollected Customer Payments	(315,802)	(211,136)	661	-	(123)	(17,154)	-	(7,600)	(80,450)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	**$ 7,324,764**	**$ 1,886,925**	**$ 484,521**	**$ 980,254**	**$ 1,432,661**	**$ 64,202**	**$ 307,023**	**$ 805,972**	**$ 1,363,206**
NET OUTLAYS:									
Gross Outlays	$ 11,111,133	$ 3,317,173	$ 1,868,184	$ 1,075,706	$ 519,935	$ 441,220	$ 980,673	$ 251,360	$ 2,656,882
Less: Offsetting Collections	(3,365,895)	(228,895)	(1,885,698)	(1,861)	(626)	(14,361)	(314)	(13,037)	(1,221,103)
Less: Distributed Offsetting (Receipts)/Outlays, Net	(20,397)	-	-	-	-	-	-	-	(20,397)
NET OUTLAYS	**$ 7,724,841**	**$ 3,088,278**	**$ (17,514)**	**$ 1,073,845**	**$ 519,309**	**$ 426,859**	**$ 980,359**	**$ 238,323**	**$ 1,415,382**

Required Supplementary Stewardship Information

(UNAUDITED)


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

Required Supplementary Stewardship Information (unaudited)

Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the nation.

Investments in Non-federal Physical Property:

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, NOAA and EDA have significant investments in non-federal physical property.

NOAA:

National Estuarine Research Reserves (NERR): The NERR system consists of 27 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the nation's estuaries. The NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of September 30, 2008, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. The NERRs are state-operated and managed in cooperation with NOAA. The NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, "for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses." The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 137 such projects.

Coastal Zone Management Fund: The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA's Office of Ocean and Coastal Resource Management. The investments in non-federal physical property include incidental expenses of land acquisition, and low-cost construction on behalf of various state and local governments, for the purpose of preservation or restoration of coastal resources and habitats. The NOAA's financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding for these investments through NOAA grant expenditures, and these grant expenditures also include funding for purposes other than the investments in non-federal physical property. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund.

NOAA's investments in non-federal physical property for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
National Estuarine Research Reserves	$ 0.5	$ 15.4	$ 6.8	$ 11.6	$ 11.8	$ 46.1
Coastal and Estuarine Land Conservation Program	21.8	15.5	18.5	34.7	28.1	118.6
Total	**$ 22.3**	**$ 30.9**	**$ 25.3**	**$ 46.3**	**$ 39.9**	**$ 164.7**

EDA:

Public Works: The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water, sewer, fiber optics, access roads, and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

Economic and Defense Adjustments: The Economic and Defense Adjustments program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and destructive impacts of foreign trade.

Disaster Recovery: The Disaster Recovery program awards grants for the repair of infrastructure and economic development related facilities damaged by floods and other natural disasters. Funding for the Disaster Recovery program is generally through supplemental funding from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

EDA's investments in non-federal physical property for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Public Works	$ 194.8	$ 220.1	$ 180.1	$ 155.5	$ 133.5	$ 884.0
Economic and Defense Adjustments	75.3	75.4	53.1	53.5	60.0	317.3
Disaster Recovery	18.5	10.1	24.2	4.4	1.8	59.0
Total	**$ 288.6**	**$ 305.6**	**$ 257.4**	**$ 213.4**	**$ 195.3**	**$ 1,260.3**

The above investments require matching funds by state and local governments of 20 to 50 percent.

Investments in Human Capital:

Human capital investments are expenses, included in the Department's Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department's programs, the most significant dollar investments in human capital are by NOAA.

NOAA:

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 32 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the nation's education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues, to provide information to improve management decisions in coastal, ocean, and Great Lakes policy, and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. Participants in this program can receive up to three years of funding.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship (GRF) Program offers qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result is high-quality research focused on improving coastal management issues. All GRF projects must be conducted in a National Estuarine Research Reserve and enhance the scientific understanding of the reserve's ecosystem. As of September 30, 2008, 51 Graduate Research Fellowships have been awarded.

Educational Partnership Program: The NOAA **Educational Partnership Program (EPP)** with **Minority Serving Institutions (MSI)** provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences. The program's goal is to increase the number of educated, trained and graduated students from underrepresented communities in science and technology directly related to NOAA's mission. The EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions. Financial assistance is provided through four competitive program components: the Cooperative Science Centers, the Environmental Entrepreneurship Program, the Graduate Sciences Program, and the Undergraduate Scholars Program.

NOAA provides funding to eligible MSIs on a competitive basis to educate, train and graduate students in NOAA sciences, particularly atmospheric, oceanic, environmental, living marine resources, remote sensing and scientific environmental technology. The NOAA EPP Cooperative Science Center goals are to:

- Educate, train and graduate students, particularly from underrepresented communities, in NOAA mission sciences;
- Develop expertise in a NOAA scientific area;
    - Strengthen and build capacity in a NOAA scientific and management area
    - Build research experience in a NOAA scientific and management area

- Increase graduation rates of students from underrepresented communities in NOAA mission sciences;
- Impact NOAA workforce statistics by increasing representation from underrepresented communities in NOAA mission sciences; and,
- Leverage NOAA funds to build the education and research capacity at the MSI.

The EPP/MSI Environmental Entrepreneurship Program (EEP) provides funding to eligible minority serving institutions on a competitive basis to engage students to pursue advanced academic study and entrepreneurship opportunities in the NOAA-related sciences. NOAA's EEP supports student training and experiential learning opportunities for the purpose of stimulating job-creation, business development, and revitalizing local communities. EEP's objective is to increase the number of students at MSIs proficient in environmental business enterprises.

The Undergraduate Scholarship Program is designed to increase the number of students who undertake course work and graduate with degrees in the targeted areas integral to NOAA's mission. Appointments are for two years, and are made to students who have recently declared or are about to declare a major in atmospheric, oceanic, or environmental science. The students participate in research, training, and development activities at NOAA offices and facilities during two summer internships. 16 additional students were added to the program in FY 2008.

The Graduate Sciences Program (GSP) is aimed primarily at increasing opportunities for students in NOAA-related fields to pursue research and educational training in atmospheric, environmental, remote sensing and oceanic sciences at minority serving institutions (MSI) when possible. The GSP offers between two years (master's candidates) to four years (doctoral students) of NOAA-related research and training opportunities. The GSP provides college graduates entry-level employment and hands-on research and work experience at NOAA. Seven students were selected to participate in the GSP in FY 2007. Three additional students were added to the program in FY 2008, and the program plans to add five students in FY 2009.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the U.S. There were 112 students starting the program in 2008.

The following table summarizes NOAA's investments in human capital for FY 2004 through FY 2008:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
National Sea Grant College Program	$ 0.6	$ 0.7	$ 0.7	$ 0.5	$ 0.5	$ 3.0
National Estuarine Research Reserve Program	0.8	0.9	0.9	0.8	0.8	4.2
Educational Partnership Program	N/A	7.0	13.9	14.2	12.8	47.9
Ernest F. Hollings Undergraduate Scholarship Program	N/A	0.3	3.8	4.1	3.6	11.8
Total	**$ 1.4**	**$ 8.9**	**$ 19.3**	**$ 19.6**	**$ 17.7**	**$ 66.9**
[1] *Not applicable*						

The following table further summarizes NOAA's human capital investments for FY 2004 to FY 2008 by performance goal:

(In Millions)

Performance Outcome	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 1.4	$ 8.9	$ 19.3	$ 19.6	$ 17.7

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic and societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by NIST and NOAA.

NIST:

NIST Laboratories Program: The NIST Laboratories have been the stewards of the nation's measurement infrastructure since their inception in 1901 as the National Bureau of Standards. The NIST Laboratories foster scientific and technological leadership by helping the United States to drive and take advantage of the increased pace of technological change, fostering more efficient transactions in the domestic and global marketplace, and addressing other critical needs assigned to NIST by the Administration and Congress. In support of the American Competitiveness Initiative, NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry, government and academia to compete in the 21st century. In this way, the laboratories promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurement and standards infrastructure.

Advanced Technology Program (ATP): The ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. ATP was abolished by the America COMPETES Act, which was signed into law by the President on August 9, 2007. However, this statute allows for continued support for previously awarded ATP projects and the 56 new FY 2007 awards. Special attention is being given to documenting the results of funded research to ensure maximum private sector use is made of this investment in the years ahead.

The following table summarizes NIST's R&D investments for FY 2004 through FY 2008 by R&D Category:

(In Millions)

	NIST Laboratories					Advanced Technology Program					Total				
R&D Category	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Basic Research	$ 65.0	$ 66.6	$ 85.2	$ 110.7	$ 132.8	$ -	$ -	$ -	$ -	$ -	$ 65.0	$ 66.6	$ 85.2	$ 110.7	$ 132.8
Applied Research	319.7	325.6	345.8	345.3	381.0	96.9	96.1	58.0	31.0	23.2	416.6	421.7	403.8	376.3	404.2
Development	13.7	14.3	16.7	15.3	14.4	96.9	96.0	58.0	30.9	23.2	110.6	110.3	74.7	46.2	37.6
Total	**$ 398.4**	**$ 406.5**	**$ 447.7**	**$ 471.3**	**$ 528.2**	**$ 193.8**	**$ 192.1**	**$ 116.0**	**$ 61.9**	**$ 46.4**	**$ 592.2**	**$ 598.6**	**$ 563.7**	**$ 533.2**	**$ 574.6**

The following tables further summarize NIST's R&D investments for FY 2004 through FY 2008 by performance outcome.

(In Millions)

FY 2008				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 132.8	$ 381.0	$ 14.4	$ 528.2
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	23.2	23.2	46.4
Total	**$ 132.8**	**$ 404.2**	**$ 37.6**	**$ 574.6**

(In Millions)

FY 2007				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, and Ensure Public Safety and Security by Strengthening the Nation's Measurements and Standards Infrastructure	$ 110.7	$ 345.3	$ 15.3	$ 471.3
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	31.0	30.9	61.9
Total	**$ 110.7**	**$ 376.3**	**$ 46.2**	**$ 533.2**

(In Millions)

FY 2006				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security, and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	$ 85.2	$ 345.8	$ 16.7	$ 447.7
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	58.0	58.0	116.0
Total	**$ 85.2**	**$ 403.8**	**$ 74.7**	**$ 563.7**

(In Millions)

FY 2005				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Promote Innovation, Facilitate Trade, Ensure Public Safety and Security and Help Create Jobs by Strengthening the Nation's Measurements and Standards Infrastructure	$ 66.6	$ 325.6	$ 14.3	$ 406.5
Accelerate Private Investment in and Development of High-risk, Broad-Impact Technologies	-	96.1	96.0	192.1
Total	**$ 66.6**	**$ 421.7**	**$ 110.3**	**$ 598.6**

(In Millions)

FY 2004				
Performance Outcome	**Basic Research**	**Applied Research**	**Development**	**Total**
Provide Technical Leadership for the Nation's Measurements and Standards Infrastructure; and	$ -	$ -	$ -	$ -
Assure the Availability and Efficient Transfer of Measurement and Standards Capabilities Essential to Established Industries	$ 65.0	$ 319.7	$ 13.7	$ 398.4
Accelerate Private Investment in and Development of High-risk, Broad-impact Technologies	-	96.9	96.9	193.8
Total	**$ 65.0**	**$ 416.6**	**$ 110.6**	**$ 592.2**

NOAA:

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the United States' understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;
- Improving predictions of climate, on timescales ranging from months to centuries;
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

NOAA also conducts research that is intended to provide a solid scientific basis for environmental policy-making in government. Examples of this research include determining the stratospheric ozone-depleting potential of proposed substitutes for chlorofluorocarbons (CFCs), and identifying the causes of the episodic high rural ozone levels that significantly damage crops and forests.

NOAA conducts most R&D in-house; however, contractors to NOAA undertake most systems R&D. External R&D work supported by NOAA includes that undertaken through federal-academic partnerships such as the National Sea Grant College Program, the Cooperative Institutes of the Environmental Research Laboratories, the Climate and Global Change Program, and the Coastal Ocean Program.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary research and development office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. The NOAA's research laboratories, Climate Program Office, and research partners conduct a wide range of research into complex climate systems, including the exploration and investigation of ocean habitats and resources. The NOAA's research organizations conduct applied research on the upper and lower atmosphere as well as the space environment.

Fisheries: The NOAA's NMFS is responsible for the management and stewardship of living marine resources and their habitat within the Nation's Exclusive Economic Zone. The NMFS manages these resources through science-based conservation and management, and the protection and restoration of healthy ecosystems to ensure their continuation as functioning components of ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed, catch data are collected, and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species. Protection of endangered species, restoration of coastal and estuarine fishery habitats, and enforcement of fishery regulations are primary bureau activities. The research and management of living marine resources is conducted in partnership with states, universities, other countries, and international organizations.

Marine Operations and Maintenance and Aircraft Services: These expenditures support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: The National Weather Service conducts applied research and development, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, National Ocean Service promotes a wide range of research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. The National Environmental Satellite Data and Information Service, through its Office of Research and Applications, conducts atmospheric, climatological, and oceanic research into the use of satellite data for monitoring environmental characteristics and their change. It also provides guidance for the development and evolution of spacecraft and sensors to meet future needs.

The NOAA's R&D investments by program for FY 2004 through FY 2008 were as follows:

(In Millions)

Program	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Environmental and Climate	$ 317.9	$ 307.8	$ 324.2	$ 289.3	$ 331.2	$ 1,570.4
Fisheries	70.6	53.5	56.3	49.3	53.6	283.3
Marine Operations and Maintenance and Aircraft Services	51.7	57.5	50.7	51.1	51.5	262.5
Weather Service	17.6	26.9	15.1	40.8	56.7	157.1
Others	116.5	124.9	124.1	120.2	111.1	596.8
Total	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 550.7**	**$ 604.1**	**$ 2,870.1**

The following table summarizes NOAA's R&D investments for FY 2004 through FY 2008 by R&D category:

(In Millions)

R&D Category	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Applied Research	$ 546.7	$ 514.8	$ 523.1	$ 475.7	$ 517.6	$ 2,577.9
Development	27.6	55.8	47.3	75.0	86.5	292.2
Total	**$ 574.3**	**$ 570.6**	**$ 570.4**	**$ 550.7**	**$ 604.1**	**$ 2,870.1**

The following tables further summarize NOAA's R&D investments for FY 2004 through FY 2008 by performance outcome.

(In Millions)

FY 2008			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources	$ 229.8	$ 11.4	$ 241.2
Advance Understanding of Climate Variability and Change	145.9	35.7	181.6
Provide Accurate and Timely Weather and Water Information	140.3	39.2	179.5
Support Safe, Efficient, and Environmentally Sound Commercial Navigation	1.6	0.2	1.8
Total	**$ 517.6**	**$ 86.5**	**$ 604.1**

(In Millions)

FY 2007			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 225.9	$ 12.3	$ 238.2
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	145.9	12.3	158.2
Serve Society's Needs for Weather and Water Information	101.6	50.2	151.8
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	2.3	0.2	2.5
Total	**$ 475.7**	**$ 75.0**	**$ 550.7**

(In Millions)

FY 2006			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	$ 250.7	$ 14.0	$ 264.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	160.2	12.3	172.5
Serve Society's Needs for Weather and Water Information	109.0	20.9	129.9
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	3.2	0.1	3.3
Total	**$ 523.1**	**$ 47.3**	**$ 570.4**

(In Millions)

FY 2005			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem-based Management	$ 242.4	$ 8.6	$ 251.0
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	157.8	5.3	163.1
Serve Society's Needs for Weather and Water Information	105.4	41.9	147.3
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	9.2	-	9.2
Total	**$ 514.8**	**$ 55.8**	**$ 570.6**

(In Millions)

FY 2004			
Performance Outcome	**Applied Research**	**Development**	**Total**
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	$ 271.6	$ 10.1	$ 281.7
Understand Climate Variability and Change to Enhance Society's Ability to Plan and Respond	163.6	4.3	167.9
Serve Society's Needs for Weather and Water Information	94.9	9.2	104.1
Support the Nation's Commerce with Information for Safe, Efficient, and Environmentally Sound Transportation	16.6	4.0	20.6
Total	**$ 546.7**	**$ 27.6**	**$ 574.3**

Independent Auditors' Report


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 12, 2008

MEMORANDUM FOR: Carlos M. Gutierrez
Secretary of Commerce

FROM: Todd J. Zinser

SUBJECT: FY 2008 Consolidated Financial Statements
Final Audit Report No. FSD-19048-9-0002

I am pleased to provide you with the attached audit report required by the Chief Financial Officers Act of 1990, as amended, which presents an unqualified opinion on the Department of Commerce's FY 2008 consolidated financial statements. The audit results indicate that the Department has established an internal control structure that facilitates the preparation of reliable financial and performance information.

The independent public accounting firm of KPMG LLP performed the audit of the Department's financial statements for the year ended September 30, 2008. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements,* as amended.

In its audit of the Department, KPMG found that

- the financial statements were fairly presented, in all material respects and in conformity with U.S. generally accepted accounting principles;
- there were two significant deficiencies related to weaknesses in controls over the Department's financial management systems and accounting for personal property at the National Oceanic and Atmospheric Administration, which were not considered material weaknesses in internal control as defined in the audit report;
- there were no instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996;
- there was one instance in which the Department did not comply with other laws and regulations (Anti-Deficiency Act violation at the National Oceanic and Atmospheric Administration); and
- there was one additional concern in which the Department's Office of General Counsel is reviewing whether the Economic Development Administration violated the Anti-Deficiency Act during FY 2008. However, a conclusion has not yet been reached.

My office oversaw the audit performance and delivery. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with U.S. generally accepted government auditing standards. It was not intended to enable us to express, and we do not express, any opinion on the Department's consolidated financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, contracts, and grant agreements. KPMG is solely responsible for the attached audit report dated November 10, 2008, and the conclusions expressed in the report.

In accordance with Department Administrative Order 213-5, *Audit Resolution and Follow-up*, please provide us with an audit action plan that addresses all of the report recommendations related to accounting for NOAA personal property within 60 days of the date of this memorandum. The plan is not required to address the significant deficiency related to financial management system weaknesses. Instead, we ask that you provide an audit action plan addressing the related specific recommendations included in the separate, limited-distribution information technology general controls report (FSD-19048-9-0001).

If you wish to discuss the contents of this report, please call me on (202) 482-4661, or Judith J. Gordon, Assistant Inspector General for Audit and Evaluation, on (202) 482-2754. We appreciate the cooperation and courtesies the Department extended to both KPMG and my staff during the audit.

Attachment

cc: Otto J. Wolff
Chief Financial Officer and Assistant Secretary for Administration

Suzanne Hilding
Chief Information Officer

William J. Brennan
Acting Under Secretary of Commerce for Oceans and Atmosphere
and Acting NOAA Administrator

KPMG LLP
2001 M Street, NW
Washington, DC 20036

INDEPENDENT AUDITORS' REPORT

Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce (Department) as of September 30, 2008 and 2007, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as consolidated financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2008 audit, we also considered the Department's internal controls over financial reporting and tested the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

Summary

As stated in our opinion on the consolidated financial statements, we concluded that the Department's consolidated financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal controls over financial reporting resulted in the identification of two significant deficiencies related to weaknesses in (1) the Department's general information technology controls, and (2) accounting for personal property at the National Oceanic and Atmospheric Administration (NOAA). However, we do not consider these significant deficiencies to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed one matter of noncompliance with the *Anti-Deficiency Act* that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls over financial reporting; our tests of the Department's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of the U.S. Department of Commerce as of September 30, 2008 and 2007, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated balance sheet, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources referred to above present fairly, in all material respects, the financial position of the U.S. Department of Commerce, as of September 30, 2008 and 2007, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The September 30, 2008 consolidating balance sheet on page 243 is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial positions of the Department's bureaus individually. The September 30, 2008 consolidating balance sheet has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the September 30, 2008 consolidated balance sheet taken as a whole. The information in the FY 2008 Performance Section, Appendices, and the information on pages IV through VIII are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control over Financial Reporting

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the

Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

In our fiscal year 2008 audit, we noted two matters, summarized below, and in more detail in Exhibit I, that we consider to be significant deficiencies. However, these significant deficiencies are not believed to be material weaknesses.

- **General information technology controls.** We found that although the Department has taken corrective actions to address certain information technology (IT) control weaknesses, general IT weaknesses still exist. Despite the positive efforts made by the Department, the Department needs to make continued improvement in its IT general control environment to fully ensure that financial data being processed on the Department's systems has integrity, is confidentially maintained, and is available when needed.

- **Accounting for personal property at NOAA.** We identified internal control deficiencies relating to managing and accounting for personal property additions, deletions, and the population of active property items, resulting in the need for NOAA to undertake a significant remediation effort, in order to ensure that its personal property balances were fairly stated as of September 30, 2008. NOAA needs to make improvements in the effective monitoring of its property physical inventory process and personal property subsidiary ledger, as well as to work with its Line Offices to improve asset purchase coding and the timely processing of supporting documentation needed for updating the personal property accounting records.

We also noted certain additional matters that we reported to the management of the Department in two separate documents addressing information technology and other matters, respectively.

Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed the following instance of noncompliance and other matter that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended:

- **Anti-Deficiency Act (ADA).** As reported in the prior year, we were informed by the National Oceanic and Atmospheric Administration (NOAA) that during fiscal year

2005, 82 real property agreements, with the earliest signed in 1923, included indemnification clauses or provisions involving an indeterminate liability, or both. The Office of General Counsel (OGC) determined that these clauses or provisions were *prima facie* violations of the ADA, because those clauses constituted open-ended obligations of the U.S. Government, even though no liability claims were filed against the agreements. As of November 10, 2008, the date of our fiscal year 2008 Independent Auditors' Report, 81 agreements have been amended, terminated or expired, thereby eliminating future ADA concerns, and corrective actions are underway on the remaining agreement, which is being renegotiated to remove the clauses.

Additional Concern. In fiscal year 2008, the Economic Development Administration (EDA) informed us of a potential ADA violation related to the use of voluntary services at a summit held on May 22, 2008, that may not have been authorized by law. EDA accepted voluntary services, which potentially do not qualify as gratuitous services because the participants did not execute waivers-of-compensation prior to the event. The OGC is reviewing this matter to determine whether a violation of the ADA occurred, but a conclusion has not yet been reached. Since OGC's review is not complete, the outcome of this matter, and any resulting ramifications, is not presently known.

* * * * * * *

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Responsibilities

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, contracts, and grant agreements applicable to the Department.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2008 and 2007 consolidated financial statements of the Department based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2008 audit, we considered the Department's internal control over financial reporting by obtaining an understanding of the Department's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2008 consolidated financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including certain provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Department. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

The Department's responses to the significant deficiencies identified in our audit are presented in Exhibit I. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department's management, the Department's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2008

U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Significant Deficiencies

Financial Management Systems Need Improvement ***(Repeat Condition Since 1998)***

For many years, the U.S. Department of Commerce (the Department) Office of Inspector General (OIG), and departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. As at many federal entities, information security is recognized as a top management challenge for the Department. During our fiscal year (FY) 2008 assessment of the Department's IT general and financial systems controls, performed in support of the FY 2008 consolidated financial statement audit, we found that there is continued improvement in the Department's certification and accreditation (C&A) program. We also noted that the bureaus and the Department took positive steps to implement management, operational, and technical controls to help establish sound information security practices and address known weaknesses, including an IT security material weakness reported under the *Federal Managers' Financial Integrity Act* (FMFIA) in the prior year.

Despite continued progress, during our FY 2008 audit we identified weaknesses in general IT controls that we consider to be a significant deficiency as defined by the American Institute of Certified Public Accountants. As part of the Department's FY 2008 FMFIA evaluation, the Department determined that a material weakness related to IT security still exists, due to weaknesses in the Department's certification and accreditation processes and documentation for non-financial systems.

Effective IT general controls add assurance that data used to prepare and report financial information and statements is complete, reliable, and has integrity. Our FY 2008 IT assessment was focused on the IT general controls over the Department's major financial management systems and supporting network infrastructure, using GAO's *Federal Information System Controls Audit Manual* (FISCAM) as a guide. The six FISCAM IT general control review elements, and our related findings, are as follows:

- **Entity-wide security program.** An entity-wide security program for security planning and management is the foundation of an organization's information security control structure. The program should provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of computer-related security controls.

  Although the Department has made improvements in this area, during our FY 2008 audit we identified that entity-wide security can still be improved at six bureaus and at the Department level, primarily in the areas of: (1) updating system security plans to comply with current Federal guidance, (2) improving incident response procedures and training, (3) ensuring completion of specialized role-based training, (4) establishing approved interconnection sharing agreements, (5) reporting and monitoring identified control weaknesses, and (6) maintaining background investigation and clearance documentation.

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Exhibit I – Significant Deficiencies, Continued

Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources*, provides key guidance for establishing and maintaining an entity-wide information security program. Collectively, the identified entity-wide security planning and management issues, coupled with the access control issues described below, reduce the overall effectiveness of the entity-wide security programs for the individual bureaus and operating units, and the overall Department. The *Department of Commerce IT Security Program Policy and Minimum Implementation Standards*, reiterates OMB Circular A-130 guidance, and implements key elements of such guidance as Department-wide policy.

- **Access controls.** In close concert with an organization's entity-wide information security program, access controls for general support systems and financial systems should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, loss, or impairment. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls and logical controls.

  The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to very sensitive resources, such as security software programs, is limited to very few individuals; and that employees are restricted from performing incompatible functions or functions beyond their responsibility. This is reiterated by Federal guidelines. For example, OMB Circular A-130 and supporting National Institute of Standards and Technology (NIST) security publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program Policy and Minimum Implementation Standards* contain many requirements for operating Department IT devices in a secure manner.

  During fiscal year 2008, we noted that access controls should be improved at all bureaus and at the Department level, primarily in the areas of: (1) applying consistently patch management practices to protect system devices against external and internal vulnerabilities, (2) managing user accounts to appropriately terminate and recertify network, financial system, and database accounts, (3) improving logical controls over financial application, database, and network access, (4) strengthening password controls, (5) restricting data center access, (6) managing configuration settings of system devices, (7) monitoring user actions through the use of audit trails, (8) enforcing multi-factor authentication, and (9) enforcing visitor access policy. We recognize that the Department and its bureaus have certain compensating controls in place to help reduce the risk of the identified vulnerabilities, and we have considered such compensating controls as part of our overall consolidated financial statement audit.

- **Application software development and change control.** The primary focus of application software development and change control is on controlling the changes that are made to software systems in operation. Establishing controls over the modification of application software programs ensures that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques to determine that all programs and program modifications are properly authorized, tested, and approved, and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or turned off, or that processing irregularities or malicious code could be introduced into the IT environment.

During fiscal year 2008, we noted that application software development and change controls should be improved at two bureaus in the areas of: (1) finalizing an approved system development life cycle methodology, and (2) testing and tracking system software changes.

- **System software.** System software is a set of programs designed to operate and control the processing activities of computer equipment. System software helps control the input, processing, output, and data storage associated with all of the applications that run on a system. Controls over access to and modification of system software are essential in providing reasonable assurance that operating system-based security controls are not compromised and that the system will not be impaired.

  During fiscal year 2008, we noted that system software controls should be improved at four bureaus in the areas of: (1) auditing and monitoring system software controls, (2) installing system software patches in accordance with policy, (3) improving system software access controls, and (4) maintaining documentation for testing and authorizing system software patches.

- **Segregation of duties.** Work responsibilities should be segregated so that an individual does not control more than one critical function within a process. Inadequately segregated duties increase the risk that erroneous or fraudulent transactions could be processed, improper program changes could be implemented, and computer resources could be damaged or destroyed. Key areas of concern for segregation of duties involve duties among major operating and programming activities, including duties performed by users, application programmers, and data center staff. Policies outlining individual responsibilities should be documented, communicated, and enforced. The prevention and/or detection of unauthorized or erroneous actions by personnel require effective supervision and review by management, as well as formal operating procedures.

  During fiscal year 2008, we noted weaknesses related to segregation of duties for financial systems at two bureaus.

- **Service continuity.** Losing the capability to process, retrieve, and protect information maintained electronically can significantly affect an agency's ability to accomplish its mission. For this reason, an agency should have: (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions, and (2) a plan to recover critical operations should interruptions occur.

During fiscal year 2008, we noted that service continuity controls should be improved at four bureaus and at the Department level, primarily in the areas of: (1) updating contingency plans to include appropriate controls and reflect current processing environments, (2) testing contingency plans, (3) procuring an alternate processing site, (4) documenting policies and procedures for backing up key financial systems, and (5) improving data center physical and environmental controls.

Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the fiscal year 2008 consolidated financial statement audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations.

Management's Response

Management agreed with the findings, conclusions, and recommendations related to improving the Department's financial management systems controls. The Department is in the process of developing corrective action plans to address the recommendations presented in the separate limited distribution IT general controls report.

Accounting for NOAA Personal Property Needs Improvement *(New Condition)*

The Department has substantial investment in general property, plant, and equipment. The National Oceanic and Atmospheric Administration (NOAA) accounts for a majority of the Department's property. During our audit, we identified the following internal control deficiencies related to NOAA's managing and accounting for personal property, which has a net book value of approximately $1 billion, as of September 30, 2008:

- **Personal Property Physical Inventory.** NOAA's fiscal year 2008 annual personal property physical inventory was not performed with sufficient timeliness, or with adequate follow-up action, to ensure completeness or to resolve identified differences. Specifically, we noted:
  - Ineffective monitoring of the progress of completed inventory certifications. The inventory tracking log indicated no entry for approximately 60 of 700 custodial areas. Some, but not all, of these custodial areas contained capitalized assets.
  - Failure to correct timely the personal property subsidiary ledger, Sunflower, for errors or omissions identified through the inventory process. For example, in our sample of 20 physical inventory certifications, we noted 7 assets that were identified as having been excessed or scrapped, but were not removed from the

accounting records by September 30, 2008. We identified an additional asset that was disposed of in February 2006, but remained in Sunflower until February 2008.

As a result of our findings, and concerns related to the accurate reporting of the inventory certifications, NOAA engaged a contractor to verify the accuracy of the physical inventory certifications and identify the corrections that should be made to the accounting records. This effort identified assets with a recorded cost and accumulated depreciation of $12.7 million and $11.9 million, respectively, which had been previously disposed of, but had not been removed from the accounting records.

- **Personal Property Purchased Additions.** NOAA's effective analysis and use of its Unreconciled Payment Report (UPR) is a key control in achieving the objective of the timely and accurate recording of purchased personal property additions. The UPR captures all payments made to capitalizable Object Class Codes (OCC), matches these payments to asset additions recorded in the Sunflower system, and provides an on-line report of payments that have not been matched. We identified the following weaknesses in the operation of the UPR control, resulting in errors in the recording of purchased personal property additions that were not detected and corrected timely:
  - Three capital assets purchased totaling approximately $1.4 million, were expensed, instead of being capitalized.
  - Fourteen assets, totaling approximately $4.5 million, were capitalized in fiscal year 2008, although they were purchased in previous fiscal years.
  - Several other capital assets acquired during fiscal year 2008 were not recorded timely.
- **Personal Property Constructed Additions.** NOAA continues to experience delays in the timely transfer of completed personal property Construction Work-In-Progress (CWIP) projects into Property, Plant and Equipment (PP&E). We identified:
  - Five projects with CWIP of approximately $10 million, which had been completed but not transferred to completed PP&E by the end of the fiscal year.
- **Maintenance and Review of Personal Property Data in Sunflower.** In addition to the inaccuracies noted above, we identified evidence that NOAA had failed to adequately review data within the Sunflower property subsidiary ledger to ensure that all personal property data is accurately recorded:
  - Sunflower identifies certain property items valued at over $200 thousand as non-capitalizable. NOAA had not reviewed these items to determine if they were misclassified. Upon further research, we determined that two items, costing approximately $672 thousand should have been capitalized.
  - NOAA records certain related assets as "linked assets" in Sunflower, with the capitalizable value of all assets recorded under one asset number. We identified that record keeping for these related assets needs to be improved.

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- The Sunflower subsidiary ledger contains an 'Edit Interface' file of transaction records waiting to be processed. This file should be continuously reviewed, to ensure that all personal property transactions have been accurately processed. NOAA identified that 3,803 unprocessed transaction records had accumulated in this file as of October 13, 2008. NOAA has begun an analysis of this data, and as of November 7, 2008, determined that:
  - 1 record was a completed CWIP project (for a vessel) that should have been recorded as a completed PP&E with a cost of approximately $1.3 million as of September 30, 2008;
  - 992 records represented valid "accountable" property items that did not meet NOAA's asset capitalization threshhold, but should have been added to the Sunflower system;
  - 778 records were duplicate or invalid entries that should have been deleted from the Edit Interface file, and
  - 2,032 records require further review. These records have a stated total cost value of approximately $7.3 million. The ultimate disposition of these remaining records may result in adjustments to the personal property account.

<u>Recommendations</u>

We recommend that NOAA:

- Effectively monitor annual personal property physical inventory, sufficient to ensure that all inventory certifications are submitted timely, and that all required corrections are made to the Sunflower system.
- Emphasize with the Line or Staff Offices through training, procedure memos, and other communications, the need to use correct OCC codes, reconcile payments appearing on the UPR, and submit asset purchase and retirement paperwork, timely.
- Research unmatched payments that appear on the UPR, review the accuracy of coding property as non-capitalizable, obtain information and missing acquisition paperwork from Line or Staff Offices, and record capitalized purchases and asset retirements in Sunflower timely.
- Ensure that completed CWIP projects are transferred into PP&E timely, and that sufficient resources are assigned to this task
- Perform a detailed review of all non-capitalized assets costing more than $200 thousand in Sunflower, and maintain ongoing record of all such assets with explanations and supporting documentation.
- Improve record keeping of "linked assets" in Sunflower.

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- Complete the internal review currently underway of records remaining in the Sunflower Edit Interface file, process the backlog of required transactions in a timely manner, and monitor new transactions within this file promptly.

Management's Response

Management agrees with the audit findings and recommendations pertaining to the need to improve and strengthen the accounting for NOAA personal property. NOAA's Office of Chief Administrative Officer and Logistics Division will develop and implement corrective action plans that will address the specific areas noted as needing improvement.

APPENDICES


DEPARTMENT OF COMMERCE
UNITED STATES OF AMERICA

PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2008 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2009 Annual Performance Plan (APP), that more accurately reflects updated targets of each performance measure. Individual bureau-specific APPs can be found on the Department Web site at *http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm*. The resource tables with the performance tables are also combined to make the information easier to follow.

The following tables provide an array of information that previously was shown in separate tables. The information should help the reader clearly understand the resources expended for each Strategic Goal, Objective, and Performance Outcome/Objective.

The system of reporting does not currently allow the Department to report on resources at the performance measure level, but it is the Department's hope to develop this capability in the future. For a given year, it is important to note that if a performance measure has been exceeded (more than 125 percent of target), the status box for that year will be shaded blue. If a performance measure has been met (100 to 125 percent of target), the box is shaded green. The status box for a measure that was slightly below target (95 to 99 percent of the target) is shaded yellow, while the box for a measure that was definitely not met is shaded red. In addition, for FY 2008 OMB introduced a new category, "improved, but not met." In those cases, the box is shaded orange. No targets that were in the form of text (e.g., a series of milestones met) would ever be considered exceeded since they cannot be quantified.

The information in the tables will follow the following format:

- Strategic Goal and Resources
- Objective and Resources
- Performance Outcome/Objective and Resources
- Performance Measure

Note: Unless otherwise indicated, measures that do not have FY 2008 targets are not included in any count in this document. FY 2008 resources for each performance outcome/objective may be estimates and may be updated in the budget for FY 2010.

Target and performance data are tracked back to FY 2001 where available. If a measure was developed after FY 2001, actual performance data is shown back to the year that the measure first appeared.

FTE = Full-time equivalent employment. All dollar amounts shown are in millions, unless otherwise indicated.

STRATEGIC GOAL 1

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

STRATEGIC GOAL 1 TOTAL RESOURCES[1] (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$2,015.1	$1,809.6	$1,842.1	$1,857.5	$2,018.6	$2,108.9	$2,150.2	$2,626.2
FTE	13,914	11,916	11,265	11,475	11,953	12,223	11,459	12,259

[1] Prior year amounts differ from previous PARs because in FY 2008, the Department and NIST shifted the performance outcome, "Raise the productivity and competitiveness of small manufacturers (NIST)" from Strategic Goal 2 to Strategic Goal 1, becoming Strategic Objective 1.4.

STRATEGIC OBJECTIVE 1.1

*Foster domestic economic development as well as export opportunities***

OBJECTIVE 1.1 RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$756.9	$677.5	$645.0	$633.2	$625.6	$627.1	$583.8	$625.3
FTE	2,240	1,990	2,013	1,869	1,908	1,849	1,528	1,703

PERFORMANCE OUTCOME: Promote private investment and job creation in economically distressed communities (EDA)***

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding[1]	$362.3	$296.6	$258.3	$254.8	$212.5	$208.3	$183.7	$207.9
FTE	165	155	149	137	139	128	132	129

[1] Actuals reflect direct obligations for economic development assistance programs (EDAP) and salaries and expenses (S&E); totals do not include one-time, disaster investments, or reimbursable funding.

* Prior to FY 2008, Strategic Goal 1 was known as "Provide the information and tools to Maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers"

** Prior to FY 2008, Strategic Objective 1.1 was known as "Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations."

*** Prior to FY 2008, this outcome was known as "Increase private investment and job creation in economically distressed communities."

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 9 year totals totals (in millions)[1]			
Year	Status	Actual	Target
FY 2008	Exceeded	$4,173	$2,080
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$1,937	$1,350
FY 2006	Exceeded	$2,331	$1,162

[1] EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2008 actual is a result of investments made in FY 1999. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 6 year totals (in millions)[1]			
Year	Status	Actual	Target
FY 2008	Exceeded	$1,393	$970
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$2,118	$1,200
FY 2006	Met	$1,059	$1,020
FY 2005	Exceeded	$1,781	$1,040
FY 2004	Exceeded	$1,740	$650
FY 2003	Exceeded	$2,475	$581

[1] This is the 6 year result measure. FY 2008 actuals are the result of investments made in FY 2002. FY 2007 actuals as of investments made in FY 2001 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 3 year totals (in millions)[1]			
Year	Status	Actual	Target
FY 2008	Exceeded	$1,013	$270
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$810	$330
FY 2006	Exceeded	$1,669	$320
FY 2005	Exceeded	$1,791	$390
FY 2004	Exceeded	$947	$480
FY 2003	Exceeded	$1,251	$400
FY 2002	Exceeded	$640	$420
FY 2001	Exceeded	$971	$130

[1] This is the 3 year result measure. FY 2008 actuals are the result of investments made in FY 2005. FY 2007 actuals as of investments made in FY 2004 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 9 year totals[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	57,701	56,900
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	73,559	54,000
FY 2006	Met	50,546	50,400

[1] EDA tracks the results of its investments and jobs created/retained at 3, 6, and 9 year periods. The FY 2008 actual is a result of investments made in FY 1999. Since EDA did not begin tracking results until FY 1997 in this format, 9 year results are not available for the years prior to FY 2006.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 6 year totals[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	30,719	28,900
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	49,806	36,000
FY 2006	Exceeded	42,958	28,200
FY 2005	Exceeded	47,374	28,400
FY 2004	Exceeded	68,109	27,000
FY 2003	Exceeded	47,607	25,200

[1] This is the 6 year result measure. FY 2008 actuals are the result of investments made in FY 2002. FY 2007 actuals as of investments made in FY 2001 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 3 year totals[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	14,819	7,227
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	16,274	8,999
FY 2006	Exceeded	11,833	9,170
FY 2005	Exceeded	19,672	11,500
FY 2004	Exceeded	21,901	14,400
FY 2003	Exceeded	39,841	11,300
FY 2002	Exceeded	29,912	11,300
FY 2001	Exceeded	12,898	5,400

[1] This is the 3 year result measure. FY 2008 actuals are the result of investments made in FY 2005. FY 2007 actuals as of investments made in FY 2004 and so on.

PERFORMANCE OUTCOME: Improve community capacity to achieve and sustain economic growth (EDA)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding[1]	$76.7	$68.8	$67.3	$67.3	$68.0	$72.1	$67.1	$72.3
FTE	89	84	80	80	74	32	33	32

[1] Actuals reflect direct obligations for EDAP and S&E; totals do not include one-time, disaster investments, or reimbursable funding.

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of economic development districts (EDD) and Indian tribes implementing economic development projects from the comprehensive economic development strategy (CEDS) that lead to private investment and jobs			
Year	**Status**	**Actual**	**Target**
FY 2008	**Slightly Below**	92%	95%

Performance was not met, because:
Due to reporting schedules, certain quarters may have a low number of reporting Tribes and EDDs. As such, the overall percentages may easily be impacted by those that do not meet goals. In FY 2007, this target was impacted by unusually high numbers of non-reporting Tribes and EDDs.

Strategies for Improvement:
EDA's regional offices are working with these entities to increase their response rate in the future.

Year	Status	Historical Results	Historical Target
FY 2007	**Met**	95%	95%
FY 2006	**Met**	96%	95%
FY 2005	**Met**	97%	95%
FY 2004	**Met**	95%	95%
FY 2003	**Met**	99%	95%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of sub-state jurisdiction members actively participating in the economic development district (EDD) program			
Year	**Status**	**Actual**	**Target**
FY 2008	**Met**	90%	89-93%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	92%	89-93%
FY 2006	**Met**	90%	89-93%
FY 2005	**Met**	91%	89-93%
FY 2004	**Met**	90%	89-93%
FY 2003	**Met**	97%	89-93%
FY 2002	**Met**	95%	93%
FY 2001	**Met**	92%	85%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center			
Year	Status	Actual	Target
FY 2008	Met	80%	75%
Year	Status	Historical Results	Historical Target
FY 2007	Met	84%	75%
FY 2006	Met	76%	75%
FY 2005	Met	79%	75%
FY 2004	Met	78%	75%
FY 2003	Met	78%	75%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieved the expected results			
Year	Status	Actual	Target
FY 2008	Met	84%	80%
Year	Status	Historical Results	Historical Target
FY 2007	Met	89%	80%
FY 2006	Met	82%	80%
FY 2005	Met	87%	80%
FY 2004	Met	88%	80%
FY 2003	Met	86%	80%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of Trade Adjustment Assistance Center (TAAC) clients taking action as a result of the assistance facilitated by the TAACs			
Year	Status	Actual	Target
FY 2008	Met	92%	90%
Year	Status	Historical Results	Historical Target
FY 2007	Met	99%	90%
FY 2006	Met	90%	90%
FY 2005	Met	99%	90%
FY 2004	Met	90%	90%
FY 2003	Met	92%	90%

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results			
Year	Status	Actual	Target
FY 2008	Met	95%	95%
Year	Status	Historical Results	Historical Target
FY 2007	Met	95%	95%
FY 2006	Met	96%	95%
FY 2005	Met	97%	95%
FY 2004	Met	98%	95%
FY 2003	Met	98%	95%

PERFORMANCE OUTCOME: Strengthen U.S. competitiveness in domestic and international markets (ITA)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual[1]	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$161.0	$208.5	$72.7	$56.0	$62.6	$52.8	$59.7	$44.6
FTE	1,038	1,236	402	287	264	257	243	236

[1] In FY 2005 ITA reorganized its performance structure, reducing the number of outcomes from four to two outcomes for this strategic objective. FY 2002 actuals shown here reflect the level for the "Strengthen U.S. industries" outcome and the two discontinued outcomes.

ITA PERFORMANCE MEASURE			
MEASURE: Annual cost savings resulting from the adoption of Manufacturing and Services (MAS) recommendations contained in MAS studies and analysis			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	$497M	$350M
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	$413M	$168M
FY 2006	Not Met	$287M	$350M

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barriers addressed that were removed or prevented			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	29%	15%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barrier milestones completed			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	73%	55%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Not Met	54%	85%
FY 2006	Slightly Below	81%	85%

* In FY 2006-FY 2008, this outcome was known as "Enhance U.S. competitiveness in domestic and international markets." Prior to FY 2006, this outcome was known as "Strengthen U.S. industries."

ITA PERFORMANCE MEASURE			
MEASURE: Percent of agreement milestones completed			
Year	Status	Actual	Target
FY 2008	Not Met	0%	100%
Performance was not met, because: Target could not be met because planned (target) agreement milestones were based on two agreements (Korea and Malaysia). Work on these agreements was suspended and put "on hold" during FY 2008.			
Strategies for Improvement: ITA intends to continue at its current level of efforts in regard to achieving this measure. ITA's success is highly dependent on the implementation and progress of trade agreements.			
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	100%	70%
FY 2006	Exceeded	100%	70%

PERFORMANCE OUTCOME: Increase exports to commercially significant markets including FTA countries, China, and India (ITA)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$23.0
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	192

ITA PERFORMANCE MEASURE			
MEASURE: Percent of imports by China that are exported from the United States			
Year	Status	Actual	Target
FY 2008	Met	7.7%[1]	7.5%
[1] Estimate. Actual will be available in December 2008.			

ITA PERFORMANCE MEASURE			
MEASURE: Percent of imports by India that are exported from the United States			
Year	Status	Actual	Target
FY 2008	Not Met	4.9%[1]	5.5%
Performance was not met, because: This percentage figure represents data through August 2008, and will be updated when data for the remainder of the year is available.			
Strategies for Improvement: ITA believes it will achieve the target, however is uncertain at the time of pulbication.			
[1] Estimate. Actual will be available in December 2008.			

PERFORMANCE OUTCOME: Broaden and deepen U.S. exporter base (ITA)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$129.0	$75.3	$217.7	$226.4	$252.7	$264.1	$243.4	$249.0
FTE	858	423	1,290	1,273	1,335	1,338	1,026	1,039

ITA PERFORMANCE MEASURE			
MEASURE: Number of export successes made as a result of ITA involvement[1]			
Year	Status	Actual	Target
FY 2008	Met	12,659	11,385
Year	Status	Historical Results	Historical Target
FY 2007	Met	11,974	11,385
FY 2006	Met	11,919	11,385
FY 2005	Met	12,518	11,385-13,500
FY 2004	Not Met	11,382	14,000-14,500
FY 2003	Met	14,090	13,500
FY 2002	Slightly Below	12,178	12,300
FY 2001	Met	11,160	9,253

[1] Prior to FY 2006, this measure was known as "Number of export transactions made as a result of ITA involvement."

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-market (NTM) export successes[1]			
Year	Status	Actual	Target
FY 2008	Not Met	3,627	4,760
Performance was not met, because: In FY 2008, New-to-Market Export Successes declined by 15 percent below the levels of recent years. This reflects the necessary shift needed to recast the mix between NTE, NTM, and ITM.			
Strategies for Improvement: This output measure will be replaced by an outcome measure beginning in FY 2009 that reflects the results of the FY 2008 OMB PART.			
Year	Status	Historical Results	Historical Target
FY 2007	Improved But Not Met	4,229	4,760
FY 2006	Not Met	4,110	4,760
FY 2005	Met	4,888	4,760-5,500
FY 2004	Not Met	4,759	6,200-6,300
FY 2003	Slightly Below	6,278	6,500
FY 2002	Slightly Below	5,740	5,900
FY 2001	Met	5,386	4,540

[1] Prior to FY 2006, this measure was known as "Number of U.S. exporters entering a new market."

* Prior to FY 2006, this outcome was known as "Expand U.S. exporter base."

ITA PERFORMANCE MEASURE			
MEASURE: Number of increase-to-market (ITM) export successes			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	8,606	5,925
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	6,954	5,925
FY 2006	Met	7,258	5,925

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-export (NTE) successes[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Not Met	426	700
Performance was not met, because: In FY 2008, New-to-Export Export Successes declined by 25 percent below the levels of recent years. This reflects the necessary shift needed to recast the mix between NTE, NTM, and ITM.			
Strategies for Improvement: This output measure will be replaced by an outcome measure beginning in FY 2009 that reflects the results of the FY 2008 OMB PART.			
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	721	700
FY 2006	Not Met	551	700
FY 2005	Not Met	620	700-850
FY 2004	Not Met	704	880-900
FY 2003	Met	896	800
FY 2002	Not Met	699	800
FY 2001	Met	742	679

[1] Prior to FY 2006, this measure was known as "Number of U.S. firms exporting for the first time."

ITA PERFORMANCE MEASURE			
MEASURE: Dollar value of advocacy cases completed successfully (based on a three year moving average)			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	$30.1B	$30.0B
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	$32.6B	$22.2B
FY 2006	Exceeded	$33.2B	$5.0B

ITA PERFORMANCE MEASURE			
MEASURE: Commercial diplomacy success (cases) (annual)			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	181	160

PERFORMANCE OUTCOME: Increase access to the marketplace and financing for minority-owned businesses (MBDA)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$27.9	$28.3	$29.0	$28.7	$29.8	$29.8	$29.9	$28.5
FTE	90	92	92	92	96	94	94	75

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained (billions)			
Year	Status	Actual	Target
FY 2008	Met	$0.91	$0.90
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$1.20	$0.85
FY 2006	Exceeded	$1.17	$0.85
FY 2005	Exceeded	$1.10	$0.80
FY 2004	Met	$0.95	$0.80
FY 2003	Not Met	$0.70	$1.00
FY 2002	Exceeded	$1.30	$1.00
FY 2001	Exceeded	$1.60	$0.70

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained (billions)			
Year	Status	Actual	Target
FY 2008	Exceeded	$0.94	$0.50
Year	Status	Historical Results	Historical Target
FY 2007	Met	$0.55	$0.45
FY 2006	Not Met	$0.41	$0.45
FY 2005	Met	$0.50	$0.45
FY 2004	Exceeded	$0.60	$0.40
FY 2003	Met	$0.40	$0.40
FY 2002	Met	$0.40	$0.40
FY 2001	Not Met	$0.60	$1.00

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	Status	Actual	Target
FY 2008	Exceeded	4,603	3,000
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	3,506	2,050
FY 2006	Exceeded	4,254	1,800
FY 2005	Exceeded	2,270	1,800

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in client gross receipts			
Year	Status	Actual	Target
FY 2008	Met	6.0%	6.0%
Year	Status	Historical Results	Historical Target
FY 2007	Met	5.0%	5.0%
FY 2006	Met	6.0%	5.0%
FY 2005	Exceeded	15.0%	5.0%

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in American Customer Satisfaction Index (ACSI)[1]			
Year	Status	Actual	Target
FY 2008	N/A	N/A	N/A
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	4.0%	3.0%
FY 2006	N/A	N/A	N/A
FY 2005	Exceeded	13.0%	5.0%

[1] The ACSI survey occurs only in odd years, so data does not appear in FY 2008 and FY 2006.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

OBJECTIVE 1.2 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$126.9	$157.4	$164.9	$168.5	$192.6	$205.4	$199.1	$201.2
FTE	733	929	940	975	998	986	910	911

PERFORMANCE OUTCOME: Identify and resolve unfair trade practices (ITA)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$68.0	$92.8	$88.1	$94.6	$115.8	$123.3	$118.2	$122.7
FTE	360	571	574	610	638	633	544	566

ITA PERFORMANCE MEASURE			
MEASURE: Percent reduction in trade distorting foreign subsidy programs			
Year	Status	Actual	Target
FY 2008	Exceeded	1.6%	>0.5%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of AD/CVD determinations issued within statutory and/or regulatory deadlines			
Year	Status	Actual	Target
FY 2008	Met	90%	90%

ITA PERFORMANCE MEASURE			
MEASURE: Percent of ministerial errors in IA's dumping and subsidy calculations			
Year	Status	Actual	Target
FY 2008	Met	10%	< 12%

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases resolved successfully			
Year	Status	Actual	Target
FY 2008	Met	39%	35%
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	54%	25%
FY 2006	Exceeded	46%	25%

* From FY 2002-FY 2005, this outcome was known as "Ensure fair competition in international trade."

ITA PERFORMANCE MEASURE			
MEASURE: Value of market access and compliance cases resolved successfully			
Year	Status	Actual	Target
FY 2008	Exceeded	$12.3B	$1.5B

PERFORMANCE OUTCOME: Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$53.6	$58.7	$68.4	$67.7	$71.3	$73.0	$70.4	$70.3
FTE	342	328	336	335	330	309	324	308

BIS PERFORMANCE MEASURE			
MEASURE: Percent of licenses requiring interagency referral referred within 9 days			
Year	Status	Actual	Target
FY 2008	Met	99%	95%
Year	Status	Historical Results	Historical Target
FY 2007	Met	98%	95%
FY 2006	Met	98%	95%

BIS PERFORMANCE MEASURE			
MEASURE: Median processing time for new regime regulations (months)			
Year	Status	Actual	Target
FY 2008	Exceeded	2.0	3.0
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	2.0	3.0
FY 2006	Met	2.5	3.0
FY 2005	Exceeded	1.0	3.0
FY 2004	Exceeded	2.0	3.0
FY 2003	Not Met	7.0	3.0

BIS PERFORMANCE MEASURE			
MEASURE: Percent of attendees rating seminars highly			
Year	Status	Actual	Target
FY 2008	Met	93%	85%
Year	Status	Historical Results	Historical Target
FY 2007	Met	90%	85%
FY 2006	Met	90%	85%

* From FY 2002-FY 2005, this outcome was known as "Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system."

BIS PERFORMANCE MEASURE			
MEASURE: Percent of declarations received from U.S. industry in accordance with CWC regulations (time lines) that are processed, certified, and submitted to the State Department in time so the United States can meet its treaty obligations			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	100%	100%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	100%	100%
FY 2006	Met	100%	100%

BIS PERFORMANCE MEASURE			
MEASURE: Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	881	675
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	930	450
FY 2006	Exceeded	872	350
FY 2005	Exceeded	583	275
FY 2004	Met	310	250
FY 2003	Exceeded	250	85
FY 2002	Met	82	75
FY 2001	Met	81	70

[1] Prior to FY 2007, this measure was under the outcome "Eliminate illicit export activity outside the global export control and treaty compliance system;" which was discontinued in FY 2007.

BIS PERFORMANCE MEASURE			
MEASURE: Percent of shipped transactions in compliance with the licensing requirements of the Export Administration Regulations (EAR)			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	87%	87%

BIS PERFORMANCE MEASURE			
MEASURE: Percentage of post-shipment verifications completed and categorized above the "unfavorable" classification			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	136 PSVs/93%	215 PSVs/80%

PERFORMANCE OUTCOME: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)*,**

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding FTE	$1.6 13	$1.8 13	$4.4 13	$2.7 13	$1.8 13	$2.8 13	$4.6 12	$2.8 11

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed[1]			
Year	Status	Actual	Target
FY 2008	Not Met	490	850
Performance was not met, because: BIS did not complete any Sentinel visits in FY 2008 and with four less staff supporting end-use checks was not able to meet the target.			
Strategies for Improvement: Given the reason why BIS did not meet the target in FY 2008, BIS will investigate as to whether the target should be adjusted in future years.			
Year	Status	Historical Results	Historical Target
FY 2007	Met	854	850
FY 2006	Exceeded	942	700
[1] Prior to FY 2007, this measure was under the outcome "Eliminate illicit export activity outside the global export control and treaty compliance," which was discontinued in FY 2007.			

* Prior to FY 2006, this outcome was known as "Enhance the export and transit controls of nations seeking to improve their export control systems."

** In FY 2007, BIS eliminated the outcome, "Eliminate illicit export activity outside the global export control and treaty compliance system." The funds that were previously shown for that outcome for FY 2000-FY 2006, have been added to this outcome.

PERFORMANCE OUTCOME: Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$3.7	$4.1	$4.0	$3.5	$3.7	$6.3	$5.9	$5.4
FTE	18	17	17	17	17	31	30	26

BIS PERFORMANCE MEASURE			
MEASURE: Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls			
Year	Status	Actual	Target
FY 2008	Met	100%	100%
Year	Status	Historical Results	Historical Target
FY 2007	Met	100%	100%
FY 2006	N/A	N/A[1]	100%

[1] No assessments fell within the metric timeframe in FY 2006. BIS completed two industry assessments late in the fourth quarter of FY 2006, thus not meeting the three month window (before the end of the fiscal year) to make a final determination on revising export controls. This was the first year this measure was in place. Industry assessment data will be available in subsequent fiscal years.

* Prior to FY 2006, this outcome was known as "Ensure U.S. industry compliance with the CWC agreement."

STRATEGIC OBJECTIVE 1.3

Advance key economic and demographic data that support effective decision-making of policymakers, businesses, and the American public*

OBJECTIVE 1.3 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$1,024.9	$866.2	$920.9	$1,008.9	$1,097.7	$1,164.5	$1,260.0	$1,708.5
FTE	10,854	8,908	8,223	8,563	8,976	9,321	8,954	9,576

PERFORMANCE OUTCOME: Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)**

PERFORMANCE OUTCOME RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual[2]	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$967.0	$799.5	$846.9	$930.1	$1,013.6	$1,078.9	$1,173.0	$958.7
FTE	10,380	8,420	7,729	8,038	8,433	8,778	8,418	5,979

[1] In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy and governments," into this outcome and performance outcome, "Provide current measures of the U.S. population, economy, and governments." Funds for the years prior to FY 2008 are shown in this outcome and reflect both outcomes.

[2] Total obligations for performance outcome excludes the Working Capital Fund obligations financed by other Census Bureau funds and are already reflected in the results for the other funds.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Correct street features in 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			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	320	320
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	737	690
FY 2006	Met	700	700
FY 2005	Met	623	610
FY 2004	Met	602	600
FY 2003	Met	250	250

* Prior to FY 2008, Strategic Objective 1.3 was known as "Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public"

** In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy and governments," into this outcome and performance outcome "Provide current measures of the U.S. population, economy, and governments."

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: 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			
Year	**Status**	**Actual**	**Target**
FY 2008	**Not Met**	Some of the planned dress rehearsal activities were cancelled	>89% of key activities completed on time
Performance was not met, because: Some of the fourth quarter planned activities were cancelled due to the paper-based nonresponse follow-up decision.			
Strategies for Improvement: The Census Bureau undertook an in-depth review of the Field Data Collection Automation (FDCA) program. After receiving the review results, the Census Bureau decided to move to a paper-based, nonresponse follow-up operation.			
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	>89% of key prep activities completed on time	>89% of key prep activities completed on time
FY 2006	**Met**	100% of activities completed on time	>89% of key prep activities completed on time
FY 2005	**Met**	Activities completed on time	Various activities with different dates

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	**Not Met**	66.0	73.9
Performance was not met, because: The reason for the drop in score is largely due to the change in customer base and collection methodology. In the past, known census data users were contacted by phone to provide feedback on the Web site, but the new methodology requires users to voluntarily participate in a pop-up survey when visiting the Web site.			
Strategies for Improvement: The Census Bureau is working aggressively to strengthen three of its Web site's primary elements of customer satisfaction and key performance indicators: search, navigation, and look and feel. Working groups within the Web Governance Council are addressing standards and policies, information architecture, technology, and process improvement.			
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	74	71
FY 2006	**Met**	72	71
FY 2005	**Met**	73	73
FY 2004	**Slightly Below**	71	72

[1] This measure applies to the second outcome as well, "Provide current measures of the U.S. population, economy, and governments."

PERFORMANCE OUTCOME: Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)*

PERFORMANCE OUTCOME RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$661.3
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,072

[1] In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments," into this outcome and performance outcome, "Provide benchmark measures of the U.S. population, economy, and governments." Funds for the years prior to FY 2008 are shown in the previous outcome and reflect both outcomes.

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: 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			
Year	**Status**	**Actual**	**Target**
FY 2008	**Met**	Met percentages	90% of key censuses and surveys meet/exceed collection rates/levels of reliability
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	Met percentages	90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2006	**Met**	Met percentages	90% of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2005	**Met**	Met percentages	Various %s - see FY 2006 APP
FY 2004	**Met**	Met percentages	Various %s - see FY 2005 APP
FY 2003	**Met**	Met percentages	Various %s - see FY 2004 APP

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public			
Year	**Status**	**Actual**	**Target**
FY 2008	**Met**	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time	3) 100% of Economic Indicators released on time 4) >89% of other key censuses and surveys data released on time
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time
FY 2006	**Met**	1) 100% of Economic Indicators 2) 100% of other products	1) 100% of Economic Indicators released on time 2) >89% of other key censuses and surveys data released on time
FY 2005	**Met**	22 products	22 products
FY 2004	**Exceeded**	10 products	7 products
FY 2003	**Not Met**	2 products	3 products

* In FY 2008, Census split the outcome, "Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments," into this outcome and performance outcome"Provide benchmark measures of the U.S. population, economy, and governments."

PERFORMANCE OUTCOME: Provide timely, relevant, and accurate economic statistics (ESA/BEA)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$57.9	$66.7	$74.0	$78.6	$84.1	$85.6	$87.0	$88.4
FTE	474	488	494	525	543	543	536	525

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)			
Year	Status	Actual	Target
FY 2008	Met	57 of 58[1]	58 of 58
Year	Status	Historical Results	Historical Target
FY 2007	Met	54 of 54	54 of 54
FY 2006	Met	54 of 54	54 of 54
FY 2005	Met	54 of 54	54 of 54
FY 2004	Met	54 of 54	54 of 54
FY 2003	Met	48 of 48	48 of 48
FY 2002	Met	50 of 50	50 of 50

[1] The Annual Industry Accounts statistical release was rescheduled from December 13, 2007 to January 29, 2008, in order to include important information from the Census 2006 Annual Survey of Manufactures (ASM). By delaying this release, BEA was able to provide a better product for BEA's data users, so this measure is considered "Met."

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale)			
Year	Status	Actual	Target
FY 2008	Met	4.2	> 4.0
Year	Status	Historical Results	Historical Target
FY 2007	Met	4.3	> 4.0
FY 2006	Met	4.2	> 4.0
FY 2005	Met	4.4	> 4.0
FY 2004	Met	4.3	> 4.0
FY 2003	Met	4.4	> 4.0
FY 2002	Met	4.3	> 4.0

* Prior to FY 2008, this outcome was known as "Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner."

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Accuracy: Percent of GDP estimates correct			
Year	Status	Actual	Target
FY 2008	Met	94%	> 85%
Year	Status	Historical Results	Historical Target
FY 2007	Met	93%	> 85%
FY 2006	Met	96%	> 85%
FY 2005	Met	96%	> 85%
FY 2004	Met	88%	> 84%
FY 2003	Met	88%	> 84%

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Improving GDP and the economic accounts[1]			
Year	Status	Actual	Target
FY 2008	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2007	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2006	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2005	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2004	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2003	Met	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
FY 2002	Met	Developed new measures to address gaps and updated BEA's accounts; designed prototype of new quarterly survey of international services; developed new pilot estimates that provide better integration with other accounts	Develop new measures to address gaps and updated BEA's accounts; design prototype of new quarterly survey of international services; develop new pilot estimates that provide better integration with other accounts

[1] The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on *www.bea.gov*.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Meeting U.S. international obligations[1]			
Year	Status	Actual	Target
FY 2008	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2007	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2006	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2005	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2004	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2003	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones

[1] The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on *www.bea.gov*.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Preparation of Innovation Accounts[1]			
Year	Status	Actual	Target
FY 2008	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
Year	Status	Historical Results	Historical Target
FY 2007	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones
FY 2006	Met	Completed all major milestones related to meeting international obligations	Completion of strategic plan milestones

[1] The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on *www.bea.gov*.

STRATEGIC OBJECTIVE 1.4

Position small manufacturers to compete in a global economy

OBJECTIVE 1.4 RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding[2]	$106.4	$108.5	$111.3	$46.9	$102.7	$111.9	$107.3	$91.2
FTE	87	89	89	68	71	67	67	69

[1] There is only one outcome for this objective, so a separate Performance Outcome Resources table does not appear.
[2] Performance actuals for this outcome lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which NIST reports actuals one year later. This data lag, coupled with the timeline for producing the PAR, precludes the reporting of actual FY 2008 data.

PERFORMANCE OUTCOME: Raise the productivity and competitiveness of small manufacturers (NIST)*

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by Hollings Manufacturing Extension Partnership (MEP) centers receiving federal funding			
Year	Status	Actual	Target
FY 2008	Exceeded	28,004 from FY 2007 funding	21,237 from FY 2007 funding
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	24,722 from FY 2006 funding	16,440 from FY 2006 funding
FY 2006	Slightly Below	16,448 from FY 2005 funding	16,640 from FY 2005 funding
FY 2005	Exceeded	16,090 from FY 2004 funding	6,517 from FY 2004 funding
FY 2004	Met	18,422 from FY 2003 funding	16,684 from FY 2003 funding
FY 2003	Not Met	18,748 from FY 2002 funding	21,543 from FY 2002 funding

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2008	Exceeded	$5,069 from FY 2007 funding	$762 from FY 2007 funding
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$3,100 from FY 2006 funding	$591 from FY 2006 funding
FY 2006	Exceeded	$2,842 from FY 2005 funding	$591 from FY 2005 funding
FY 2005	Exceeded	$1,889 from FY 2004 funding	$228 from FY 2004 funding
FY 2004	Exceeded	$1,483 from FY 2003 funding	$522 from FY 2003 funding
FY 2003	Exceeded	$953 from FY 2002 funding	$728 from FY 2002 funding
FY 2002	Not Met	$636 from FY 2001 funding	$708 from FY 2001 funding
FY 2001	Met	$698 from FY 2000 funding	$670 from FY 2000 funding

* Actuals for this performance outcome lagged at least six months. Therefore, beginning with the FY 2005 PAR, NIST shifted to a format in which they report actuals one year later (i.e., FY 2004 actuals are reflected in the FY 2005 PAR). This data lag, coupled with the timeline for producing the PAR, precludes the reporting of actual FY 2008 data. These data reported in the current year PAR, are an estimate based on three-quarters of actual client reported impacts and one-quarter estimated client impacts.

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2008	Exceeded	$1,662 from FY 2007 funding	$955 from FY 2007 funding
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$1,270 from FY 2006 funding	$740 from FY 2006 funding
FY 2006	Exceeded	$2,248 from FY 2005 funding	$740 from FY 2005 funding
FY 2005	Exceeded	$941 from FY 2004 funding	$285 from FY 2004 funding
FY 2004	Exceeded	$912 from FY 2003 funding	$559 from FY 2003 funding
FY 2003	Met	$940 from FY 2002 funding	$910 from FY 2002 funding
FY 2002	Not Met	$680 from FY 2001 funding	$913 from FY 2001 funding
FY 2001	Met	$873 from FY 2000 funding	$864 from FY 2000 funding

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to Hollings MEP centers receiving federal funding			
Year	Status	Actual	Target
FY 2008	Exceeded	$1,096 from FY 2007 funding	$521 from FY 2007 funding
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	$1,100 from FY 2006 funding	$405 from FY 2006 funding
FY 2006	Exceeded	$1,304 from FY 2005 funding	$405 from FY 2005 funding
FY 2005	Exceeded	$721 from FY 2004 funding	$156 from FY 2004 funding
FY 2004	Exceeded	$586 from FY 2003 funding	$353 from FY 2003 funding
FY 2003	Exceeded	$681 from FY 2002 funding	$497 from FY 2002 funding
FY 2002	Not Met	$442 from FY 2001 funding	$576 from FY 2001 funding
FY 2001	Not Met	$482 from FY 2000 funding	$545 from FY 2000 funding

STRATEGIC GOAL 2

*Promote U.S. innovation and industrial competitiveness**

STRATEGIC GOAL 2 TOTAL RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$1,838.6	$2,000.7	$2,130.0	$2,100.6	$2,354.1	$2,607.6	$3,696.2	$3,656.3
FTE	9,488	9,979	9,985	9,937	9,951	10,523	11,383	11,965

[1] Prior year amounts differ from previous PARs because the Department and NIST shifted the outcome, "Raise the productivity and competitiveness of small manufacturers (NIST)" from Strategic Goal 2 to Strategic Goal 1 beginning in FY 2008.

STRATEGIC OBJECTIVE 2.1

*Advance measurement science and standards that drive technological change***

OBJECTIVE 2.1 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$712.6	$805.0	$841.5	$783.2	$775.8	$862.3	$783.7	$791.4
FTE	3,120	3,142	3,153	3,041	2,867	2,829	2,824	2,799

PERFORMANCE OUTCOME: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$502.1	$579.2	$614.1	$576.8	$621.6	$762.4	$662.4	$768.9
FTE	2,685	2,707	2,725	2,672	2,503	2,550	2,566	2,677

* Prior to FY 2008, Strategic Goal 2 was known as "Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science"

** Prior to FY 2008, Strategic Objective 2.1 was known as "Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research."

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	Completed	Complete annual peer review
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	Completed	Complete annual peer review
FY 2006	Met	Completed	Complete annual peer review
FY 2005	Met	Completed	Complete annual peer review
FY 2004	Met	Completed	Complete annual peer review
FY 2003	Met	Completed	Complete annual peer review
FY 2002	Met	Completed	Complete annual peer review
FY 2001	Met	Completed	Complete annual peer review

NIST PERFORMANCE MEASURE			
MEASURE: Citation impact of NIST-authored publications			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	> 1.1[1]	> 1.1
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	>1.1	>1.1

[1] Actual for this measure lags six months. The actual shown here is based on FY 2007 data.

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	1,271	1,100
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	1,272	1,100
FY 2006	Met	1,163	1,100
FY 2005	Met	1,148	1,100
FY 2004	Not Met	1,070	1,300

NIST PERFORMANCE MEASURE			
MEASURE: Standard Reference Materials (SRM) sold			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	33,373	31,000
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	32,614	30,000
FY 2006	Met	31,195	30,000
FY 2005	Met	32,163	29,500
FY 2004	Met	30,490	29,500

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	196,500,000	130,000,000
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	130,000,000	80,000,000
FY 2006	Met	94,371,001	80,000,000
FY 2005	Met	93,305,136	80,000,000
FY 2004	Exceeded	73,601,352	56,000,000

NIST PERFORMANCE MEASURE			
MEASURE: Number of calibration tests performed			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	25,944	12,000
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	27,489	12,000

PERFORMANCE OUTCOME: Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding FTE	$34.7 196	$27.7 186	$27.7 181	$19.2 165	$15.9 157	$27.2 144	$27.9 131	$22.5 122

NTIS PERFORMANCE MEASURE			
MEASURE: Number of updated items available (annual)			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	813,775	725,000
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	744,322	665,000
FY 2006	Met	673,807	660,000
FY 2005	Met	658,138	530,000
FY 2004	Met	553,235	525,000
FY 2003	Met	530,910	520,000
FY 2002	Met	514,129	510,000

* Prior to FY 2008, this performance outcome was known as "Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities."

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	Status	Actual	Target
FY 2008	Met	32,267,167	32,100,000
Year	Status	Historical Results	Historical Target
FY 2007	Met	32,027,113	27,100,000
FY 2006	Met	30,616,338	27,000,000
FY 2005	Met	26,772,015	25,800,000
FY 2004	Exceeded	25,476,424	18,000,000
FY 2003	Exceeded	29,134,050	17,000,000
FY 2002	Met	16,074,862	16,000,000

NTIS PERFORMANCE MEASURE			
MEASURE: Customer satisfaction			
Year	Status	Actual	Target
FY 2008	Met	96%	95–98%
Year	Status	Historical Results	Historical Target
FY 2007	Met	98%	95-98%
FY 2006	Met	98%	95-98%
FY 2005	Met	98%	98%
FY 2004	Slightly Below	96%	98%
FY 2003	Slightly Below	97%	98%
FY 2002	Met	98%	97%

The Department discontinued the following outcome (and its corresponding measures) in FY 2007. However, since the funding amounts factor into the total for this objective and strategic goal, this PAR shows those amounts for informational purposes. Measures and targets for previous years appear in the FY 2007 PAR.

PERFORMANCE OUTCOME: Accelerate private investment in and development of high-risk, broad-impact technologies (NIST)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$175.8	$198.1	$199.7	$187.2	$138.3	$72.7	$93.4	N/A
FTE	239	249	247	204	207	135	127	N/A

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

OBJECTIVE 2.2 RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$1,008.5	$1,099.5	$1,190.9	$1,233.3	$1,508.4	$1,674.4	$1,766.4	$1,852.5
FTE	6,149	6,593	6,581	6,627	6,825	7,446	8,291	8,898

PERFORMANCE OUTCOME: Optimize patent quality and timeliness (USPTO)*

PERFORMANCE OUTCOME RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$887.3	$976.6	$1,019.6	$1,059.3	$1,245.8	$1,347.9	$1,506.8	$1,620.6
FTE	5,316	5,720	5,815	5,899	6,021	5,994	7,073	7,877

USPTO PERFORMANCE MEASURE			
MEASURE: Patent allowance compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	96.3%	96.0%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	96.5%	96.0%
FY 2006	Met	96.5%	96.0%
FY 2005	Improved But Not Met	95.4%	96.0%
FY 2004	Not Met	94.7%	96.0%
FY 2003	Not Met	95.6%	96.0%
FY 2002	Met	95.8%	95.0%

USPTO PERFORMANCE MEASURE			
MEASURE: Patent in-process examination compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	92.5%	92.0%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	92.2%	90.0%
FY 2006	Met	90.0%	86.0%
FY 2005	Met	86.2%	84.0%

* Prior to FY 2007, this outcome was known as "Improve the quality of patent products and services and optimize patent processing time."

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average first action pendency (months)			
Year	Status	Actual	Target
FY 2008	Met	25.6	26.9
Year	Status	Historical Results	Historical Target
FY 2007	Not Met	25.3	23.7
FY 2006	Slightly Below	22.6	22.0
FY 2005	Met	21.1	21.3
FY 2004	Met	20.2	20.2
FY 2003	Met	18.3	18.4
FY 2002	Not Met	16.7	14.7
FY 2001	Not Met	14.4	13.9

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average total pendency (months)			
Year	Status	Actual	Target
FY 2008	Met	32.2	34.7
Year	Status	Historical Results	Historical Target
FY 2007	Met	31.9	33.0
FY 2006	Met	31.1	31.3
FY 2005	Met	29.1	31.0
FY 2004	Met	27.6	29.8
FY 2003	Met	26.7	27.7
FY 2002	Met	24.0	26.5
FY 2001	Met	24.7	26.2

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically			
Year	Status	Actual	Target
FY 2008	Met	72.1%	69.0%
Year	Status	Historical Results	Historical Target
FY 2007	Met	49.5%	40.0%
FY 2006	Exceeded	14.2%	10.0%
FY 2005	Improved But Not Met	2.2%	4.0%
FY 2004	Improved But Not Met	1.5%	2.0%
FY 2003	Not Met	1.3%	2.0%

PERFORMANCE OUTCOME: Optimize trademark quality and timeliness (USPTO)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$120.2	$122.9	$119.4	$112.0	$144.9	$149.6	$191.2	$188.5
FTE	942	873	719	693	730	665	897	881

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	95.8%	95.5%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	95.9%	95.5%
FY 2006	Met	95.7%	93.5%
FY 2005	Met	95.3%	92.5%
FY 2004	Met	92.1%	91.7%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final action compliance rate			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	97.2%	96.0%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	97.4%	96.0%
FY 2006	Met	96.4%	93.5%
FY 2005	Slightly Below	94.1%	95.0%
FY 2004	Slightly Below	94.2%	95.0%

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	3.0	2.5–3.5
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	2.9	3.7
FY 2006	Met	4.8	5.3
FY 2005	Met	6.3	6.4
FY 2004	Not Met	6.6	5.4
FY 2003	Not Met	5.4	3.0
FY 2002	Not Met	4.3	3.0
FY 2001	Exceeded	2.7	6.6

* Prior to FY 2007, this outcome was known as "Improve the quality of trademark products and services and optimize trademark processing time."

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency (months)			
Year	Status	Actual	Target
FY 2008	Met	13.9	16.3
Year	Status	Historical Results	Historical Target
FY 2007	Met	15.1	17.3
FY 2006	Met	18.0	18.8
FY 2005	Met	19.6	20.3
FY 2004	Met	19.5	21.6
FY 2003	Improved But Not Met	19.8	15.5
FY 2002	Not Met	19.9	15.5
FY 2001	Met	17.8	18.0

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications filed electronically			
Year	Status	Actual	Target
FY 2008	Met	96.9%	95.0%
Year	Status	Historical Results	Historical Target
FY 2007	Met	95.4%	90.0%
FY 2006	Met	93.8%	80.0%
FY 2005	Exceeded	88.0%	70.0%
FY 2004	Met	73.0%	65.0%
FY 2003	Improved But Not Met	57.5%	80.0%
FY 2002	Improved But Not Met	38.0%	50.0%
FY 2001	Not Met	24.0%	30.0%

PERFORMANCE OUTCOME: Improve intellectual property and enforcement domestically and abroad (USPTO)*

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding FTE	N/A	N/A	$51.9 47	$62.0 102	$117.7 74	$176.9 787	$68.4 321	$43.4 140

USPTO PERFORMANCE MEASURE			
MEASURE: Number of instances in which External Affairs (EA) experts review intellectual property (IP) policies/standards			
Year	Status	Actual	Target
FY 2008	Exceeded	595	275
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	461	80
FY 2006	N/A	77	N/A
FY 2005	N/A	61	N/A
FY 2004	N/A	55	N/A

USPTO PERFORMANCE MEASURE			
MEASURE: Improving worldwide IP expertise for U.S. government interests			
Year	Status	Actual	Target
FY 2008	Met	14	12
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	17	10
FY 2006	N/A	8	N/A
FY 2005	N/A	4	N/A
FY 2004	N/A	4	N/A

USPTO PERFORMANCE MEASURE			
MEASURE: Number of Memoranda of Agreement for IP joint cooperation, plans of action, mechanisms, and support programs initiated or implemented by developing countries as a result of the Office of Intellectual Property Policy and Enforcement (OIPPE)[1]			
Year	Status	Actual	Target
FY 2008	Met	18	15
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	14	8
FY 2006	N/A	6	N/A
FY 2005	N/A	2	N/A
FY 2004	N/A	1	N/A

[1] Prior to FY 2008, this measure was known as "Plans of actions, mechanisms, and support programs initiated or implemented in developing countries."

* Prior to FY 2007, this outcome was known as "Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide."

STRATEGIC OBJECTIVE 2.3

*Advance global e-commerce as well as telecommunications and information services**

OBJECTIVE 2.3 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual[1]	FY 2008 Actual
Total Funding	$117.5	$96.2	$97.6	$84.4	$69.9	$70.9	$1,146.1	$1,012.4
FTE	219	244	251	269	259	248	268	268

[1] In FY 2007, $1,070.3 was provided to the newly formed Digital Television and Public Safety Program.

PERFORMANCE OUTCOME: Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$21.5	$23.4	$24.5	$28.5	$30.4	$36.8	$36.8	$35.8
FTE	133	141	147	159	169	162	168	168

NTIA PERFORMANCE MEASURE			
MEASURE: Frequency assignment processing time (days)[1]			
Year	Status	Actual	Target
FY 2008	Met	9	9 or fewer
Year	Status	Historical Results	Historical Target
FY 2007	Met	9	9 or fewer
FY 2006	Met	9	9 or fewer
FY 2005	Met	10	12
FY 2004	Met	<12	12
FY 2003	Met	15	15

[1] Prior to FY 2008, this measure was known as "Timeliness of processing (days)."

NTIA PERFORMANCE MEASURE			
MEASURE: Certification request processing time (months)			
Year	Status	Actual	Target
FY 2008	Met	2	2 or fewer
Year	Status	Historical Results	Historical Target
FY 2007	Met	4	4 or fewer
FY 2006	Met	4	4 or fewer

* Prior to FY 2008, Strategic Objective 2.3 was known as "Advance the development of global e-commerce and enhanced telecommunications and information services."

NTIA PERFORMANCE MEASURE			
MEASURE: Space system coordination request processing time			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	95%	90% in 14 days or fewer
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	97%	80% in 14 days or fewer
FY 2006	Met	95%	80% in 14 days or fewer

NTIA PERFORMANCE MEASURE			
MEASURE: Spectrum plans and policies processing time			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	13.3 days	Comments in 15 days or fewer
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	11 days	Comments in 15 days or fewer
FY 2006	Met	13 days	Comments in 15 days or fewer

NTIA PERFORMANCE MEASURE			
MEASURE: Milestones completed from the implementation plan of the President's Spectrum Policy Initiative			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	22	22
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	23 out of 29	23 out of 29
FY 2006	Met	18 out of 22	18 out of 22

PERFORMANCE OUTCOME: Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002[1] Actual	FY 2003[1] Actual	FY 2004[1] Actual	FY 2005[1] Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$96.0	$72.8	$73.1	$55.9	$39.5	$34.1	$1,109.3	$976.6
FTE	86	103	104	110	90	86	100	100

[1] Amounts for FYs 2002-2004 include those for the discontinued outcome "Increase competition within the telecommunications sector and promote universal access to telecommunications services for all Americans."

NTIA PERFORMANCE MEASURE			
MEASURE: 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			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	11 dockets and proceedings	5 dockets and proceedings
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	8 dockets and proceedings	5 dockets and proceedings
FY 2006	Exceeded	12 dockets and proceedings	5 dockets and proceedings
FY 2005	Met	5 dockets and proceedings	5 dockets and proceedings

NTIA PERFORMANCE MEASURE			
MEASURE: Number of Web site views for research publications			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	127,000/month	75,000/month
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	105,000/month	75,000/month
FY 2006	Exceeded	94,000/month	75,000/month

STRATEGIC GOAL 3

*Promote environmental stewardship**

STRATEGIC GOAL 3 TOTAL RESOURCES (Dollars in Millions)								
	FY 2001[1] Actual	FY 2002[1] Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$3,254.8	$3,398.4	$3,458.6	$3,802.0	$4,064.0	$4,507.3	$4,321.2	$4,436.0
FTE	11,473	11,585	11,898	11,868	11,918	12,896	11,933	12,637

[1] In FY 2001, NOAA shifted from seven to four performance objectives. Funding and FTE data for FY 2001 reflect the best approximation of the funding and FTE from the seven objectives as they would correspond to the new, four objectives. In FY 2002, NOAA added a "Mission Support" objective (without any measures), resulting in a significant decrease in the funding in Strategic Objective 3.1 between FY 2001 and FY 2002, and Strategic Objective 3.3 between FY 2003 and FY 2004.

STRATEGIC OBJECTIVE 3.1

*Protect, restore, and manage the use of coastal and ocean resources***

OBJECTIVE 3.1 RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$1,504.0	$1,334.2	$1,314.9	$1,268.5	$1,379.5	$1,559.3	$1,418.3	$1,324.0
FTE	3,913	3,042	3,361	3,611	3,479	3,670	3,029	3,068

NOAA PERFORMANCE MEASURE			
MEASURE: Fish stock sustainability index (FSSI) [1]			
Year	Status	Actual	Target
FY 2008	Met	535	530.5
Year	Status	Historical Results	Historical Target
FY 2007	Met	524	505
FY 2006		501	
FY 2005		481	
FY 2004		456	

[1] NOAA only recently developed the FSSI and therefore did not have any targets prior to FY 2007. NOAA did, however, have data from which they could derive the FSSI index for FY 2004-FY 2006.

* Prior to FY 2008, Strategic Goal 3 was known as "Observe, protect, and manage the Earth's resources to promote environmental stewardship."

** Prior to FY 2008, Strategic Objective 3.1 was known as "Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs." The new Strategic Objective 3.1 was a performance objective under Strategic Objective 3.2 in the FY 2007 PAR.

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of living marine resources (LMR) with adequate population assessments and forecasts			
Year	Status	Actual	Target
FY 2008	Met	41.1%[1]	41.1%
Year	Status	Historical Results	Historical Target
FY 2007	Met	40.6%	40.0%
FY 2006	Not Met	38.8%	41.3%

[1] Estimate. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels			
Year	Status	Actual	Target
FY 2008	Met	22[1]	22
Year	Status	Historical Results	Historical Target
FY 2007	Met	26	26
FY 2006	Met	26	24

[1] Estimate. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual/cumulative)[1]			
Year	Status	Actual	Target
FY 2008	Exceeded	11,254/49,742	9,000/47,488
Year	Status	Historical Results	Historical Target
FY 2007	Met	5,974/38,488	5,000/37,514
FY 2006	Exceeded	7,598/32,514	4,500/29,416
FY 2005	Exceeded	8,333/24,916	4,500/21,083
FY 2004	Exceeded	5,563/16,583	3,700/14,780
FY 2003	Exceeded	5,200/11,020	2,829

[1] Determination of whether target was met or exceeded is based on annual amount, since that is what was done in that year.

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	Status	Actual	Target
FY 2008	Met	45	45
Year	Status	Historical Results	Historical Target
FY 2007	Met	27	27
FY 2006	Met	62	53

NOAA PERFORMANCE MEASURE			
MEASURE: Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management			
Year	Status	Actual	Target
FY 2008	Met	38	38
Year	Status	Historical Results	Historical Target
FY 2007	Met	35	35
FY 2006	Met	31	31

NOAA PERFORMANCE MEASURE			
MEASURE: Percentage of tools, technologies, and information services that are used by NOAA partners/customers to improve ecosystem-based management			
Year	Status	Actual	Target
FY 2008	Met	86%	86%
Year	Status	Historical Results	Historical Target
FY 2007	Met	85%	85%

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection			
Year	Status	Actual	Target
FY 2008	Exceeded	6,219	2,000
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	3,020	2,000
FY 2006	Exceeded	> 86,000,000[1]	200,137

[1] The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument.

STRATEGIC OBJECTIVE 3.2

*Advance understanding of climate variability and change**

OBJECTIVE 3.2 RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$238.8	$312.0	$347.5	$239.5	$256.9	$236.1	$258.7	$285.0
FTE	693	785	625	603	599	665	457	523

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
FY 2008	Exceeded	25	19
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	29	19
FY 2006	Exceeded	25	18
FY 2005	Met	19	18
FY 2004	Not Met	17	21
FY 2003	Not Met	17	20
FY 2002	Not Met	18	20
FY 2001	Met	20	20

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in the magnitude of the North American carbon uptake[1]			
Year	Status	Actual	Target
FY 2008	Met	0.40 GtC/year	0.40 GtC/year
Year	Status	Historical Results	Historical Target
FY 2007	Met	0.40 GtC/year	0.40 GtC/year
FY 2006	Met	0.40 GtC/year	0.40 GtC/year
FY 2005	Met	0.40 GtC/year	0.48 GtC/year
FY 2004	Met	0.50 GtC/year	0.70 GtC/year
FY 2003	Not Met	0.80 GtC/year	0.50 GtC/year

[1] Prior to FY 2008, this measure was known as “Reduce the uncertainty in the magnitude of the North American carbon uptake.”

* Prior to FY 2008, Strategic Objective 3.2 was known as “Enhance the conservation and management of coastal and marine resources to meet America’s economic, social, and environmental needs.” The new Strategic Objective 3.2 was a performance objective under Strategic Objective 3.1 in the FY 2007 PAR.

NOAA PERFORMANCE MEASURE			
MEASURE: Uncertainty in model simulations of the influence of aerosols on climate[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	15% improvement [2]	15% improvement
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	10%	10% improvement
FY 2006	Met	10%	Establish 10% improvement

[1] Prior to FY 2008, this measure was known as "Reduce the uncertainty in model simulations of the influence of aerosols on climate."
[2] Estimate. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using U.S. Climate Reference Network (USCRN) stations			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	Temperature–98.0%, Precipitation–95.1%	Temperature–96.0%, Precipitation–95.0%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	Temperature-97.7%, Precipitation-93.8%	Temperature-97.2%, Precipitation-92.6%
FY 2006	Met	Temperature-97.1%, Precipitation-91.9%	Temperature-97.0%, Precipitation-91.4%
FY 2005	Met	Temperature-96.9%, Precipitation-91.4%	Temperature-96.7%, Precipitation-90.0%
FY 2004	Exceeded	Temperature-96.0%, Precipitation-90.0%	Temperature-80.0%, Precipitation-55.0%
FY 2003	Exceeded	Temperature-95.0%, Precipitation-84.0%	Temperature-70.0%, Precipitation-40.0%
FY 2002	Exceeded	Temperature-85.0%, Precipitation-55.0%	Temperature-60.0%, Precipitation-25.0%

NOAA PERFORMANCE MEASURE			
MEASURE: Error in global measurement of sea surface temperature[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	0.50°C	0.50°C
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Not Met	0.53°C	0.50°C
FY 2006	Not Met	0.53°C	0.50°C

[1] Prior to FY 2008, this measure was known as "Reduce the error in global measurement of sea surface temperature."

NOAA PERFORMANCE MEASURE			
MEASURE: Ability of society to plan and respond to climate variability and change using NOAA climate products and information[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	37 assessments/evaluations	35 assessments/evaluations
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	32 assessments/evaluations	32 assessments/evaluations
FY 2006	Met	33 assessments/evaluations	32 assessments/evaluations

[1] Prior to FY 2008, this measure was known as "Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information."

STRATEGIC OBJECTIVE 3.3

*Provide accurate and timely weather and water information**

OBJECTIVE 3.3 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$1,376.0	$1,188.8	$1,284.1	$883.6	$898.1	$929.2	$900.7	$1,009.0
FTE	5,997	5,100	4,912	4,760	4,654	4,907	4,708	5,241

NOAA PERFORMANCE MEASURE			
MEASURE: Cumulative percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	32%	32%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	32%	32%
FY 2006	Met	32%	32%
FY 2005	Met	28%	28%
FY 2004	Met	17%	17%
FY 2003	Met	17%	17%
FY 2002	Not Met	8%	17%
FY 2001	Met	8%	6%

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) - Lead time (minutes)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	15[2]	11
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	14	13
FY 2006	Met	13	13
FY 2005	Met	13	13
FY 2004	Met	13	12
FY 2003	Met	13	12
FY 2002	Met	12	11
FY 2001	Not Met	10	13

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. The difference is provided at *www.weather.gov/sbwarnings/*. Prior to FY 2007, this measure was known as "Tornado warnings lead time (minutes)."
[2] Projected. Final – December 2008.

* Prior to FY 2008, this was a performance objective under Strategic Objective 3.1 in the FY 2007 PAR, known as "Serve society's needs for weather and water information."

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) - Accuracy (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	73%[2]	67%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	80%	76%
FY 2006	Slightly Below	75%	76%
FY 2005	Met	76%	73%
FY 2004	Met	75%	72%
FY 2003	Met	79%	72%
FY 2002	Met	76%	69%
FY 2001	Slightly Below	67%	68%

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. The difference is provided at *www.weather.gov/sbwarnings/*. Prior to FY 2007, this measure was known as "Tornado warnings accuracy (%)."
[2] Projected. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for tornadoes (storm-based) - False alarm rate (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	72%[2]	74%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	75%	75%
FY 2006	Slightly Below	79%	75%
FY 2005	Slightly Below	77%	73%
FY 2004	Improved But Not Met	74%	70%
FY 2003	Not Met	76%	72%
FY 2002	Slightly Below	73%	71%
FY 2001	Met	73%	73%

[1] Prior to FY 2008, these warnings were county-based rather than storm-based. The difference is provided at *www.weather.gov/sbwarnings/*. Prior to FY 2007, this measure was known as "Tornado warnings false alarm rate (%)."
[2] Projected. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods – Lead time (minutes)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	81[2]	48
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	61	48
FY 2006	Met	49	48
FY 2005	Met	54	48
FY 2004	Improved But Not Met	47	50
FY 2003	Not Met	41	47
FY 2002	Met	52	45
FY 2001	Met	46	45

[1] Prior to FY 2007, this measure was known as "Flash flood warnings lead time (minutes)."
[2] Projected. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Severe weather warnings for flash floods – Accuracy (%)[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	92%[2]	90%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	91%	89%
FY 2006	Met	89%	89%
FY 2005	Met	89%	89%
FY 2004	Met	89%	88%
FY 2003	Met	89%	87%
FY 2002	Met	89%	86%
FY 2001	Met	86%	86%

[1] Prior to FY 2007, this measure was known as "Flash flood warnings accuracy (%)."
[2] Projected. Final – December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Hurricane forecast track error (48 hours) (nautical miles)[1]			
Year	Status	Actual	Target
FY 2008	Exceeded	86[2]	110[2]
Year	Status	Historical Results	Historical Target
FY 2007	Met	97	110
FY 2006	Met	97	111
FY 2005	Met	101	128
FY 2004	Exceeded	94	129
FY 2003	Met	107	130
FY 2002	Met	122	142

[1] Beginning in FY 2007, NOAA reported the previous year's results because data is not available until February and good estimates cannot be determined.
[2] Reflects 2007 target and actual results. 2008 results not available until February 2009.

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts			
Year	Status	Actual	Target
FY 2008	Met	32%	29%
Year	Status	Historical Results	Historical Target
FY 2007	Met	31%	29%
FY 2006	Met	30%	28%
FY 2005	Met	29%	27%
FY 2004	Met	29%	25%
FY 2003	Met	29%	25%

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Lead time (hours)			
Year	Status	Actual	Target
FY 2008	Met	17	15
Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	19	15
FY 2006	Met	17	15
FY 2005	Met	17	15
FY 2004	Met	15	14
FY 2003	Met	14	13
FY 2002	Met	13	13
FY 2001	Met	13	13

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings – Accuracy (%)			
Year	**Status**	**Actual**	**Target**
FY 2008	**Slightly Below**	89%	90%
Performance was not met, because: Unusual storm patterns in the western states caused frequent storms and weather patterns that had not been seen in many years. As a result the accuracy of 89 percent vs. GPRA goal of 90 percent missed by one percent. In conclusion, forecasters' fell short of high expectations of the new automated verification system.			
Strategies for Improvement: NOAA anticipates meeting this target in the future.			
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	92%	90%
FY 2006	**Slightly Below**	89%	90%
FY 2005	**Met**	91%	90%
FY 2004	**Met**	91%	89%
FY 2003	**Met**	90%	88%
FY 2002	**Met**	89%	86%
FY 2001	**Met**	90%	86%

STRATEGIC OBJECTIVE 3.4

*Support safe, efficient, and environmentally sound commercial navigation**

OBJECTIVE 3.4 RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002[1] Actual	FY 2003[1] Actual	FY 2004[1] Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$136.0	$249.9	$261.6	$192.8	$175.0	$198.7	$179.4	$212.0
FTE[1]	870	942	1,004	716	749	774	691	774

[1] In the FY 2004 PAR, the 2002-2004 amounts for the mission support objective were distributed among the four objectives. In this PAR, the 2002-2004 mission support levels were separated out, resulting in lower 2002-2004 levels than as reported in the FY 2004 PAR for the other four objectives.

NOAA PERFORMANCE MEASURE

MEASURE: Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)[1]

Year	Status	Actual	Target
FY 2008	Not Met	2,127	2,500

Performance was not met, because:
Annual performance is lower than plan primarily due to NOAA Fleet Services mechanical and personnel issues on survey vessels FAIRWEATHER and RAINIER. As a result, FAIRWEATHER has lost 77 days at sea and 270 square nautical miles, and staffing shortfalls have also reduced RAINIER productivity. Late contractor awards delayed the start of contracted survey operations deferring results planned for fourth quarter to first quarter FY 2009. This was further impacted by the effects of both Hurricanes Gustav and Ike on Gulf of Mexico contract survey operations.

Strategies for Improvement:
NOAA anticipates meeting the target in the future because it does not anticipate the problems with the fleet in FY 2008 that it had in FY 2007.

Year	Status	Historical Results	Historical Target
FY 2007	Exceeded	3,198	1,350
FY 2006	Met	2,851	2,500
FY 2005	Met	3,079	2,700
FY 2004	Improved But Not Met	2,070	2,290
FY 2003	Not Met	1,762	2,100

[1] Prior to FY 2008, this measure was known as "Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year)."

NOAA PERFORMANCE MEASURE

MEASURE: Percentage of U.S. counties rated as fully enabled or substantially enabled with accurate positioning capacity

Year	Status	Actual	Target
FY 2008	Met	60.2%	60.0%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	51.6%	49.0%
FY 2006	Met	43.3%	39.0%
FY 2005	Met	32.2%	28.0%

* Prior to FY 2008, this was a performance objective under Strategic Objective 3.2 in the FY 2007 PAR, known as "Support the Nation's commerce with information for safe, efficient, and environmentally sound transportation."

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind speed accuracy (%)[1,2]			
Year	Status	Actual	Target
FY 2008	Met	72%	68%
Year	Status	Historical Results	Historical Target
FY 2007	Met	73%	68%
FY 2006	Not Met	55%	58%
FY 2005	Met	57%	57%
FY 2004	Met	57%	57%
FY 2003	Met	57%	54%
FY 2002	Met	53%	53%
FY 2001	Slightly Below	52%	53%

[1] In FY 2008 this measure was reworded to what it was prior to FY 2007, "Marine wind speed accuracy (%)." In FY 2007, this measure was known as " Marine wind – percentage of accurate forecasts (%)."
[2] From FY 2000-2002, this was combined with "Marine wind speed accuracy."

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wave height accuracy (%)[1,2]			
Year	Status	Actual	Target
FY 2008	Met	76%[3]	73%
Year	Status	Historical Results	Historical Target
FY 2007	Met	78%	73%
FY 2006	Met	70%	68%
FY 2005	Met	67%	67%
FY 2004	Not Met	67%	69%
FY 2003	Met	71%	66%

[1] In FY 2008 this measure was reworded to what it was prior to FY 2007, "Marine wave height accuracy (%)." In FY 2007, this measure was known as " Marine heights – percentage of accurate forecasts (%)."
[2] From FY 2000-2002, this was combined with "Marine Wave height accuracy."
[3] Projected. Actual due December 2008.

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast accuracy for ceiling/visibility (3 mile/1,000 feet or less) (%)[1,2,3]			
Year	Status	Actual	Target
FY 2008	Slightly Below	62%	63%
Performance was not met, because: NOAA was only slightly below the accuracy target score and in fact met the target for the previous year. Accuracy scores were lower in the third and fourth quarters compared with the first and second quarters, bringing down the actual from 63 percent in the first and second quarters.			
Strategies for Improvement: NOAA anticipates meeting this target in the future.			
Year	Status	Historical Results	Historical Target
FY 2007	Met	62%	62%
FY 2006	Not Met	43%	47%
FY 2005	Met	46%	46%
FY 2004	Slightly Below	45%	46%
FY 2003	Met	48%	45%
FY 2002	Not Met	13%	18%
FY 2001	Not Met	18%	21%

[1] Prior to FY 2007, this measure was known as "Accuracy (%) of forecasts of ceiling and visibility (aviation forecasts)."
[2] From FY 2000-2002, NOAA used a different method to calculate accuracy—targets were significantly lower than the current method.
[3] From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

NOAA PERFORMANCE MEASURE			
MEASURE: Aviation forecast FAR for ceiling visibility (3 miles/1,000 feet or less) (%)[1,2,3]			
Year	Status	Actual	Target
FY 2008	Met	39%	44%
Year	Status	Historical Results	Historical Target
FY 2007	Met	40%	45%
FY 2006	Met	64%	65%
FY 2005	Met	63%	68%
FY 2004	Met	65%	70%
FY 2003	Met	64%	71%
FY 2002	Met	58%	52%
FY 2001	Met	51%	51%

[1] Prior to FY 2007, this measure was known as "False alarm rate (FAR)(%) of ceiling and visibility (aviation forecasts)."
[2] From FY 2000-2002, NOAA used a different method to calculate false alarm rate—targets were significantly lower than the current method.
[3] From FY 2007 on, the aviation measures were redefined to cover the IFR (Instrument Flight Rule) airspace instead of the limited IFR range of 5,000 feet to three miles. This change was to increase the usefulness of the measure to the general and commercial aviation communities. This change required the measures to be re-baselined. While the numbers for accuracy and FAR appear to be reversed when comparing earlier years, they are actually measuring different things.

MISSION SUPPORT OBJECTIVE: Provide critical support for NOAA's mission (NOAA)*

PERFORMANCE OBJECTIVE RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding		$313.5	$250.5	$1,217.6	$1,354.5	$1,584.0	$1,564.1	$1,606.0
FTE		1,716	1,996	2,178	2,437	2,880	3,048	3,031

* There are no GPRA measures for the Mission Support objective, since the activities of this objective support the outcomes of the four other NOAA objectives.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL RESOURCES (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$60.6	$70.1	$71.2	$72.8	$70.9	$71.8	$72.2	$68.6
FTE	310	319	326	309	292	295	294	291

PERFORMANCE OUTCOME: Ensure effective resource stewardship in support of the Department's programs (DM)

PERFORMANCE OUTCOME RESOURCES[1] (Dollars in Millions)								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	$40.7	$49.2	$49.2	$51.8	$49.5	$49.3	$49.6	$37.9
FTE	171	183	186	181	177	177	173	178

[1] In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2001-FY 2007 is shown in this outcome.

DM PERFORMANCE MEASURE			
MEASURE: Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Not Met	The Department closed 70 percent of prior year financial systems audit findings; completed FY 2008 A-123 assessment of internal controls for financial reporting; significant deficiency was not eliminated	Eliminate any significant deficiency within 1 year of determination. Complete FY 2008 A-123 assessment of internal controls.
Performance was not met, because: While the majority of the prior year financial systems findings were closed, it was expected that several more of the prior year findings would have been closed as a result of the CBS Consolidation Project to consolidate the Department's financial management servers (hardware and software) at the Census Data Center (CDC) in Bowie, MD. However, in February 2008, the project was disbanded due to the CDC's inability to host the systems because of the Census Bureau's need to absorb decennial systems. In addition, there are several other prior year findings unrelated to CBS consolidation that cannot be addressed in the short-term due to resource and infrastructure constraints.			
Strategies for Improvement: The CIO/CFO team continues to actively monitor issues and resolve any outstanding corrective actions.			
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Not Met	Completed migration of Commerce Business System; completed assessment of internal controls; significant deficiency was not eliminated	Migrate Commerce Business System (CBS) to an all Web-based architecture. Complete FY 2007 A-123 assessment of internal controls. Complete internal control and document review. Eliminate any significant deficiency within 1 year of determination.
FY 2006	Not Met	Reportable condition not eliminated	Eliminate any reportable condition within 1 year of determination; 95% of management with access to the CBS have financial data/reports by the 15th of month
FY 2005	Not Met	Reportable condition not eliminated	Eliminate any reportable condition
FY 2004	Met	100%	100%
FY 2003	Met	100%	100%
FY 2002	Met	100%	100%
FY 2001	Met	100%	100%

[1] Prior to FY 2005, this measure was known as "Clean Audit Opinion on Department's Consolidated Financial Statements."

DM PERFORMANCE MEASURE			
MEASURE: Effectively use commercial services management[1]			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	Completed several feasibility studies in FY 2008 and planned several more for FY 2009	Use business process re-engineering, feasibility studies, and/or similar initiatives to identify operational efficiency and effectiveness opportunities
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	Bureaus identified FY 2008 feasibility studies which were submitted as part of the Green Plan[2]	Update and/or continue to implement FY 2006 plan to conduct feasibility studies of Department commercial functions to determine potential new competitions/studies in the outyears
FY 2006	Met	Green Plan[2] submitted to OMB on 9/28/2006	Finalize new green competition plan based on 08/2005 CFO council outcome
FY 2005	Met	Feasibility studies nominated for 168 FTE	Complete feasibility studies for 168 FTE to determine 2005-2006 studies
FY 2004	Met	New FAIR inventory guidance developed	Multi-year plan under development
FY 2003	Not Met	Completed competition on 6.6%	Complete competitions on 10%
FY 2002	Not Met	Completed competition on 1%	Complete competitions on 5%
FY 2001	Met	Commercial inventory – submitted 6/30/2001	Commercial inventory – completed by 6/30/2001

[1] For FY 2005 -FY 2007, this measure was known as "Effectively use competitive sourcing." Prior to FY 2005, this measure was known as "Expand A-76 competitions and more accurate FAIR Act inventories."

[2] Green Plan will lay out the Departmental short and long-range plans to conduct feasibility studies of all major commercial (and available) functions and will identify approved FY 2006-2007 competitions.

DM PERFORMANCE MEASURE			
MEASURE: Obligate funds through performance-based contracting (% of eligible service contracting $)			
Year	**Status**	**Actual**	**Target**
FY 2008	Not Met	28%	50%

Performance was not met, because:
The COMMITS program (all performance-based contracts) was transferred to GSA, reducing the Department's base. Limitations within procurement infrastructure, e.g., significant turnover, made it difficult to reach goal.

Strategies for Improvement:
Making correct coding in FPDS-NG an element in performance appraisals for contract specialists.

Year	Status	Historical Results	Historical Target
FY 2007	Not Met	28%	40%
FY 2006	Not Met	30%	50%
FY 2005	Not Met	< 50%	50%
FY 2004	Met	42%	40%
FY 2003	Not Met	24%	30%
FY 2002	Met	31%	25%
FY 2001	Met	25%	10%

PERFORMANCE OUTCOME: Ensure retention of highly qualified staff in mission-critical positions (DM)

PERFORMANCE OUTCOME RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$3.4
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1] In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2000-FY 2007 is shown in the first outcome "Ensure effective resource stewardship in support of the Department's programs." All FTE is shown in the first outcome.

DM PERFORMANCE MEASURE			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations			
Year	**Status**	**Actual**	**Target**
FY 2008	**Exceeded**	Exceeded the target by delivering a total of 4 competency models for the Economist, Acquisition, Mathematical Statistician, and Chemist series. Exceeded the OPM 45-day time-to-hire standard with an average fill time of 31 days for non-SES vacancies.	Have new competency models in place for 3 mission-critical occupations for use in applicant selections and training and development decisions. Meet or exceed the 45-day hiring goals mandated by OPM.
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	Trained post-secondary internship program applicants to increase applicant pools; trained managers to make better hiring decisions; trained employees in project management to close skill gaps	Improve recruitment strategies via targeted activities; assist managers in making better selections; close skill gaps
FY 2006	**Met**	Marketed job vacancies to organizations via automated hiring system; participated in career fairs and special programs; conducted training of managers and employees	Improve recruitment strategies via targeted activities; assist managers in making better selections; close skill gaps
FY 2005	**Met**	Improved from 28% to 29%, maintained 30 day fill time	Improve representation in underrepresented groups, maintain 30 day fill-time

PERFORMANCE OUTCOME: Acquire and manage technology resources to support program goals (DM)

PERFORMANCE OUTCOME RESOURCES[1] *(Dollars in Millions)*								
	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Funding	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$5.1
FTE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

[1] In FY 2008, DM split its one performance outcome into three separate outcomes. All funding for FY 2000-FY 2007 is shown in the first outcome "Ensure effective resource stewardship in support of the Department's programs."

DM PERFORMANCE MEASURE			
MEASURE: Improve the management of information technology			
Year	**Status**	**Actual**	**Target**
FY 2008	**Met**	Cost/schedule overruns/performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited with acceptable, quality documentation in place.	Cost/schedule overruns/performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited with acceptable, quality documentation in place.
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	Cost/schedule overruns/performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited.	Cost/schedule overruns/performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited.
FY 2006	**Met**	Cost overruns and performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited.	Cost/schedule overruns/performance shortfalls less than 10%. All national critical and mission-critical systems certified and accredited.
FY 2005	**Met**	Cost overruns and performance shortfalls less than 10%	Cost overruns and performance shortfalls less than 10%

PERFORMANCE OUTCOME: 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)

PERFORMANCE OUTCOME RESOURCES *(Dollars in Millions)*								
	FY 2001 Actual	**FY 2002 Actual**	**FY 2003 Actual**	**FY 2004 Actual**	**FY 2005 Actual**	**FY 2006 Actual**	**FY 2007 Actual**	**FY 2008 Actual**
Total Funding	$19.9	$20.9	$22.0	$21.0	$21.4	$22.5	$22.6	$22.2
FTE	139	136	140	128	115	118	121	113

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of OIG recommendations accepted by Departmental and bureau management			
Year	**Status**	**Actual**	**Target**
FY 2008	**Met**	100%	95%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	**Met**	96%	95%
FY 2006	**Met**	96%	95%
FY 2005	**Met**	99%	90%
FY 2004	**Met**	98%	90%
FY 2003	**Met**	97%	90%

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by the OIG			
Year	**Status**	**Actual**	**Target**
FY 2008	Exceeded	$113.0M	$28.0M
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Exceeded	$51.7M	$29.6M
FY 2006	Met	$34.2M	$30.0M
FY 2005	Exceeded	$32.0M	$23.0M
FY 2004	Exceeded	$26.0M	$20.0M
FY 2003	Exceeded	$43.3M	$20.0M

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of criminal and civil matters that are accepted for prosecution			
Year	**Status**	**Actual**	**Target**
FY 2008	Met	73%	63%
Year	**Status**	**Historical Results**	**Historical Target**
FY 2007	Met	73%	63%
FY 2006	Exceeded	91%	63%
FY 2005	Exceeded	81%	62%
FY 2004	Exceeded	67%	50%
FY 2003	Met	50%	50%

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002
REPORTING DETAILS

IPIA was enacted to provide for estimates and reports of improper payments by federal agencies. The act requires that federal agencies estimate improper payments and report on actions to reduce them. A review of all programs and activities that the Department administers is required annually to assist in identifying and reporting improper payments. The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Department's commitment to the continuous improvement in the overall disbursement management process remains very strong. Each of the Department's payment offices has implemented procedures to detect and prevent improper payments. For FY 2009 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

I. Describe the risk assessment(s) performed subsequent to completing its full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* (now located in OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*).

The Department annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*. The FY 2007 assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes are sound.

The results of Departmental assessments revealed no risk-susceptible programs, and demonstrated that overall, the Department has strong internal controls over disbursement processes, the amounts of improper payments by the Department are immaterial, and the risk of improper payments is low.

Each of the Department's bureaus/reporting entities is currently 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. For many of the reporting entities, these risk assessments will be completed in 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.

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

In FY 2008, the Department conducted a sampling process to draw and review random samples of disbursements from a Department-wide universe of disbursements. Each selected sample item was then subjected to a review of original invoices and supporting documentation to determine that the disbursement was accurate, made only once, and that the correct vendor was compensated. The results of the Department's review did not reveal any significant improper payments. The same results were achieved following a similar review in FY 2007. An estimated improper payment rate, accordingly, was deemed not necessary.

III. Describe the Corrective Action Plans (CAP) for reducing the estimate rate and amount of improper payments for each type of category of error. Include in this discussion the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.

The results of Departmental assessments demonstrate that, overall, the Department has strong internal controls over disbursement processes, the amounts of improper payments by the Department are immaterial, and the risk of improper payments is low. While the Department, accordingly, does not have a need for CAPs for improper payments, the Department has, nevertheless, further enhanced its processes and is actively working with each of the Department's payment offices to identify and implement additional procedures to prevent and detect improper payments. In FY 2008, the Department continued with the bureaus' quarterly reporting of improper payments to the Deputy Chief Financial Officer (CFO), along with identifying the nature and magnitude of any improper payments and identifying any necessary control enhancements.

The Department has additionally reviewed all financial statement audit findings/comments, and results of other payment reviews, for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

IV. Discuss recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments; and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.

In September 2008, recovery audits were completed for Departmental Management (DM)/Salaries & Expenses (DM/S&E), DM/Working Capital Fund (DM/WCF), and Economics and Statistics Administration/Bureau of Economic Analysis (ESA/BEA). Contracts/obligations closed after September 30, 2004 greater than $100 thousand were reviewed. Grants, travel payments, bankcards/purchase cards, all procurement vehicles with other federal agencies, government bills of lading, and gifts and bequests were excluded from review. The Department determined, that, for the above categories of contracts/obligations that were excluded from review, the Department's costs for the recovery audit activities would likely exceed the benefits of a recovery audit. Vendor inquiries were performed for a sample of vendors to determine if the reporting entities had any open credits or debts with vendors. Of the $68.8 million reviewed, no amounts were identified for recovery. The following table presents a summary of the Department's current year (CY) and prior years (PY) recovery audit results.

(In Thousands)

Reporting Entity(s)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed for CY Reporting	Amounts Identified for Recovery for CY Reporting	Amounts Recovered for CY Reporting	Amounts Identified for Recovery in PYs Reporting	Amounts Recovered in PYs Reporting	Cumulative Amounts Identified for Recovery (CY and PYs Reporting)	Cumulative Amounts Recovered (CY and PYs Reporting)
DM/S&E	$ 52,200	$ 42,983	$ -	$ -	N/A	N/A	$ -	$ -
DM/WCF	$ 28,356	$ 20,036	$ -	$ -	N/A	N/A	$ -	$ -
ESA/BEA	$ 8,381	$ 5,776	$ -	$ -	N/A	N/A	$ -	$ -
Census Bureau, NIST, NOAA, and USPTO	N/A	N/A	N/A	N/A	$ 96	$ 96	$ 96	$ 96

V. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

The Department has not identified any significant problems with improper payments; however, the Department recognizes the importance of maintaining adequate internal controls to ensure proper payments, and its commitment to continuous improvement in disbursement management processes remains very strong. The Department's CFO has responsibility for establishing policies and procedures for assessing Departmental and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to Departmental management for oversight and other actions as deemed appropriate. The CFO has designated the Deputy CFO to oversee initiatives related to reducing improper payments within the Department, and to work closely with the bureau CFOs in this area.

In FY 2008, the Department continued its reporting procedures that required quarterly reporting to the Department by its bureaus on any improper payments, identifying the nature and magnitude of any improper payments along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified. The Department's analysis of the data collected from the bureaus shows that Department-wide improper payments were below one-tenth of one percent in FY 2008, as was the case in FY 2007. The bureau CFOs are accountable for internal controls over improper payments, and for monitoring and minimizing improper payments.

For FY 2009 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VI. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

The Department has ensured that internal controls, manual, as well as financial system, relating to payments are in place throughout the Department, and has reviewed all financial statement audit findings/comments and results of other payment reviews for indications of breaches of disbursement controls. None of these audit findings/comments or reviews have uncovered any significant problems with improper payments or the internal controls that surround disbursements.

VII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

The Department has not identified any significant barriers to date, but will notify OMB and Congress of any barriers that inhibit actions to reduce improper payments if they occur.

VIII. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

The Department's Disbursement Best Practices. The following are some examples of the internal control procedures used by the Department's payment offices:

- Limited/controlled access to vendor files—access to basic vendor information (e.g., name, address, taxpayer identification number, business size, etc.) is available to financial system users; access to banking information, however, is strictly limited by system security to certain Office of Finance staff.

- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records is limited to certain Office of Finance financial system users. Also, authority to add or revise records in the vendor database is limited to separate Office of Finance financial system users.
- Segregation of duties for financial system data entry and review prior to transmitting disbursement files to Treasury—data entry duties are assigned to technicians in the Office of Finance who do not have authority to review and process payments. Authority to approve and process payments is assigned to accountants in the Office of Finance. Both data entry and approval/processing of payments are separate functions from transmitting disbursement files to Treasury.
- Financial system edit reports that highlight potential items that may result in improper payments (e.g., invoice amount and accrual amount are not the same). There is a daily Invoice Workload Report that displays open amounts (not closed by a payment) on all invoices. This report is reviewed and action is taken to resolve partially open invoices. Furthermore, system settings prevent a payment in excess of the amount of the invoice.
- Daily pre-payment audit of invoices for accuracy, and corrective actions prior to disbursement, thereby preventing improper payments from occurring.
- Financial system edits if the vendor's name on the payment does not agree with that on the obligation, or if the payment amount is greater than the obligation or accrual amount.
- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.
- An accountant or supervisor reviews individual payments before releasing for payment, to help ensure that the correct banking information or payment addresses are used, and that the correct amount will be paid.
- Monthly post-payment random sample audits for detection purposes.
- Contracts include a clause requiring the contractor to notify the contracting officer if the government overpays when making an invoice payment or a contract financing payment.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Presented below is a summary of financial statement audit and management assurances for FY 2008. Table 1 relates to the Department's FY 2008 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

The Department had one recurring material weakness under FMFIA, Section 2 relating to information technology (IT) certification and accreditation (C&A). Though significant progress has been made, work still remains on fully implementing corrective actions. Efforts to fully resolve this material weakness are being monitored by the Department's senior management.

Table 1. Summary of Financial Statement Audit

Audit Opinion:	Unqualified
Restatement:	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unqualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Qualified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
IT Certification and Accreditation	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
No Non-Conformance Issues	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	Agency	**Auditor**
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

GLOSSARY OF KEY ACRONYMS

Abbreviation	Title
A	
ACI	American Competitiveness Initiative
ACM	Asbestos-Containing Materials
ACS	American Community Survey
ACSI	American Customer Satisfaction Index
AD	Antidumping
AHS	American Housing Survey
AML	Advanced Measurement Laboratory
APP	Annual Performance Plan
AWS	Advanced Wireless Service
B	
BAS	Boundary and Annexation Survey
BDC	Business Development Centers
BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security
BLS	Bureau of Labor Statistics
BNQP	Baldrige National Quality Program
C	
C&A	Certification and Accreditation
CAP	Corrective Action Plan
CCSP	Climate Change Science Program
CEDS	Comprehensive Economic Development Strategies
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration
CIO	Chief Information Officer
COA	Climate Observations and Analyses
COOP	Continuity of Operations Plan
CPI	Consumer Price Index
CPS	Current Population Survey
CRADA	Cooperative Research and Development Agreements
CSP	Coastal Storms Program
CSRS	Civil Service Retirement System
CVD	Countervailing Duty
CWC	Chemical Weapons Convention
CWCIA	CWC Implementation Act
D	
DART	Deep Ocean Assessment and Reporting of Tsunamis
DFI	Digital Freedom Initiative
DHS	U.S. Department of Homeland Security
DM	Departmental Management
DOD	U.S. Department of Defense
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
DPAS	Defense Priorities and Allocations System
E	
EA	External Affairs
EAA	Export Administration Act
EAR	Export Administration Regulations
EDA	Economic Development Administration
EDAP	Economic Development Assistance Programs
EDD	Economic Development Districts
ELGP	Emergency Oil and Gas and Steel Loan Guarantee Programs
ENC	Electronic Navigational Chart
ENSO	El Niño/Southern Oscillation
EPO	European Patent Office
ESA	Economics and Statistics Administration
F	
FAR	False Alarm Rate
FCC	Federal Communications Commission
FDCA	Field Data Collection Automation
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program
FEHB	Federal Employees Health Benefit Program

Abbreviation	Title
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMLoB	Financial Management Line of Business
FSV	Fisheries Survey Vessel
FTA	Free Trade Agreement
FTE	Full-Time Equivalent
FVOG	Fishing Vessel Obligation Guarantee Loan Program
FWC	Future Workers' Compensation
FY	Fiscal Year
G	
G&B	Gifts and Bequests (a fund that is part of DM)
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GDP	Gross Domestic Product
GEO	Global Earth Observatory
GLERL	Great Lakes Environmental Research Laboratory
GPRA	Government Performance and Results Act of 1993
GPS	Global Positioning System
GSA	U.S. General Services Administration
GSMFC	Gulf States Marine Fishing Commission
H	
HCHB	Herbert C. Hoover Building
HHWS	Heat Health/Warning Systems
HR	Human Resources

Abbreviation	Title
I	
IA	Import Administration
ICANN	Internet Corporation for Assigned Names and Numbers
IEOS	Integrated Earth Observation System
IFQ	Individual Fishing Quota Direct Loans
IOOS	Integrated Ocean Observing System
IP	Intellectual Property
IP	Internet Protocol
IPCC	Intergovernmental Panel on Climate Change
IPIA	Improper Payments Information Act
IPR	Intellectual Property Rights
IRAC	Interdepartmental Radio Advisory Committee
IRS	Internal Revenue Service
ISOS	Integrated Surface Observing System
ISSLoB	Information System Security Line of Business
IT	Information Technology
ITA	International Trade Administration
ITS	Institute for Telecommunication Sciences
J	
JCCT	Joint Commission on Commerce and Trade
JPO	Japan Patent Office
K	
KSA	Knowledge, Skills, and Abilities
L	
LBP	Lead-Based Paints
LPTV	Low-Power Television
M	
MAC	Market Access and Compliance
MAF	Master Address File
MAS	Manufacturing and Services
MBDA	Minority Business Development Agency
MBDC	Minority Business Development Centers
MBE	Minority Business Enterprise

Abbreviation	Title
MBNQA	Malcolm Baldrige National Quality Awards
MBOC	Minority Business Opportunity Committee Program
MED	Minority Enterprise Development
MEP	Manufacturing Extension Partnership
MOU	Memorandum of Understanding
N	
NABDC	Native American Business Development Centers
NAFTA	North American Free Trade Agreement
NASA	National Aeronautics and Space Administration
NCEP	National Centers for Environmental Prediction
NDBC	National Data Buoy Center
NERR	National Estuarine Research Reserve
NESDIS	National Environmental Satellite, Data, and Information Service
NEXRAD	Next Generation Weather Radar System
NGDC	National Geophysical Data Center
NGS	National Geodetic Survey
NIDIS	National Integrated Drought Information System
NIH	National Institutes of Health
NIPA	National Income and Product Accounts
NIPLECC (or NIPC)	National Intellectual Property Law Enforcement Coordination Council
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service
NPV	Net Present Value
NRC	National Research Council
NSSL	National Severe Storms Laboratory
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
NWLON	National Water Level Observation Network
NWS	National Weather Service
O	
OAMFA	Office of Acquisition Management and Financial Assistance
OAR	Office of Atmospheric Research
OB	Office of Budget
OFM	Office of Financial Management
OFPP	Office of Federal Procurement Policy
OHRM	Office of Human Resources Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OS	Office of the Secretary
OSDBU	Office of Small and Disadvantaged Business Utilization
OSY	Office of Security
P	
PAIR	Patent Application and Information Retrieval
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PCSRF	Pacific Coast Salmon Recovery Fund
PEO	Program Executive Officer
PFM	Point Forecast Matrix
PMA	President's Management Agenda
PMC	Program Management Council
PORTS®	Physical Oceanographic Real-time System
PP&E	Property, Plant, and Equipment, Net
PSIC	Public Safety Interoperable Communications
PSV	Post-Shipment Verification
PTFP	Public Telecommunications Facilities Program

Abbreviation	Title
Q	
QFR	Quarterly Financial Report
R	
R&D	Research and Development
RF	Radio Frequency
RFC	River Forecast Center
RLF	Revolving Loan Fund
S	
S&E	Salaries and Expenses
S&T	Science and Technology
SARSAT	Search and Rescue Satellite-Aided Tracking System
SBA	U.S. Small Business Administration
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SDDS	Special Data Dissemination Standards
SES	Senior Executive Service
SFMR	Stepped Frequency Microwave Radiometer
SIPP	Survey of Income and Program Participation
SME	Small and Medium-sized Enterprise
SPD	Survey of Program Dynamics
SRD	Standard Reference Data
SRM	Standard Reference Materials
STEP	Standard for the Exchange of Product Model Data
STOP!	Strategy Targeting Organized Piracy
T	
3G	Third Generation
TAA	Trade Adjustment Assistance Program
TAAC	Trade Adjustment Assistance Center
TDR	Trademark Document Retrieval
TIGER	Topologically Integrated Geographic Encoding and Referencing System
TIP	Technology Innovation Program
TPCC	Trade Promotion Coordinating Committee

Abbreviation	Title
Treasury	U.S. Department of the Treasury
TRIPS	Trade Related Aspects of Intellectual Property Rights
TROR	Treasury Report on Receivables
TSP	Thrift Savings Plan
U	
UC	University Center
US&FCS	U.S. and Foreign Commercial Service
USCRN	U.S. Climate Reference Network
USDA	U.S. Department of Agriculture
USPTO	U.S. Patent and Trademark Office
USTR	Office of the U.S. Trade Representative
USWRP	U.S. Weather Research Program
UWB	Ultrawideband
V	
VCAT	Visiting Committee on Advanced Technology
VoIP	Voice over Internet Protocol
W	
WARN	Wireless Accelerated Responder Network
WCF	Working Capital Fund
WIPO	World Intellectual Property Organization
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

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