



U.S. DEPARTMENT OF COMMERCE

FY 2006 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)
- Technology Administration (TA)
 - Under Secretary
 - 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: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

Goal 3: Observe, protect, and manage the Earth's resources to 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 36,000 employees.

Financial Resources

The Department's FY 2005 budget was approximately \$6.5 billion and its FY 2006 budget was about \$6.8 billion.

Internet

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

U.S. DEPARTMENT OF COMMERCE

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ACCOUNTABILITY REPORT



AMERICAN JOBS, AMERICAN VALUES



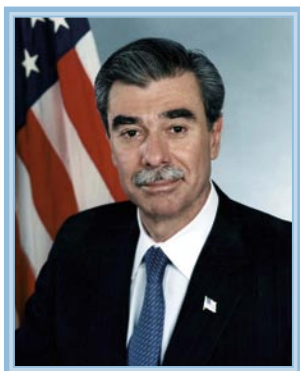
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STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's FY 2006 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.

The data and details in this report provide an account of the Department's accomplishments in enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship.

Competitiveness and Innovation

With innovation essential to the U.S. economic future, one of our priorities is to play a key role in the American Competitiveness Initiative (ACI) aimed at keeping the nation strong and secure by ensuring that it continues to lead the world in science and technology. The National Institute of Standards and Technology (NIST) is one of three key federal agencies in the ACI that support basic research programs in the physical sciences and engineering. NIST research laboratories focus on providing the standards, measurement science, verified data, and test methods necessary to support the development of new technologies and to promote the competitive standing of the United States in the global economy. NIST's world-class scientific and technical staff works closely with private industry, academic researchers, and other government agencies.

NIST's reputation was further enhanced when John L. Hall was named a co-recipient of the Nobel Prize in Physics in October 2005 for his work at NIST to develop the laser as a precision measurement tool. With this achievement, NIST is now the home to three Nobel Laureates. Building on a precision laser calibration technique developed by Hall, in 2006, NIST physicists announced a highly sensitive new tool for real-time chemical analysis. Their new technology may dramatically improve the speed and accuracy of chemistry laboratories, environmental monitoring stations, security site screening for explosives or biochemical weapons, and medical offices where a patient's breath could be analyzed to monitor disease.

NIST researchers continued to push the limits of quantum physics and quantum information technology (IT), announcing a groundbreaking experiment in December 2005 that set a new record for simultaneously confining individual atoms and controlling their quantum states—work that affects the design of quantum computers and could lead to improved precision instruments such as atomic clocks. In June 2006, NIST researchers announced the development of a novel electromagnetic "trap" for ions that may lead to practical quantum computers.

In FY 2006, the Department also assisted economically distressed communities by promoting a favorable business environment through investments in public infrastructure and technology which, in turn, attracted private capital investment and new jobs. For example, an Economic Development Administration (EDA) investment in the city of Tupelo, MS assisted in the construction of a multi-story, 31,609 square foot, small business incubator. The Tupelo/Lee County Regional Business Incubator project will provide area entrepreneurs and existing businesses with an opportunity to obtain the working space, specialized technical assistance, and peer support their business endeavors need to succeed during the difficult early stages of development. EDA's investment of \$1.625 million is anticipated to leverage \$9.2 million in private investment and is projected to create 281 new jobs and 36 new businesses by the end of the start-up cycle.



STATEMENT FROM THE SECRETARY

Not only did we take direct action to improve the nation's standing in terms of innovation and development, we also improved the economic information used as a basis for important decisions by business leaders, policymakers, and the U.S. public. In FY 2006, we successfully completed updates to geographic reference features for all planned counties. Improving the Census Bureau's geographic data is important in order to improve accuracy, reduce operational risk, and contain the cost of the 2010 Census. Census data are used to apportion seats in the U.S. House of Representatives and to allocate billions of federal dollars to states and localities.

Trade

In FY 2006, we advanced two critical priorities by leveraging public and private partnerships and by promoting U.S. exports in strategic and emerging markets. These priorities reinforced our goal to broaden and deepen the nation's export base. Government and industry have worked side-by-side to support passage of several free trade agreements (FTA), advance U.S. positions in the World Trade Organization (WTO), and expand market access and promote U.S. exports in commercially strategic markets.

Our efforts in developing trade with India have resulted in U.S. exports to India nearly doubling in the last three years from \$4.1 billion in 2002 to over \$8 billion in 2006. We continue to advance an enhanced U.S.-India commercial dialogue, launched this past spring by the International Trade Administration (ITA). The expanded agenda for the commercial dialogue now addresses standards, intellectual property rights (IPR) enforcement, antidumping and countervailing duty (AD/CVD) procedures, and commercial opportunities for small and medium-sized enterprises.

We remain committed to removing trade barriers and ensuring compliance with negotiated trade agreements. During the past year, we negotiated and started implementing a key agreement on Mexican cement. This agreement resolved a long-standing trade dispute between the United States and Mexico over imports of cement while at the same time providing improved market access for U.S. cement producers into the Mexican market. Recently U.S. consumers complained of cement shortages. Last summer's Gulf Coast hurricanes exacerbated this problem, leading to the United States and Mexico reaching this settlement. Now, cement shortages affecting consumers in the United States have been eased by a measured entry of Mexican cement into the U.S. market. These imports assisted efforts to rebuild in the hurricane-ravaged Gulf Coast region. The agreement has helped to ensure that resources will be available in the event of future disaster so the long-term impact of these efforts is market-liberalization, including improved access to the Mexican market for U.S. cement producers.

Intellectual Property Protection

People all over the world 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. We are committed to promoting the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws.

In support of the Office of the U.S. Trade Representative (USTR) and other federal agencies, the U.S. Patent and Trademark Office (USPTO) plays a key role in the negotiation and drafting of IP provisions of free trade and other international agreements. These provisions generally require U.S. trading partners to provide stronger, more effective protection for IP than is required under WTO's



STATEMENT FROM THE SECRETARY

Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement. USPTO has participated in numerous negotiating rounds and/or implementing legislation for all recently concluded and ongoing FTAs.

The Under Secretary for Intellectual Property and Director of the USPTO serves as co-chair of the National Intellectual Property Law Enforcement Coordination Council, which coordinates domestic and international IP enforcement activities. The Department also participates in the Administration's Strategy Targeting Organized Piracy (STOP!) initiative to fight IP piracy.

In FY 2006, we expanded the Trilateral Document Access system that provides patent examiners at the USPTO and the Japan Patent Office (JPO) access to selected application documents in the file wrappers of each other's office. In addition, USPTO's Office of External Affairs (EA) plays a critical role in U.S. efforts to provide IP technical assistance throughout the world. EA's mission is to promote development of IP systems internationally. Some recent initiatives include collaborating with counterparts in the Chinese government to improve China's IP rights (IPR) administration and enforcement, placing IPR experts in six countries to support Embassies and Consulates on all IPR issues, and establishing the USPTO Global Intellectual Property Academy (GIPA) to expand IP training, technical assistance, capacity programs and activities for foreign government officials. EA also manages a hotline that helps small and medium-sized businesses leverage the resources of the federal government to protect their IPR in the United States and abroad.

Environmental Stewardship

In the Pacific Ocean, the Administration has created the world's largest marine conservation area off the coast of the Northwestern Hawaiian Islands in order to permanently protect pristine coral reefs and unique marine species. The Northwestern Hawaiian Islands Marine National Monument encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. We will manage this monument in coordination with the U.S. Fish and Wildlife Service and the State of Hawaii.

During the summer of 2006, a new geostationary operational environmental satellite (GOES-13), designed to track hurricanes and other severe weather, successfully reached orbit. GOES-13 assumed its place in the National Oceanic and Atmospheric Administration (NOAA) GOES satellite constellation, which provides continuous critical data for severe weather forecasts and warnings, including tornadoes, winter storms, and hurricanes.

In FY 2006, we continued our research in conservation and management of fisheries and marine ecosystems by launching the HENRY B. BIGELOW, one of a new class of fisheries survey vessels (FSV). This ship will support NOAA research efforts primarily in northeastern U.S. waters. Its high-tech capabilities make it one of the most advanced fisheries research ships in the world, enabling NOAA to conduct its fisheries research and assessment mission in New England with greater accuracy and cost efficiency.

Gulf Coast

The 2005 Gulf Coast hurricanes continued to have a major impact in this past year, with the affected communities continuing their efforts to rebuild. These disasters focused our nation's attention and concerns on the devastation caused by major hurricanes and the work of the National Weather Service (NWS) in preparing our coastal regions for such storms. We continue to be proud of our efforts to respond to the enormous human and environmental needs of people who are coping with the devastating effects of hurricanes and other natural disasters. We continued to restore fisheries, assess damage to major fishing ports and seafood processing facilities, assist fishing communities' recovery efforts, re-map ports to enable resumption of shipping and commerce, and extend economic development recovery grants. We will continue to support recovery efforts.



Program Data 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. These steps have resulted in the removal of strategic planning and performance management as one of the Department's top ten management challenges.

In response to the Reports Consolidation Act of 2000, we are reporting that the financial and performance data presented are substantially complete and reliable, in accordance with Office of Management and Budget guidance (OMB Circular A-136 and A-11). Any specific data limitations are discussed in the body of the report. Our financial management systems are in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). For the eighth year in a row, our financial statements have been issued an unqualified ("clean") opinion by independent auditors.

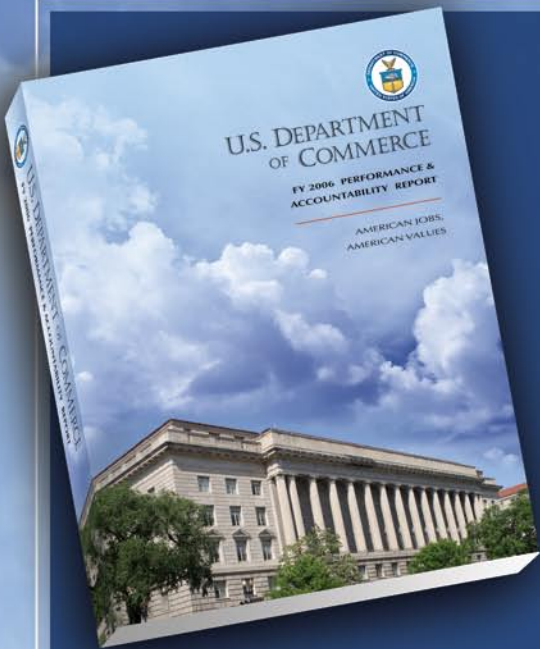
We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123. Continual evaluation of our operations through a variety of internal and external studies enables us to determine whether our systems and management controls conform 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 continue to make progress in improving our IT security posture, we have not reached the point at which this material weakness can be considered resolved. Further information about this issue can be found in the Management Discussion and Analysis section of this report.

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

In Conclusion

Again, I am proud to submit this report on FY 2006 performance results for the Department of Commerce. I hope the report will provide a useful look at the activities of the Department and its 36,000 employees, whose work continues to result in improvements in the nation's economic situation, and in scientific progress and environmental stewardship that benefit people around the globe. I look forward in the year ahead to strengthening our focus on these critical activities and furthering our mission and management objectives.

Carlos M. Gutierrez
Secretary of Commerce
November 15, 2006



HOW TO USE THIS REPORT

This Performance and Accountability Report (PAR) for fiscal year (FY) 2006 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 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 the 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 2006. 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 2006. 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, description of changes to performance goals and measures from the FY 2005 PAR, financial information, and a glossary of acronyms.

MANAGEMENT DISCUSSION & ANALYSIS

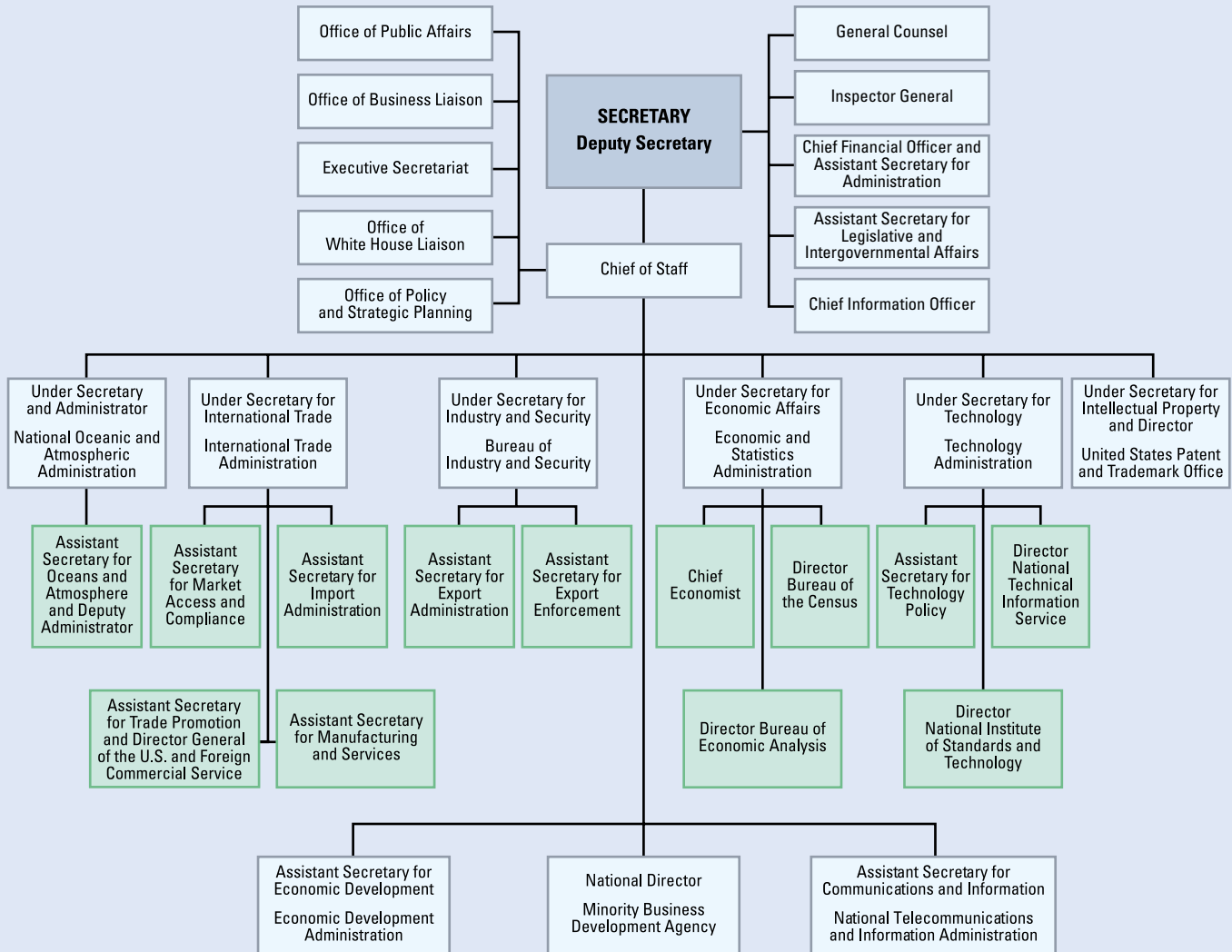


MISSION AND ORGANIZATION

MISSION

THE DEPARTMENT OF COMMERCE CREATES THE CONDITIONS FOR ECONOMIC GROWTH AND OPPORTUNITY BY PROMOTING INNOVATION, ENTREPRENEURSHIP, COMPETITIVENESS, AND STEWARDSHIP.

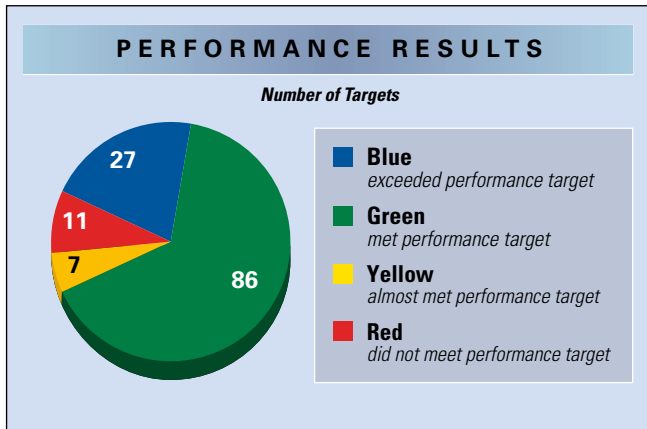
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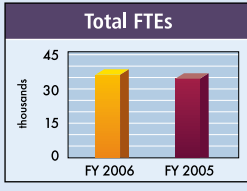
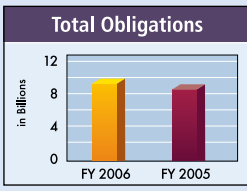
FY 2006 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 131 performance targets, 86 percent were at or above target, six percent slightly below target, and eight percent not on target. These results are slightly lower than last year, when 89 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.



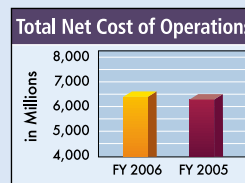
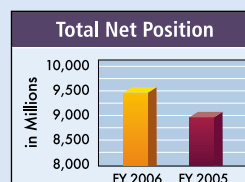
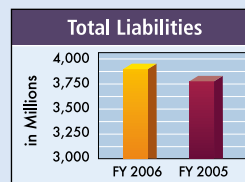
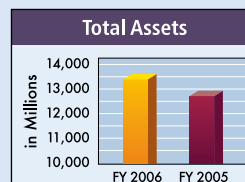
(Dollars In Millions) ¹	Percentage Change	FY 2006	FY 2005
For the Years Ended September 30, 2006 and 2005			
Obligations by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+3%	\$ 1,936.0	\$ 1,888.5
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+11%	2,719.4	2,456.5
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+11%	4,507.3	4,064.0
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	-9%	71.8	79.2
TOTAL OBLIGATIONS	+9%	\$ 9,234.5	\$ 8,488.2
Full Time Equivalents (FTEs) by Strategic Goal:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+1%	12,017	11,877
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	+6%	10,582	10,022
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+8%	12,896	11,918
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	+1%	295	292
TOTAL FTEs	+5%	35,790	34,109



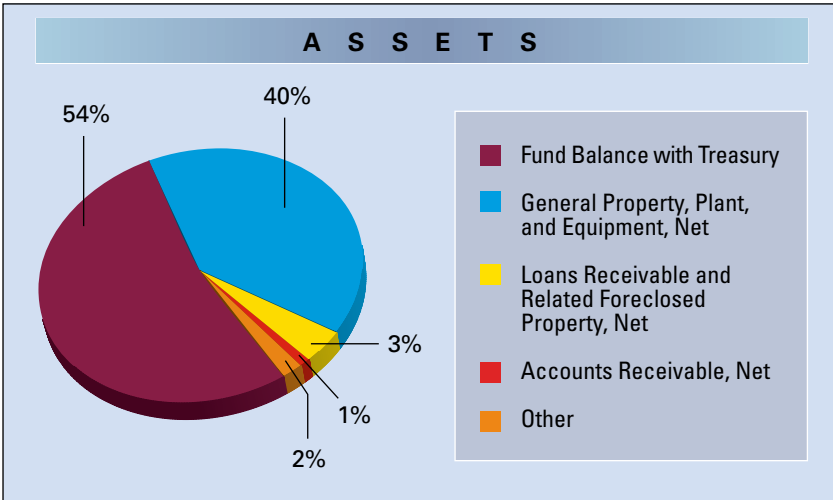
¹Performance obligations may differ from obligations shown in financial reports because they do not include one-time funds for unexpected events (e.g., Katrina) or reimbursable work that cannot be planned. In these cases, these obligations are not factored into bureau performance amounts.

FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	Percentage Change	FY 2006	FY 2005
As of September 30, 2006 and 2005			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	+3%	\$ 7,231,997	\$ 7,041,269
General Property, Plant, and Equipment, Net	+8%	5,299,093	4,927,707
Loans Receivable and Related Foreclosed Property, Net	+12%	467,985	417,509
Accounts Receivable, Net	+15%	145,906	126,754
Other	-1%	215,437	216,937
TOTAL ASSETS	+5%	\$13,360,418	\$12,730,176
LIABILITIES:			
Unearned Revenue	+8%	\$ 1,390,284	\$ 1,287,749
Federal Employee Benefits	+4%	589,964	569,114
Accounts Payable	-9%	364,250	399,957
Accrued Grants	+8%	420,588	388,679
Debt to Treasury	+18%	422,071	357,581
Accrued Payroll and Annual Leave	+5%	370,240	351,698
Other	-18%	333,519	407,211
TOTAL LIABILITIES	+3%	\$ 3,890,916	\$ 3,761,989
NET POSITION:			
Unexpended Appropriations	+2%	\$ 4,306,421	\$ 4,238,321
Cumulative Results of Operations	+9%	5,163,081	4,729,866
TOTAL NET POSITION	+6%	\$ 9,469,502	\$ 8,968,187
TOTAL LIABILITIES AND NET POSITION	+5%	\$13,360,418	\$12,730,176
For the Years Ended September 30, 2006 and 2005			
Condensed Statements of Net Cost:			
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+9%	\$ 1,816,282	\$ 1,672,505
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	-24%	707,220	931,507
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	+5%	3,893,386	3,708,116
TOTAL NET COST OF OPERATIONS	+2%	\$ 6,416,888	\$ 6,312,128
Total Gross Costs	+5%	\$ 8,824,389	\$ 8,438,306
Total Earned Revenue	+13%	(2,407,501)	(2,126,178)
Total Net Cost Of Operations	+2%	\$ 6,416,888	\$ 6,312,128

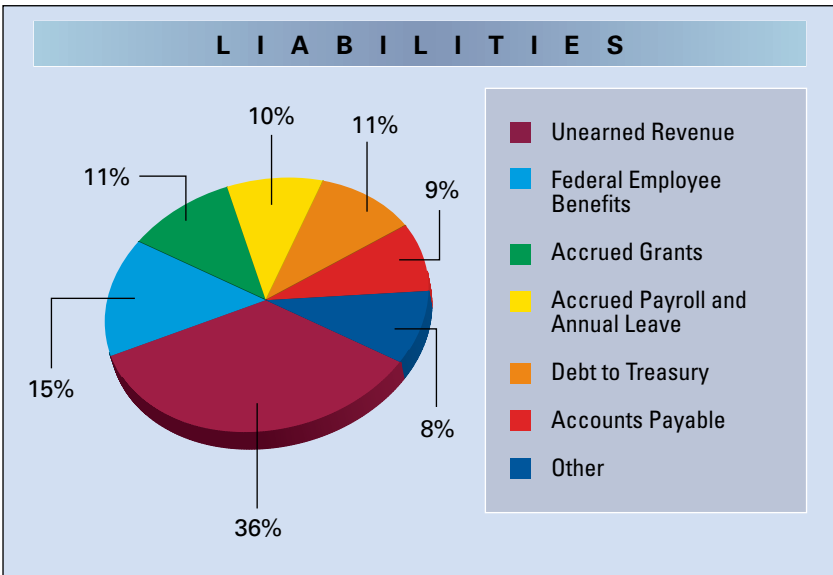


REVIEW OF FINANCIAL POSITION AND RESULTS



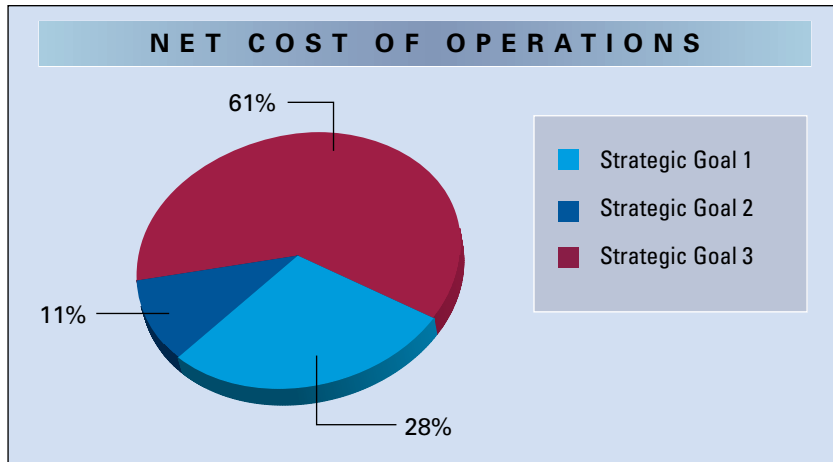
Assets

The Department had total assets of \$13.4 billion as of September 30, 2006. This represents an increase of \$630 million (five percent) over the previous year's total assets of \$12.7 billion. The increase is primarily the result of Fund Balance with Treasury increasing by \$191 million, which primarily resulted from higher Appropriations Received of \$287 million or 4.4%; and General Property, Plant, and Equipment, Net increasing by \$371 million, which primarily resulted from increase in Construction-Work-in-Progress of \$640 million, and a decrease of \$287 million in Satellites/Weather System Personal Property.



Liabilities

The Department had total liabilities of \$3.9 billion as of September 30, 2006. This represents an increase of \$128.9 million (3.4 percent) over the previous year's total liabilities of \$3.8 billion. The increase is primarily the result of Unearned Revenue increasing by \$102.5 million, which primarily resulted from increased patent and trademark application and user fees that are pending action; and the result of Debt to Treasury increasing by \$64.5 million primarily due to increase in crab buyback program loans.



Net Cost of Operations

In FY 2006, Net Cost of Operations amounted to \$6.4 billion, which consists of Gross Costs of \$8.8 billion less Earned Revenue of \$2.4 billion. Strategic Goal 1 includes Gross Costs of \$2.1 billion related to providing information and tools to maximize U.S. competitiveness and enable economic growth. Strategic Goal 2 includes Gross Costs of \$2.5 billion related to fostering science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science. Strategic Goal 3 includes Gross Costs of \$4.2 billion related to observing, protecting, and managing the Earth's resources to promote environmental stewardship.



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 is currently in the process of updating its strategic plan for FY 2007 - FY 2012. The FY 2004 - FY 2009 strategic plan can be found at: <http://www.osec.doc.gov/bmi/budget/DOCSTPLAN.htm>.

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 2007 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 2006 performance results and completes the Department's performance management process. The Web address of the FY 2006 PAR is: <http://www.osec.doc.gov/bmi/budget/>.



MANAGEMENT DISCUSSION AND ANALYSIS

The appendices of the FY 2006 PAR provide details of the Department's performance and explanatory materials supporting the program results. 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 goals 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.

How the Department Selects Its Performance Goals and Measures

Performance goals articulated in the introductory material for each goal in the 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 2006 PAR depicts a top-level, integrated system for managing for results within the Department, and 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 2006. More in-depth performance results for FY 2006 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.

Performance Validation and Verification

The Department uses a broad range of performance goals 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. A general discussion of the Department's process follows. The APPs of each bureau provide the data validation and verification tables for each measure and describe how the data are validated and verified.

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. As of September 30, 2006, Department staff had reviewed 31 measures as described above. 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]).



MANAGEMENT DISCUSSION AND ANALYSIS

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 2006 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. They also report on the status of measures that will appear at the end of the year in this report.

Future Enhancements to Financial and Performance Information

The Department is continuously making improvements in its financial and performance data, particularly in integrating the information. As demonstrated by its efforts in improving internal processes, the Department is building on its existing Commerce Business System (CBS) to bring these two data sets together.

**MOST IMPORTANT RESULTS AND THE FUTURE:
PERFORMANCE, PRIORITIES, AND CHALLENGES**

The Department's three diverse strategic goals and a Department-wide management integration goal promote the mission of the Department through the various actions of each bureau. What follows is a table summarizing the performance results that were achieved by the Department and a table listing the key measures of the Department. A goal is said to have been met if 100 percent of the targets of its corresponding measures were achieved, significantly met if 75 percent to 99 percent of its targets were achieved, and not met if less than 75 percent of its targets were achieved.

SUMMARY OF PERFORMANCE RESULTS

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE GOAL	STATUS*
Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers	Strategic Objective 1.1: Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Increase private enterprise and job creation in economically distressed communities	●
		Improve community capacity to achieve and sustain economic growth	●
		Enhance U.S. competitiveness in domestic and international markets	●
		Broaden and deepen U.S. exporter base	●
		Increase access to the marketplace and financing for minority-owned businesses	●
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Identify and resolve unfair trade practices	●
		Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system	●
		Integrate non-U.S. actors to create a more effective global export control and treaty compliance system	●
		Eliminate illicit export activity outside the global export control and treaty compliance system	●
		Ensure continued U.S. technology leadership in industries that are essential to national security**	●
	Strategic Objective 1.3: Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	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	●
		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	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE

** This goal had one measure—Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls. No assessments were completed until late in the fourth quarter, so data or estimated data will not be available before January 1, 2007. Results will be reported in the FY 2007 PAR.

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF PERFORMANCE RESULTS (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE GOAL	STATUS*
Strategic Goal 2: Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science	Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure	●
		Accelerate private investment in and development of high-risk, broad-impact technologies	●
		Raise the productivity and competitiveness of small manufacturers	●
		Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities	●
	Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Improve the quality of patent products and services and optimize patent processing time	●
		Improve the quality of trademark products and services and optimize trademark processing time	●
		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 the development of global e-commerce and enhanced telecommunications and information services	Ensure that the allocation of radio spectrum provides the greatest benefit to all people	●
		Promote the availability, and support new sources, of advanced telecommunications	●
	Strategic Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship	Strategic Objective 3.1: Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs	Serve society's needs for weather and water information
Understand climate variability and change to enhance society's ability to plan and respond			●
Strategic Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs		Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management	●
		Support the nation's commerce with information for safe, efficient, and environmentally sound transportation	●
Management Integration Goal: Achieve organizational and management excellence		Identify and effectively manage human and material resources critical to the success of the Department's strategic goals	●
		Promote improvements to Commerce programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE



MANAGEMENT DISCUSSION AND ANALYSIS

The following is a listing of the key measures of each of the bureaus in the Department. After this list is a discussion of the Department's most important results, challenges, and action plans by strategic goal. This list is not all inclusive.

KEY PERFORMANCE MEASURES			
STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE	
Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers	Strategic Objective 1.1: Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations	Private sector dollars invested in distressed communities as a result of EDA investments (EDA)	
		Jobs created or retained in distressed communities as a result of EDA investments (EDA)	
		Percentage of undertaken advocacy actions completed successfully (ITA)	
		Dollar value of contract awards obtained (MBDA)	
		Dollar value of financial awards obtained (MBDA)	
		Number of market access and compliance cases completed (ITA)	
	Strategic Objective 1.2: Advance responsible economic growth and trade while protecting American security	Percent of licenses requiring interagency referral referred within nine days. (BIS)	
		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)	
		Strategic Objective 1.3: Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public	
	Strategic Goal 2: Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science	Strategic Objective 2.1: Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research	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)
			Release data products for Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (Census)
		Strategic Objective 2.2: Protect intellectual property and improve the patent and trademark system	Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (BEA)
			Relevance: Customer satisfaction with quality of products and services (mean rating on a 5-point scale) (BEA)
Accuracy: Percent of GDP estimates correct (BEA)			
Strategic Objective 2.3: Advance the development of global e-commerce and enhanced telecommunications and information services		Qualitative assessment and review of technical quality and merit using peer review (NIST)	
		Customer satisfaction with NTIS products and services (NTIS)	
		Patent allowance error rate (USPTO)	
		Trademark final action deficiency rate (USPTO)	
		IP technical activities completed (USPTO)	
	Support new telecom and information technology by advocating Administration views in FCC docket filings and congressional proceedings (NTIA)		

(continued)



MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE MEASURES (CONTINUED)

STRATEGIC GOAL	STRATEGIC OBJECTIVE	PERFORMANCE MEASURE
<p>Strategic Goal 3: Observe, protect, and manage the Earth's resources to promote environmental stewardship</p>	<p>Strategic Objective 3.1: Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs</p>	Tornado warnings lead time (minutes) (NOAA)
	<p>Strategic Objective 3.2: Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs</p>	Hurricane forecast track error (48 hours) (nautical miles) (NOAA)
		Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations (NOAA)
		Number of major stocks with an "unknown" stock status (NOAA)
		Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)
	<p>Management Integration Goal: Achieve organizational and management excellence</p>	
Improve the management of information technology (DM)		
Percentage of OIG recommendations accepted by departmental and bureau management (OIG)		

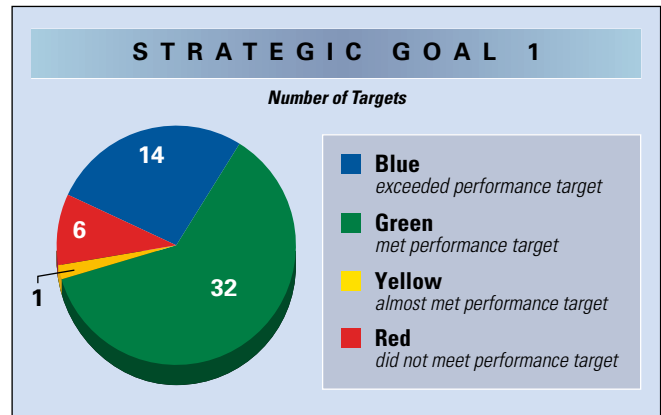
STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

Most Important Results

The Department achieved success in 87 percent of the targets that were set. Such achievements can be measured through the many activities that support this goal.

The Economic Development Administration (EDA) measures the results of its investments three, six, and nine years after the award date. EDA data indicate that investments made in FY 2003, FY 2000 and FY 1997 (three, six and nine years prior to FY 2006) generated \$4.94 billion in private investment and created or retained 105,206 jobs. EDA anticipates that investments made in FY 2006 will generate \$265 million by FY 2009, \$662 million by FY 2012, and \$1.324 billion by FY 2015. EDA expects that those same investments will create or retain 7,019 jobs by 2009, 17,548 jobs by FY 2012, and 35,097 jobs by FY 2015.



The Minority Business Development Agency (MBDA) responded to the Department's Gulf Coast Initiative by identifying competitive minority business enterprises (MBE) capable of competing for contract opportunities to rebuild New Orleans and the Mississippi Coast. The Agency reprogrammed funds, established a temporary Minority Business Enterprise Center (MBEC) in New Orleans, hired an area manager to work in the community, and funded a new Minority Business Opportunity Center (MBOC) to service Louisiana and Mississippi.

To further support this effort, MBDA developed a new demonstration program entitled "Business to Business (B2B) Partnership Linkages." These forums brought minority businesses together to form joint ventures that allowed them to compete for larger contracts that would normally go to large non-minority firms. MBDA invited other federal agencies to participate, identifying specific contracts that were being announced and to provide mentoring and technical assistance. Successful forums were held in New Orleans, Biloxi, and Washington, DC, with more scheduled for later in the year.

In response to the MBDA vision statement of reaching economic parity, a special report, "The State of Minority Business Enterprises," was presented at the 2006 National Minority Enterprise Week celebration. Between 1997 and 2002, the number of minority firms increased by 35 percent, significantly higher than the six percent gain by non-minority firms. Also, the annual receipts generated by MBEs increased by 13 percent compared to only a three percent growth of receipts for non-minorities. In addition, the number of paid employees grew by five percent compared to a decline of seven percent for non-minority businesses.

In the area of trade, the International Trade Administration (ITA) advanced two critical program priorities by its efforts to strengthen public-private promotion through leveraging public and private partnerships and by promoting U.S. exports in strategic and emerging markets. These priorities reinforced ITA's goal to broaden and deepen the export base. The President and the Secretary of Commerce rely upon ITA to advance free trade as a means to create opportunities for U.S. companies in recently negotiated Free Trade Agreements (FTA), as well as critical strategic and emerging markets. Government and industry have worked side-by-side



MANAGEMENT DISCUSSION AND ANALYSIS

to support passage of several FTAs, advance U.S. positions in the World Trade Organization (WTO), and to expand market access and promote U.S. exports in commercially strategic markets. These efforts have yielded the following results:

- ◆ **Chile** — In Chile, total bilateral trade between the United States and Chile rose 85 percent since the U.S.-Chile FTA went into effect in January 2004. The United States exported \$5.2 billion in goods in 2005, a 91 percent increase over 2003.
- ◆ **Central America Free Trade Agreement - Dominican Republic (CAFTA-DR)** — This FTA created the second-largest U.S. export market in Latin America, behind only Mexico, and the 10th largest U.S. export market in the world. The United States exported almost \$16 billion in goods to the five Central American countries and the Dominican Republic in 2004, more than all exports to Russia, India, and Indonesia combined. U.S. export growth to the CAFTA-DR region has outperformed overall U.S. exports during the past five years.
- ◆ **India** — Twenty-five years ago U.S. total bilateral trade was only \$2.8 billion. By 2005, that had increased nearly tenfold to \$27 billion. U.S. exports to India have nearly doubled in the last three years from \$4.1 billion in 2002 to over \$8 billion in 2006. ITA continues to advance an enhanced U.S. India commercial dialogue, launched this past spring by Under Secretary Franklin Lavin. He and India's Secretary of Commerce S.N. Menon agreed that the commercial dialogue should be elevated, enhanced, and expanded and that it would demonstrate greater engagement by the two private sectors. The expanded agenda for the commercial dialogue now addresses standards, intellectual property rights (IPR) enforcement, antidumping and countervailing duty (AD/CVD) procedures, and commercial opportunities for small and medium-sized enterprises.
- ◆ **China** — Since 2001, when China joined the WTO, U.S. exports to China have grown five times faster than they have to the rest of the world, and China has gone from being the ninth largest to the fourth largest export market for U.S. farmers, ranchers, manufacturers, and service providers. U.S. exports to China increased by an impressive 21 percent in 2005, building on similar growth in prior years. This has made China the fastest growing U.S. export market among U.S. major trading partners in 2006.

ITA has remained committed in FY 2006 to address the removal of existing trade barriers and compliance with negotiated trade agreements. ITA through its Import Administration (IA) program enforces U.S. trade laws and 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. During the past year, IA has negotiated and has started implementing two key agreements, one on Mexican cement and one on Canadian softwood lumber.

- ◆ **Mexican Cement** — The Mexican Cement Agreement resolved a long-standing trade dispute between the United States and Mexico over imports of cement while at the same time providing improved market access for U.S. cement producers into the Mexican market. IA negotiated the agreement to reach a settlement of this long-standing trade dispute. Over the past two years, U.S. consumers, particularly in the south, complained of shortages of cement. Last summer's Gulf Coast hurricanes exacerbated this situation and played a role in



United States and India held talks on stimulating high-technology commerce, focusing on trade facilitation and on ways to enhance the security of bilateral high-technology trade.

reaching this settlement. Now, cement shortages that impact consumers in the U.S. south have been eased by a measured entry of Mexican cement into the U.S. market. These imports also assisted with efforts to rebuild in the hurricane-ravaged Gulf Coast region. The agreement has helped to ensure that resources will be available in the event of future disaster. The long-term impact of this agreement includes market-liberalization, including improved access to the Mexican market for U.S. cement producers. If the Mexican exporters comply with the agreement's terms, after three years the antidumping duty order against Mexico (in place for 16 years) will be revoked, effectively resolving a trade dispute between Mexico and the United States.

◆ **Softwood Lumber Agreement** – The United States and Canada have a largely dispute-free trade relationship. One of the irritants is a 20-year dispute over the trade of softwood lumber. Both sides have made repeated attempts to negotiate a solution. Under the terms of the agreement announced by Secretary Gutierrez in late April 2006, the United States and Canada ended all litigation over softwood lumber and provided for unrestricted trade in the favorable market conditions the industries have enjoyed for the last several years and which exist today.

In FY 2006, the Department served U.S. security needs and U.S. exporters by strengthening and streamlining the dual-use export control system, and ensuring the timely review of all license applications.

The Department published a major rule updating high performance computer export requirements in FY 2006 that will contribute to U.S. competitiveness consistent with U.S. national security interests. The Department also promoted U.S. competitiveness by establishing the Deemed Export Advisory Committee (DEAC) in June 2006 to review and provide recommendations to the Secretary on possible changes to regulations governing the unauthorized transfers of technology or source code within the United States ("deemed exports") in a manner permitting U.S. businesses, universities, and research institutions access to the highly skilled people they need to sustain the U.S. innovation economy.

The Department also published a proposed export policy rule in the Federal Register in July 2006 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 is open to public comment until early November, after which the Department will promulgate the final regulation. The proposed 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.



Under Secretary David McCormick and Chinese Ministry of Commerce Vice Minister Ma Xinhong sign papers establishing the U.S.-China High Technology and Strategic Trade Working Group under the JCCT.

The Department also advanced trade consistent with national security through an industry outreach program to facilitate compliance with U.S. export controls. In FY 2006, the Department conducted 53 seminars to respond to a variety of exporter needs, including 5 seminars in other countries. They included programs on the major elements of the U.S. dual-use export control system, programs that explain exporter obligations under the Export Administration Regulations (EAR), and special topic seminars.

Improved targeting of enforcement resources led to 872 actions that resulted in a deterrence or prevention of a violation and cases which resulted in a criminal and/or administrative charge. 79 percent of these successes were in the priority areas of weapons of mass destruction (WMD), terrorism, and military diversion. The outcome was 34 convictions, and the imposition of \$3 million in fines for



MANAGEMENT DISCUSSION AND ANALYSIS

criminal export violations; prosecution of 104 administrative cases (95 enforcement and nine antiboycott) and the imposition of \$13.1 million in administrative penalties; and completion of more than 942 end-use verifications overseas to confirm compliance with export license requirements.

The Department completed all FY 2006 planned activities and operations related to the 2006 Census Test. Building on the results of the 2004 Census Test, the use and evaluation of the hand held computer for both new and improved functionality being studied in the 2006 Census Test will ultimately inform the requirements for the use of these devices in the 2008 Dress Rehearsal and the 2010 Census. The test also will provide important information regarding coverage improvement and coverage measurement methodologies, the use of a multi-language guide, replacement questionnaire delivery strategies, group quarters enumeration operations, and improved methodologies for conducting enumeration operations on American Indian reservations. Two major automation contracts were awarded during FY 2006—the Decennial Response Integration System (DRIS) contract (October 2005) and the Field Data Collection Automation (FDCA) contract (March 2006).

The Department successfully completed updates to geographic reference features for all planned counties for FY 2006. Improving the Census Bureau's geographic data is important in order to improve accuracy, reduce operational risk, and contain the cost of the 2010 Census. Census data are used for the apportionment of seats in the U.S. House of Representatives and for the distribution of billions of dollars in federal funds to states and localities.

In addition, for economic programs, all data products were released on schedule and targeted response rates were met. The economic releases included 123 principal economic indicators, the Annual Survey of Manufactures, the Annual Trade Survey, the Annual Retail Trade Survey, the Service Annual Survey, the Annual Public Employment Survey and 51 reports from the 2002 Economic Census. These statistics are critical to understanding the condition and performance of the U.S. economy and are used extensively by government and private-sector decisionmakers. Census Bureau surveys and census results also are used in other important federal measures of economic activity, including the producer price indexes and measures of industrial production. The Department met its target to achieve at least 90 percent of the planned response rates and released all data products on time for the demographic surveys. These data are used to make policy decisions about programs that support schools, employment services, housing assistance, hospital services, and programs for the elderly and disabled. The data are also used to modify programs such as Social Security, Medicare, and Medicaid.

The Department's Bureau of Economic Analysis (BEA), within the Economics and Statistics Administration (ESA), has made significant gains in improving the economic information used as the basis for important decisions by business leaders, policymakers and the U.S. public. In 2006, BEA considerably improved the accuracy and relevance of its economic data through such efforts as introducing the preliminary research and development (R&D) satellite accounts, expanding the geographic detail on U.S. international transactions, and concluding a successful joint effort with the Federal Reserve to publish integrated estimates of the national income and product accounts (NIPA) and flow of funds. BEA also incorporated data from the Census Bureau's FY 2006 expansion of the Quarterly Services Survey (QSS). This new and important data source provides detailed quarterly estimates for some of the nation's largest and most volatile industries. By providing this information quarterly rather than annually or once every five years, the Department is able to provide users with more accurate and earlier estimates on which to base decisions. The Department also continues to meet the demands of users for more current and timely economic statistics. In the past year, the Department accelerated the release of local area industry data by four months, produced prototype gross state product estimates with a 12-month acceleration, and again provided summary estimates on the operations of multinational companies four months ahead of schedule.



MANAGEMENT DISCUSSION AND ANALYSIS

The Future: Performance, Priorities, and Challenges

Continue to meet the needs of the fast growing population: The Department will develop products and services through customer survey feedback, such as the American Customer Satisfaction Index (ACSI). The Department will further expand the Strategic Growth Initiative for medium to large size MBEs, while continuing to provide the same level of service for the smaller MBEs. Beginning in FY 2006, the Census Bureau's ACS began enumeration of Group Quarters and expanded the number of geographies published by nearly tenfold.

Leading the federal economic development agenda: EDA focuses its resources on proven, high-value, cutting-edge economic development activities and techniques promoted by academic and leading practitioners. EDA achieves success by emphasizing regionalism, innovation, and entrepreneurship as the building blocks for successful economic development.

Managing export controls to maximize security with minimum impact on U.S. competitiveness: The global trading system must rest on a firm foundation of security, including the security provided by export controls. The Department will continue to strengthen and streamline the dual-use export control system, improve its process for writing the regulations that translate law and policy into rules for exporters, prioritize its enforcement capabilities on the most important threats, and conduct in-depth studies of strategic industries, with the intention of tailoring export controls to meet the twin challenges of security and competitiveness.

Trade relations with China: The Department in close coordination with the U.S. Trade Representative (USTR) and other agencies has adopted an aggressive and multi-pronged approach to ensure that China honors its WTO commitments and that U.S. companies benefit from these opportunities. The Department will deploy its full resources to open China's markets to U.S. exporters, while denying China the use of U.S.-origin technologies to support its military build-up.

Deemed export controls: The Department will conduct a thorough review of deemed export policy to ensure that it meets U.S. security needs while promoting the competitiveness of U.S. research. In this review, it will draw upon the findings of the newly established DEAC.

Meeting needs for quality information: The Department will make improvements in the use of state-of-the-art technology in data collection, processing, and dissemination in order to stay ahead of demand from policymakers for information of emerging economic and societal trends.

Continue to accurately measure a constantly and rapidly changing U.S. economy: The U.S. economy is constantly changing and becoming increasingly complex. The Department must be responsive to these changes. To meet this challenge, the Department must better understand how the economy is changing, recognize how these changes are affecting its programs and methods, identify emerging and lessening data needs, and satisfy changing customer needs. Issues of immediate attention are the measurement of pensions, medical costs, and other fringe benefits and the continued expansion of service industry coverage. Program improvement, however, is a daunting task and not one that can be done by the Department alone. The Department must find more effective ways of collaborating with the business world, industry experts, researchers, and policymakers.



STRATEGIC GOAL 2

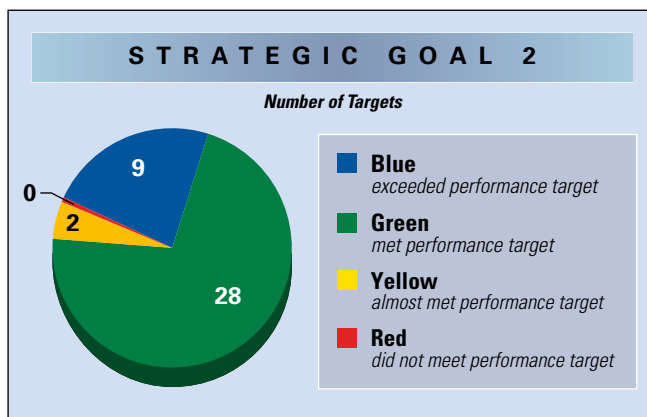
Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science

Most Important Results

The Department achieved success in 95 percent of the targets that were set.

The Department has begun efforts to strengthen IPR for enhancing protection for copyrights, geographical indications, patents, trademarks, trade secrets, and other forms of IP with representatives from many countries throughout the world, including those in which the United States is negotiating or has negotiated FTAs.

The U.S. Patent and Trademark Office (USPTO) strives to meet its goals of reducing pendency through an approach that includes hiring sufficient numbers of new examiners, retention of experienced staff, outsourcing, exploring work sharing with other patent offices, process reform through revised rules of practice, and training. In FY 2006 1,218 new patent examiners were hired. Additionally, USPTO has completed an agreement with the Australian Intellectual Property Office that competitively awarded a contract for Patent Cooperation Treaty (PCT) searches in FY 2007 and beyond, which will free examiners to focus on the examination of national applications. In January 2006, USPTO launched an academy approach to training entry-level patent examiners aimed at graduating examiners sufficiently skilled to produce quality examinations with reduced oversight. New employees are given in-depth training for up to eight months that combines technical and legal instruction, practical applications, small group study, and one-on-one assistance with real applications. The goal is for competency to improve and attritions of new hires to decrease. Approximately 600 new examiners participated in this program in 2006.



Two of the measures USPTO uses to gauge patent quality are the allowance error rate and the in-process examination compliance rate. In FY 2006, efforts to improve quality resulted in an allowance error rate of 3.5 percent, 12.5 percent better than the goal of 4.0 percent. At 90 percent in-process examination compliance, USPTO exceeded its goal of 86 percent.

The public Patent Application and Information Retrieval (PAIR) offers the public an advanced electronic portal for PDF viewing, downloading, and printing an array of information and documents for patent applications not covered by confidentiality laws. Public PAIR also offers a quick-click feature for ordering certified copies of patent applications and application files. The private PAIR system allows applicants access to the file history of their applications. In FY 2006, over 24.1 million search requests were made in public PAIR, and 2.7 million requests in private PAIR. In March 2006, USPTO fully deployed an enhanced electronic filing system (EFS-Web). The system was designed with extensive applicant input to improve the ease of e-filing. E-filing reduces errors and expedites processing by eliminating the scanning and indexing required for paper applications. USPTO met its FY 2006 goal of 10.0 percent of patent applications filed electronically.

The Department's National Institute of Standards and Technology (NIST) has long been one of the world's foremost research laboratories for measurement science and standards. Its reputation was further enhanced when John L. (Jan) Hall was named a



MANAGEMENT DISCUSSION AND ANALYSIS

co-recipient of the 2005 Nobel Prize in Physics in October for his work at NIST to develop the laser as a precision measurement tool. With this achievement, NIST is now the home to three Nobel Laureates.

In March, NIST physicists—building on a precision laser calibration technique developed by Hall—announced a highly sensitive new tool for real-time chemical analysis, even in minuscule gas samples. Their new technology could dramatically enhance the speed and accuracy of chemistry laboratories, environmental monitoring stations, security sites screening for explosives or biochemical weapons, and medical offices where a patient's breath could be analyzed to monitor disease.

NIST researchers also continued to push the limits of quantum physics and quantum information technology (IT), announcing in December a groundbreaking quantum experiment that set a new record for simultaneously confining individual atoms and controlling their quantum states—work that impacts the design of quantum computers and could lead to improved precision instruments such as atomic clocks. In June NIST researchers announced the development of a novel electromagnetic “trap” for ions that may lead to practical quantum computers.

The Technology Administration/Under Secretary (TA/US) issued a report on recycling of electronic products that detailed how a patchwork of state laws governing waste management and recycling issues could potentially impact the competitiveness of the U.S. technology industry. Disparate requirements can lead to uncertainties, inefficiencies, and high compliance costs that could impede U.S. industry's ability to compete and innovate. The report found that although the electronics industry agrees on the need for a national recycling system, there is no consensus among stakeholders over how to achieve a national system of electronics recycling. The report includes descriptions of recycling laws and programs throughout the country and the world, and provides comments received from 44 companies, associations, state and local agencies, and others engaged on this issue.

TA/US continued its efforts to advance the commercialization of emerging and promising Radio Frequency Identification (RFID) technology through its leadership on the Department RFID Working Group and joint leadership with the Department of Defense (DOD) on the RFID Intra-Government Council. TA/US actively advanced U.S. interests in discussions with government officials in China and the European Commission.

In FY 2006, the National Technical Information Service (NTIS) built on the strategic plan it updated in 2005 to launch strategic initiatives in human capital and in business process re-engineering of mission critical processes. NTIS continues to develop a detailed strategic roadmap that responds to changes in the information acquisition and dissemination environment. NTIS's strategic plan supports both the President's Management Agenda (PMA) and the Department's strategic plan.

In FY 2006, NTIS maintained its status as an Office of Personnel Management (OPM) approved provider of e-learning and knowledge management solutions. NTIS worked with OPM's Human Resources Line of Business (HR LOB)/Human Resources Development (HRD) program, formerly the e-Training Initiative, towards realizing its vision to create a premier e-learning environment that supports the federal workforce and advances the accomplishment of Agency missions through simplified and one-stop access to high quality e-learning products, services, and performance support tools. As an approved service provider, NTIS has developed joint venture partnerships with industry, in order to provide federal agencies with the best-of-breed e-learning and knowledge management solutions, in a secure government-hosted environment. NTIS has also established distribution agreements with E-Cornell and the University of Management and Technology (UMT) in order to provide discounted tuition for online certificate programs in management training and executive development as part of an initiative to provide a rigorous, scalable, and cost-effective learning to government employees.

The Federal Communications Commission (FCC) and the National Telecommunications and Information Administration (NTIA) provided information 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, guidance was provided to assist Advanced Wireless Service (AWS)



MANAGEMENT DISCUSSION AND ANALYSIS

licensees in this band to begin implementing service during the transition of federal operations from the band while providing interference protection to incumbent federal government operations until they have been relocated to other frequency bands or technologies.

NTIA released the final report on the technical and economic issues related to Internet Protocol version 6 (IPv6) adoption in the United States, including the appropriate role of government, international interoperability, security in transition, and costs and benefits of IPv6 deployment. The report was developed by the IPv6 Task Force, led by NTIA and NIST.

NTIA began extensive preparations for the 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. Programs authorized by the act include the Digital-to-Analog Converter Box Voucher Program, Public Safety Interoperable Communications Grants, 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.

The Future: Performance, Priorities, and Challenges

Use the President's American Competitiveness Initiative to help the United States to drive and take advantage of the increased pace of technological change: The Department will ensure that NIST continues to fulfill its mission to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve U.S. quality of life. Technological innovation is vital to U.S. economic growth, the nation's industries, and U.S. workers. The Department's key role in the American Competitiveness Initiative, which strives to keep the nation strong and secure by ensuring that the United States continues to lead the world in science and technology (S&T), reflects the importance of innovation to its economic future. NIST 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. Next-generation measurement and standards needs require NIST to focus its long-term research efforts on specific interdisciplinary technology areas where inadequate technical infrastructure is a barrier to innovation, commercialization, and public benefit.

Program priorities are developed through interactions with internal and external stakeholders in industry, academia, and other federal agencies. For example, the new NIST-private sector assessment of the U.S. Measurement System (USMS) is fundamental to identifying critical barriers to technological innovation and shaping NIST's future research priorities.

As S&T advances, the need for more sophisticated and demanding measurement science and standards grows. NIST can develop and provide these capabilities and services only in environmentally stable and safe research and measurement laboratories. In order to successfully fulfill the requirements of its mission, NIST must continue to invest in improving its facilities and infrastructure.

USPTO's patent and trademark operations are rapidly moving to eliminate paper documents from their processes: Electronic communications will continue to be improved, encouraging more applicants to do business electronically with the delivery of Web-based text and image search systems. Patent and trademark operations have made significant progress in achieving the long-term goal to create an e-government operation, and the Office now relies exclusively on trademark data submitted or captured electronically to support examination, publish documents, and print registrations.

Furthering radio spectrum policy for 21st century: The Department will better manage the nation's airwaves, enhance homeland and economic security, increase benefits to consumers, and ensure U.S. leadership in high-technology innovations.

Ensuring broader availability and support for new sources of advanced telecommunications and information: Furthering technology will continue to open new opportunities for everything people do in their lives. The Department will continue its efforts to lead the way in the next-generation Internet Protocols, ultra wideband technology (UWB), wireless broadband applications, and wireless sensor technologies.

STRATEGIC GOAL 3

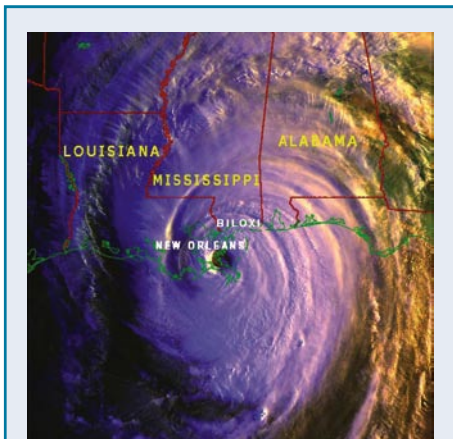
Observe, protect, and manage the Earth’s resources to promote environmental stewardship

Most Important Results

The Department achieved success in 77 percent of the targets that were set.

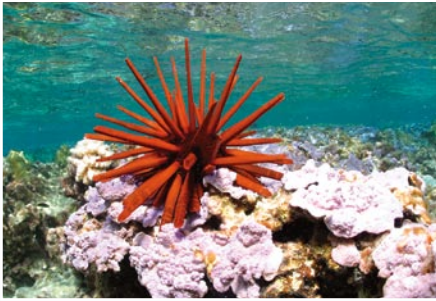
National Weather Service (NWS) Response to Hurricane Katrina

The devastation left in Katrina's wake over southeast Louisiana and coastal Mississippi was immense. The storm surge ravaged coastal Mississippi, and several levee breaches occurred in and around New Orleans. The levee breaches and overtopping resulted in floodwaters of 15 to 20 feet covering about 80 percent of the city. The catastrophic damage and loss of life inflicted by this hurricane is staggering, with an estimated 1,353 direct fatalities and 275,000 homes damaged or destroyed. Total economic losses could be greater than \$100 billion. These impacts make Katrina the costliest hurricane in U.S. history and one of the five deadliest hurricanes to ever strike the United States.



Satellite image of Hurricane Katrina passing over the Gulf Coast.

A follow-up service assessment found that the National Weather Service (NWS) performed admirably, before, during, and after Katrina. The products and services provided by NWS offices were particularly accurate and timely, and they contributed significantly to critical customer decision-making. The hurricane forecast track error was considerably better than average through the five-day forecast period. Lead times on hurricane watches and warnings for Louisiana, Mississippi, Alabama, and the Florida panhandle were eight hours above average. A noteworthy moment for NWS came when the Weather Forecast Office (WFO) in New Orleans/Baton Rouge issued a statement one day prior to Katrina's landfall that emphasized the likely impacts of the hurricane on southeast Louisiana and coastal Mississippi. Due to the unprecedented detail and foreboding nature of the language used, the statement helped reinforce the actions of emergency management officials as they coordinated one of the largest evacuations in U.S. history. The NWS actions leading up to Katrina's landfall and the efforts of the NWS tropical cyclone outreach program over the



NOAA image of red pencil urchin found among the more than 7,000 species in the new Northwestern Hawaiian Islands Marine National Monument.

"Along with the two national wildlife refuges already in the area, this national monument provides permanent protection and conservation for the extraordinary natural resources and wildlife of the Northwestern Hawaiian Islands. Relatively untouched by human activities, these isolated waters and coral reefs provide vital habitat for the endangered Hawaiian monk seal, the threatened Hawaiian green sea turtle and other rare marine species."

Dirk Kempthorne,
Secretary, Department of Interior

last two decades contributed to these high evacuation rates and undoubtedly saved many lives.

During extremely difficult working conditions, the ingenuity, dedication, and sheer will of NWS employees enabled the provision of products and services even as infrastructure and backup systems failed. Incident meteorologists served a vital role in the aftermath of Katrina by establishing portable communications systems and weather observing systems to mitigate critical outages. Most importantly, service backup operations were transparent to most users and partners as high quality products and services were provided by alternate offices.

President Sets Aside Largest Marine Conservation Area On Earth

Northwestern Hawaiian Islands Marine National Monument Encompasses Nearly 140,000 Square Miles

The Administration created the world's largest marine conservation area off the coast of the North Western Hawaiian Islands in order to permanently protect the area's pristine coral reefs and unique marine species. The Northwestern Hawaiian Islands Marine National Monument encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The monument will be managed by the Department of the Interior's (DOI) U.S. Fish and Wildlife Service and the Department's National Oceanic and Atmospheric Administration (NOAA), in close coordination with the State of Hawaii.

"This is a landmark achievement for conservation, protection and enhancement of the Northwestern Hawaiian Islands," said Department Secretary Carlos Gutierrez. "Approximately one quarter of the species here are found nowhere else in the world and a marine national monument will provide comprehensive, permanent protection to this region."

New NOAA Environmental Satellite Launched, Reaches Orbit

NOAA and the National Aeronautics and Space Administration (NASA) officials confirmed that a new geostationary operational environmental satellite, designed to track hurricanes and other severe weather impacting the nation, successfully reached orbit. The first signal acquisition occurred six hours and 30 minutes after the launch, at the Air Force Tracking Station, Diego Garcia, located in the Indian Ocean.



Image of NOAA GOES-13 satellite being launched from the Cape Canaveral Air Force Station in Florida aboard a Boeing Delta IV rocket trailing a plume of smoke as it roars through the thin cloud cover on its way to space.

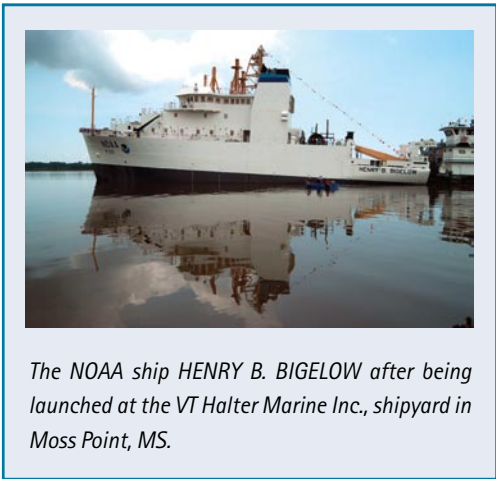
The NOAA satellite, GOES-13, will supply data critical for fast, accurate forecasts and warnings for severe weather, including tornadoes, winter storms, and hurricanes (after a period of on-orbit storage). Additionally, it will detect solar storm activity, relay distress signals from emergency beacons, monitor the oceans, and scan the landscape for the latest drought and flood conditions.

This satellite will serve the nation by monitoring conditions that trigger dangerous weather, and it will serve the world by contributing vast amounts of observational data, as part of its contribution to the Global Earth Observation System of Systems (GEOSS).

***NOAA Accepts Delivery Of New Fisheries Survey Vessel (FSV)
Advanced Capabilities Provide Unique Fisheries Research Platform***

NOAA took delivery of HENRY B. BIGELOW, one of a new class of FSVs being built under contract with VT Halter Marine Inc., in Pascagoula, MS. The vessel will support NOAA research efforts in conservation and management of fisheries and marine ecosystems primarily in northeastern U.S. waters, replacing the 45-year-old ALBATROSS IV. The ship will be home ported in New England, although a permanent base has not been named. The ship will be based temporarily at Naval Station Newport, in Newport, RI.

Like its sister ship OSCAR DYSON, BIGELOW's high-tech capabilities make it one of the most advanced fisheries research ships in the world. The advanced capabilities of HENRY B. BIGELOW will enable NOAA to conduct its fisheries research and assessment mission in New England with greater accuracy and cost efficiency.



The NOAA ship HENRY B. BIGELOW after being launched at the VT Halter Marine Inc., shipyard in Moss Point, MS.

Senator Gregg stated, "The HENRY B. BIGELOW is going to have a tremendous impact on the way scientists and researchers study the health of our marine environment, especially in the Gulf of Maine and the northeast. And it is a fitting tribute to the kids from Winnacunnet that this vessel, bearing the name they chose to honor one of the most respected oceanographers in the northeast, is now going to be used off our shores."

HENRY B. BIGELOW is the second of four 208-foot FSVs to be delivered by VT Halter Marine, with the third ship, PISCES, and the as-yet unnamed fourth ship in various stages of construction. Together, these ships will expand the capabilities of the NOAA fleet greatly by meeting data collection requirements of the National Marine Fisheries Service (NMFS), as well as providing a cutting-edge, low acoustic signature. The FSV will have the ability to perform hydro-acoustic surveys of fish, and also will be able to conduct bottom and mid-water trawls while running physical and biological-oceanographic sampling during a single deployment—a combined capability unavailable in the private sector.

The Future: Performance, Priorities, and Challenges

Advancing understanding of climate variability, potential responses, and options: The Department continues its work to develop a predictive understanding of the global climate system. The Department will continue to target climate-sensitive sectors and the climate literate public and help them to more effectively incorporate the Department's climate products into their everyday planning and decision-making processes. These efforts involve building integrated atmospheric and oceanic climate observing systems, including expansion of the global ocean observing system in support of the Integrated Ocean Observing System



MANAGEMENT DISCUSSION AND ANALYSIS

(IOOS)/Global Ocean Observing System, improving analyses and attribution of climate trends for improved models and forecasts, understanding the impacts of climate variability and change on marine ecosystems (e.g. fish stocks), and expanding regional decision support climate information and services to a variety of economic sectors (e.g. agriculture, energy providers).

Improving accuracy and timeliness of weather and water information: The Department will work to improve the accuracy and lead time of warnings all severe weather events. At the same time, it will work to improve the accuracy of predictions of daily weather patterns.

Advancing ecosystem approaches to management: The Department will promote smart development on the coasts, and the protection and restoration of marine and coastal habitats and biodiversity. With population expected to grow by five to eight percent in the next five years, the Department will guide coastal managers in balancing the benefits of economic growth with managing and mitigating the impacts of growth on coastal environments and helping to resolve increasing conflicts in competition for land and water resources.

Improving integration and accuracy of marine, aviation, and surface transportation information: A safe, efficient, and environmentally sound transportation network is crucial to the nation's economic strength. The Department will work to provide accurate and timely weather information to promote the safe transport of goods. Transportation weather information supports the reduction of weather related crashes and incidents in the air, at sea, and on land.

Improving and expanding knowledge of the world's oceans through deep-sea exploration: The ocean is the lifeblood of Earth, covering more than 70 percent of the planet's surface, driving weather, regulating temperature, and ultimately supporting all living organisms. Throughout history, the ocean has been a vital source of sustenance, transport, commerce, growth, and inspiration. Yet, for all the reliance on the ocean, 95 percent of the ocean remains unexplored—unseen by human eyes. The Department explores the oceans for the purpose of discovery and advancement of knowledge; supporting missions to investigate and document unknown and poorly known areas of the ocean.

Revolutionizing understanding of how Earth works through the GEOSS: Sixty countries, the European Commission, and more than 40 international organizations are supporting the development of a GEOSS that, over the next decade, will revolutionize the understanding of Earth and how it works. With benefits as broad as the planet itself, the U.S.-led initiative promises to make people and economies around the globe healthier, safer, and better equipped to manage basic daily needs. The aim is to make 21st century technology as interrelated as the planet it observes, predicts, and protects, providing the science on which sound policy and decision-making must be built. The United States, led in major part by the Department, is spearheading such a system, domestically and around the world.

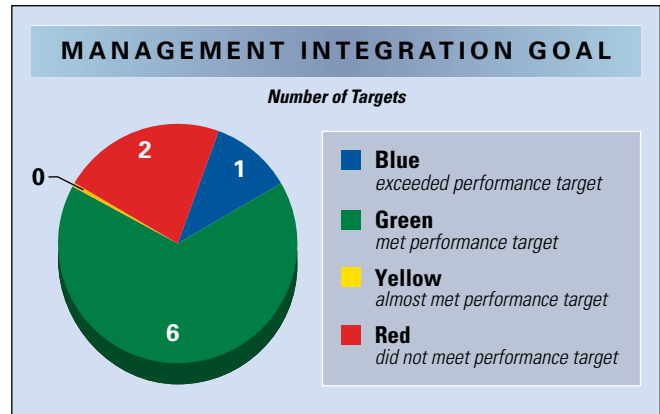
MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

Most Important Results

The Department achieved success in 78 percent of the targets that were set for this goal.

The Department received an unqualified audit opinion for the eighth consecutive year, and obligated almost half of its contracting resources to small businesses. In the field of human resources, it implemented a five-tier performance appraisal system in more than half of the Department. The Department's Learning Management System (LMS), which provides one-stop access to more than 1,600 e-learning courses, made possible the timely training of some 2,000 managers on developing performance work plans for the new appraisal system.



The Future: Performance, Priorities, and Challenges

Promoting information security throughout the Department: Overcoming the threat to the security of information that organizations generate and use remains a constant challenge. Although the Department has made much progress over the last few years in improving information security, it will continue to develop and implement security controls for its systems and will equip its personnel with the necessary training to administer systems securely and effectively.

Improving budget and performance integration: To ensure that taxpayers are receiving an appropriate return on investment, the Department must continue to assess the relationship between funds spent and performance outcomes. The establishment of quarterly monitoring by the Deputy Secretary has fostered greater accountability for delivering program performance, but the Department must continue to strengthen the link between budget and performance to ensure it is making effective use of public funds.

In recognition of growing budget constraints, in FY 2006 the Department undertook a review of administrative processes and activities to ensure that it is optimizing the quality and effectiveness of service delivery to its clients, customers, and ultimately, to the U.S. taxpayer. The Department is reviewing contracts, grants, acquisitions, human resources operations, accounts payable, travel and library services, and real property to identify sound opportunities for improved service.

Effectively managing Departmental and bureau acquisition processes: The Department is continually challenged to maintain an effective business environment in which administrative costs are minimized and contract cost avoidance is maximized. During FY 2006, the Department continued to focus on professionalizing the acquisition workforce through training and certification of contracting officers' representatives and technical representatives. In addition, a contracting officer representative element must be included in the performance plans of individuals who spend more than 20 percent of their time working on contracts. The increasing expertise of the Department's acquisition workforce will contribute to positive results when feasibility studies of all major commercial functions are conducted and competitions to be held in the next several fiscal years are identified.



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		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. In meeting this obligation to the U.S. taxpayer, the Department fully appreciates the importance of sound management practices 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 work towards continual improvement in the programs for which they are responsible.

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 timeframes 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, yellow means mixed results, and red is unsatisfactory. 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 9/30/06	PROGRESS RATINGS AS OF 9/30/06
Strategic Management of Human Capital	●	●
Competitive Sourcing	●	●
Improved Financial Performance	●	●
Electronic Government	●	●
Budget and Performance Integration	●	●

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

As part of its ongoing effort to ensure that it has the right people in the right jobs at the right time, the Department has:

- ◆ Implemented a multi-tier performance appraisal system in more than half of the Department; and conducted performance management training for over 7,000 employees, including managers, supervisors, and team leaders.
- ◆ Developed a number of leadership development and certificate programs for all levels to continue to close skills gaps in the areas of leadership, project management, and information technology (IT).
- ◆ Upgraded automated hiring system and conducted workshops for managers on how to make better selections.
- ◆ Developed and tested materials for training managers on Office of Personnel Management (OPM) hiring flexibilities to address succession planning challenges.
- ◆ Continued to expand delivery of online training courses through the Learning Management System as an alternative to classroom training. Installed a 1,600 course electronic training library now available to all Department employees with Internet access.
- ◆ Recruited 90 graduate students for the summer term in order to increase the number and quality of applicant pools for future vacancies.

STATUS 

Competitive Sourcing

 PROGRESS

More than half of the Department's budget is used for contracts, grants, and interagency agreements. Therefore, it is imperative that it continue 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:

- ◆ Implemented its feasibility study approach for the second year to identify the best potential candidates for pre-planning, and eventually (if determined to be good opportunities after this phase) its competition announcement.
- ◆ Conducted comprehensive pre-planning efforts for the two candidates out of last year's feasibility efforts, plus an additional one that would be a potential streamlined competition, with competition announcements completed in FY 2006 and very early FY 2007.
- ◆ Provided contracting officer representative training in the four required areas of expertise: business/industry, general management, project management, and procurement knowledge.
- ◆ Included contracting officer representative element in performance plans of all employees who spend more than 20 percent of their time working on contracts.
- ◆ Refined database to track the education and training of the acquisition workforce.
- ◆ Initiated development of a comprehensive human capital plan for the acquisition community.
- ◆ Developed an enterprise-wide strategic plan to improve acquisition management.
- ◆ Participated in implementation of the financial and acquisition systems interface, including deployment of training modules.



MANAGEMENT DISCUSSION AND ANALYSIS

STATUS



Improved Financial Performance



PROGRESS

The Department continues to make itself 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.
- ◆ On its FY 2006 financial statements, the Department received an unqualified audit opinion for the eighth consecutive year.
- ◆ Completed A-123 implementation and assessment of internal controls, noting no material control weaknesses.
- ◆ Completed upgrade of consolidated financial reporting corporate database to a Web-based version.
- ◆ Developed and deployed a mass reclassification application software within the core financial system. This software provides the capability to transfer transactions through the core financial system from one fund code/program code combination to a new fund code/program code combination when required at the conclusion of a continuing resolution, while maintaining a thorough audit trail of the process.
- ◆ Developed a standard obligation requisition standard interface that automatically posts requisitions and obligations from the acquisition system into the core financial system using an enterprise application integration tool.
- ◆ Updated the Consolidated Reporting System (CRS) to include Government Performance and Results Act (GPRA) goals and results, hurricane cost information, and Financial Plan and Report.

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 IT are listed below:

- ◆ Completed an enterprise architecture (EA) that sets a blueprint for strategic directions in the use of IT to support the Department's mission.
- ◆ Completed comprehensive business cases for major IT investments, covering 85 percent of the Department's IT portfolio, to ensure that IT funds are invested and managed wisely.
- ◆ Met cost, schedule, and performance targets for more than 90 percent of the Department's major IT investments.



MANAGEMENT DISCUSSION AND ANALYSIS

- ◆ Made significant progress in IT security: One hundred percent of Department systems are covered by IT security plans, 96 percent have tested controls, 100 percent have contingency plans, 93 percent have certification and accreditation (C&A) packages, and with much-improved quality and thoroughness of C&A documentation.
- ◆ Completed and posted to the Web privacy impact assessments for all applicable systems.
- ◆ Led an interagency e-government initiative to provide the public with a single portal to export-related government services (export.gov).
- ◆ Worked actively with other agencies as well as state, local, and private sector experts to create Web sites that improve effectiveness, efficiency, and customer service throughout the government.
- ◆ Awarded field data collection automation contract to support the decennial census with handheld computers.
- ◆ Awarded high performance computing contract to support research and development across the National Oceanic and Atmospheric Administration's (NOAA) programs.

STATUS



Budget and Performance Integration



PROGRESS

To ensure taxpayers an appropriate return on investment, the Department looks carefully at how its programs are performing and how much they cost. As a result, it can objectively verify that taxpayers get what they're paying for. The Department's accomplishments include:


- ◆ Achieved a "green" status in "Budget and Performance Integration" on the President's Management Scorecard.
- ◆ Integration of funding needs with program goals has become routine for managers because the Department's annual performance plan is integrated with the Department's budget submission, which in turn reflects strategic goals and objectives and the Secretary's priorities.
- ◆ Employee performance plans have been revised to hold managers accountable for results, including program improvements.
- ◆ Submitted four Program Assessment Rating Tool (PART) assessments during FY 2006.
- ◆ Updated PART improvement plans.
- ◆ Held quarterly performance reviews with the Deputy Secretary and the head of each bureau.

MANAGEMENT CONTROLS

The Department of Commerce'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 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, 2006. This material weakness involves information technology security issues and the need to improve the quality of certification and accreditation processes and documentation for information technology 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, 2006, 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, 2006 and September 30, 2006.



Carlos M. Gutierrez
Secretary of Commerce

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

During FY 2006, the Department reviewed its management control system in accordance with the requirements of FMFIA, and Office of Management and Budget (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
- ◆ 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 U.S. Government Accountability Office (GAO) and the Office of the Inspector General (OIG), and specifically requested studies. It is worth noting that GAO’s list of high-risk programs, which was last issued in January 2005 at the beginning of the new Congress, does not include any programs administered by the Department. Also, on a yearly basis, operating units within the Department conduct self-assessments of their compliance with FMFIA.

The diverse reviews that took place during FY 2006 relative to nonfinancial 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 information technology (IT) security issues and the need to improve the quality of certification and accreditation (C&A) processes and documentation for all 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				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2003	1	0	0	1
FY 2004	1	0	0	1
FY 2005	1	0	0	1
FY 2006	1	0	0	1

IT Security Requires Further Improvement

As stated in the Secretary’s introductory letter, the Department made significant strides again this year in addressing this concern while acknowledging that further improvements are needed.

There are 229 moderate and high impact systems in the Department’s information systems inventory. Twenty-two improved C&A packages for high and moderate-impact systems were received by the Office of the Chief Information Officer (OCIO) in time for review by OIG under the Federal Information Security Management Act (FISMA). OCIO reviewed the 22 packages and determined 12 to be of sufficient quality to forward to OIG. OIG evaluated 11 of these packages, which were for Department-owned systems, as well as four additional packages for contractor systems. OIG found that the quality of risk assessments and system security plans for Department-owned systems overall had significantly improved, but that certification testing and related documentation for many of the systems still needed improvement. OIG concluded that five of the 11 Department-owned systems and none of the four contractor systems met the C&A criteria established by the Department’s IT security policy, OMB’s policy, and the National Institute of Standards and Technology’s (NIST) standards and guidelines. Further improvement of system testing is underway and improvement of all C&A packages will be monitored throughout FY 2007.



MANAGEMENT DISCUSSION AND ANALYSIS

During FY 2006, OIG's independent audit of the Department's FY 2005 financial statements included security reviews of the Department's financial management systems. The audit concluded that seven operating units had weaknesses in five out of six key IT security areas: entity-wide security program planning and management, access controls, application software development and change control, system software management, and service continuity. The Department notes that the number of auditor findings has been decreasing—from 46 in FY 2005 to 25 in FY 2006—and that the severity of the findings has lessened, indicating significant improvement.

In February 2005, OCIO issued a *Plan for Eliminating the Basis for the Commerce FMFIA IT Security Material Weakness*, which set forth a schedule and reporting plan developed collaboratively with Department operating units to improve C&A documentation during FY 2005 and FY 2006. On a monthly basis, OCIO monitored the status of the operating units' corrective actions in response to this plan and prior-year reviews, and provided quarterly status updates of these and other planned corrective actions, as well as the status of IT security performance metrics, to OMB in accordance with FISMA requirements.

In its FY 2005 FMFIA report, the Department highlighted the following planned actions for FY 2006:

- ◆ Complete the use of secure system configurations to ensure that software parameters are set in a standard way to make each system adequately secure, and review the extent to which such secure system configurations have been implemented Department-wide.
- ◆ Confirm that C&A improvement efforts undertaken in FY 2005 have resulted in establishing lasting, repeatable, quality management practices for C&A documentation. In FY 2006, the focus was on ensuring that IT security practices were integrated throughout the Department, demonstrating further that sound, repeatable practices are implemented in a compliant and consistent manner.

These actions were addressed in FY 2006 for selected high and moderate-impact systems, yet work will continue into FY 2007 for all systems Department-wide. The Department's efforts and accomplishments during FY 2006 to strengthen its Department-wide IT security program are summarized below.

- ◆ The Department's IT security program maturity, as measured using the federal CIO Council's 5-level IT security maturity scale, maintained 100 percent of the Department operating units at level 3—implemented policies and procedures—or higher. This level of accomplishment in improving the maturity of IT security management reflects the hard work of many dedicated IT security professionals within the Department to institutionalize IT security practices and develop repeatable processes.
- ◆ The Department continued its IT security compliance review program, in which OCIO has arranged for a contractor to assess the extent to which IT security policy and guidance are implemented within the operating units and to assess the adequacy of agency-level IT security programs. The FY 2006 compliance review included looking at C&A packages for compliance with government-wide and Department requirements, and to ensure that the quality of the documentation reflects sound security planning. This year's compliance monitoring effort concluded that while all C&A packages inspected were complete, and FY 2006 efforts have resulted in raising the quality of C&A packages, additional work needs to be done.
- ◆ The Department enhanced its role-based IT security training program by procuring formal, instructor-led education seminars. The seminars include education in general IT security concepts as well as the C&A methodology recommended by NIST. This education will improve the skills of personnel involved in the C&A process, including senior managers serving as system Authorizing Officials and personnel participating on certification teams.



MANAGEMENT DISCUSSION AND ANALYSIS

In order to maintain effective oversight of Department-wide IT security program implementation, the following activities continued.

- ◆ The Department's CIO provided input to rating officials, i.e., either the head of the operating unit or their deputy, on the performance of each operating unit CIO, a significant portion of which relates to IT security.
- ◆ The Department's CIO and OCIO IT security staff have been actively involved in the review of proposed IT budget initiatives, to ensure that IT security is adequately addressed and funded and to assure sufficient planning for continuity of operations.
- ◆ The Department IT Review Board, chaired by the Department's CIO, considers and evaluates the proposed IT security approach for every IT project it reviews, including new initiatives as well as continuing IT projects. This review includes examination of the adequacy of the IT security management and funding, as well as the involvement of IT project managers in leading IT security for their project as a key part of their work. Corrective actions are identified and required of program and project officials, as appropriate.

Additionally, efforts to fully resolve this material weakness are being monitored by the Department's senior management. The Deputy Secretary is routinely kept apprised of progress that is being made, and the status of activities being undertaken at the Departmental and operating unit levels is formally discussed as part of the quarterly performance reviews. Further, the Deputy Secretary has requested that the IG and CIO regularly brief the Secretary and the heads of the operating units during Executive Management Team meetings.

Notwithstanding these achievements, work still remains to ensure the implementation and management of secure system configurations and to improve the C&A process as needed to guarantee the necessary quality of work products for managing system security. Specifically, actions planned for FY 2007 include:

- ◆ Enhanced training of personnel with significant IT security roles and responsibilities. The Department will focus efforts on educating Authorizing Officials and System Owners regarding their roles and responsibilities for IT security, especially for their role in the C&A process.
- ◆ Increased monitoring to validate that secure system configurations have been implemented, thereby ensuring that software parameters are set in a standard way to make each system adequately secure. The extent to which such secure system configurations have been implemented for selected systems and operating system platforms Department-wide will be validated.
- ◆ Continue efforts to confirm that C&A improvement efforts undertaken in FY 2006 have resulted in establishing lasting, repeatable, quality management practices for C&A documentation.

In FY 2007, the focus will be on ensuring that secure system configurations are being implemented for all operating system platforms throughout the Department, that personnel with significant IT security roles are properly trained, and that a sound, repeatable C&A process has been implemented in a compliant and consistent manner. Involved Departmental officials will continue to work closely with operating unit personnel to address these issues, and progress will continue to be monitored through quarterly performance reviews with the Deputy Secretary.

Strengthening Internal Controls over Financial Reporting

In December 2004, OMB issued a complete revision to Circular A-123, *Management’s Responsibility for Internal Control*, which focused on strengthening requirements for assessing internal controls over financial reporting. In FY 2006, the first year for which the revised circular was effective, the Department and its operating units undertook a comprehensive and coordinated approach to conducting an assessment of the effectiveness of internal control over financial reporting in accordance with the new requirements of Circular A-123.

- ◆ A Senior Management Council was established to implement, direct, and oversee the assessment process, and a Senior Assessment Team was established to develop and conduct the assessment.
- ◆ The scope of the assessment was determined by identifying financial and budgetary reports that have significant effects on spending, budgetary, and other financial decisions.
- ◆ The overall control environment was evaluated, and 12 key process cycles and approximately 630 key controls were identified for evaluation across the Department. The 12 key processes included Budget Execution; Inventory; Purchasing; Revenues; Payroll and Employee Benefits; Property, Plant and Equipment Spending, and Maintenance; Financial Reporting; Treasury Management; Risk Management; Information Systems; Grants Management; and Loans.
- ◆ A Department-wide testing approach and plan were developed.
- ◆ The Senior Management Council and Senior Assessment Team reviewed testing results and determined the significance of any deficiencies, i.e., whether they constituted an internal control deficiency, reportable condition, or material weakness.
- ◆ A communication plan was developed for use in raising the awareness of Department employees to the importance of internal controls in carrying out their responsibilities.

The Department’s assessment reflects a system of financial controls that is operating effectively. No material weaknesses were identified for the period October 1, 2005 through June 30, 2006, the reporting period specified by OMB Circular A-123. Further, no material weaknesses related to internal control over financial reporting were identified between July 1, 2006 and September 30, 2006.

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

NUMBER OF MATERIAL WEAKNESSES				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2003	1	1	0	0
FY 2004	0	0	0	0
FY 2005	0	0	0	0
FY 2006	0	0	0	0

Based on reviews conducted by the Department and its operating units for FY 2006, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the Chief Financial Officers (CFO) Act, and OMB requirements. The Department had no material weaknesses under Section 4 of FMFIA.



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 (SGL) at the transaction level. In FY 2006, 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, 2005, through May 31, 2006.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2005 THROUGH MAY 31, 2006

	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	57	\$ 18,329,344	30	\$ 58,800,020	16	103
New Reports	24	1,488,685	6	948,555	29	59
Total Reports	81	19,818,029	36	59,748,575	45	162
Reports Closed	(27)	(6,458,197)	(17)	(34,482,157)	(26)	(70)
Ending Balance	54	\$ 13,359,832	19	\$ 25,266,418	19	92

1. Disallowed costs are questioned costs that management has sustained or agreed should not be charged to the government. The beginning balance (reports and dollars) of disallowed costs reflects an adjustment since the last reporting period.
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, the Department noted that all bureaus, except for one bureau receiving an exemption from Circular A-25, adjusted their fees to meet the Circular A-25 requirement of full-cost recovery for user charges.

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002

Narrative Summary of Departmental Efforts for FY 2006

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. The following are some examples of the internal control procedures used by the payment offices:

- ◆ Prepayment and post-payment audit analyses are performed;
- ◆ Controlled/limited access to financial system screens, and approval authority for changes to information in the vendor table have been implemented to prevent unauthorized diversion of funds;
- ◆ Funds control in financial systems provides reasonable assurance against overpayments or improper payments;
- ◆ Edit reports in financial systems are programmed to identify potential items that may result in improper or duplicate payments; and
- ◆ All documents submitted for payment are required to have previously gone through an approval process at several levels including initial request, subsequent budget approval, voucher examination, and electronic certification system review.

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 problems with improper payments or the internal controls that surround disbursements.

The Department continued its reporting procedures that required quarterly reporting to the Department, by the payment offices, on any improper payments, identifying the nature and magnitude of the improper payments along with any necessary control enhancements to prevent further occurrences of the type of improper payments identified. The Department's analysis of the data collected from the payment offices shows that Department-wide improper payments were below one tenth of one percent in FY 2006, as was the case in FY 2005. As a separate effort during FY 2006, the Department conducted a systematic sampling process to draw and review random samples of disbursements from the Department-wide universe of FY 2006 disbursements, covering the period from October 1, 2005 through June 30, 2006. Results of the test revealed no significant improper payments or internal control deficiencies. The same results were achieved following a similar test in FY 2005. Overall, the Department's assessments demonstrate that the Department has strong internal controls over the disbursement processes, the amounts of improper payments in the Department are immaterial, and the risk of improper payments is low.

For FY 2007 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.



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
Johnnie E. Frazier*

The management challenges have changed since FY 2005 along with the order. The following is a crosswalk between the FY 2005 and the FY 2006 management challenges. Following this crosswalk is a description of the challenges and then the bureau responses to the challenges.

2006 MANAGEMENT CHALLENGE CROSSWALK		
2005 CHALLENGES	CHALLENGE NUMBER	2006 CHALLENGES
Strengthen Department-wide information security	1	Strengthen Department-wide information security
Effectively manage Departmental and bureau acquisition processes	2	Effectively manage Departmental and bureau acquisition processes
Enhance the U.S. Patent and Trademark Office's (USPTO) ability to manage and operate its own processes	3	Strengthen internal controls over financial, programmatic, and business processes [Moved up from 9]
Control the cost and improve the accuracy of Census 2010	4	Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results [Moved down from 3]
Monitor the effectiveness of the National Oceanic and Atmospheric Administration's (NOAA) stewardship of ocean and living marine resources	5	Control the cost and improve the accuracy of the decennial census [Moved down from 4]
Promote fair competition in international trade	6	Effectively manage the development and acquisition of environmental satellites [New]
Enhance export controls for dual-use commodities	7	Promote fair competition in international trade [Moved down from 6]
Enhance emergency preparedness, safety, and security of Commerce facilities and personnel	8	Effectively manage NOAA's stewardship of ocean and living marine resources [Moved down from 5]
Continue to strengthen financial management controls and systems	9	Aggressively monitor emergency preparedness, safety, and security responsibilities [Moved down from 8]
Continue to improve the Department's strategic planning and performance measurement in accordance with the Government Performance and Results Act (GPRA) of 1993	10	Enhance export controls for dual-use commodities [Moved down from 7]



Challenge 1: Strengthen Department-Wide Information Security

In the five years since enactment of the Federal Information Security Management Act (FISMA), government agencies have devoted significant resources to improving the security of information stored on their computer systems. At the Department, information technology (IT) security has been a top management challenge, and has been a Federal Managers' Financial Integrity Act (FMFIA) material weakness since 2001.

To eliminate the material weakness, the Department has established a certification and accreditation (C&A) improvement process for IT systems. In FY 2006, the Office of the Chief Information Officer (OCIO) reviewed improved bureau C&A packages as they became available, and provided the Office of the Inspector General (OIG), for the Department's FISMA review, the packages for high and moderate impact systems considered to be of sufficient quality. The Department's inventory contains 229 such systems. OCIO received 22 improved C&A packages for these systems in time to forward for the Department's FISMA review, and determined 12 to be of sufficient quality. The Department evaluated 11 of the 12 packages (which were all for Department-owned systems), as well as four packages for contractor systems (which did not go through the improvement process) in time for FISMA reporting. The review identified significantly improved quality of risk assessments and system security plans overall for Department systems, but found that certification testing still needs improvement. OIG concluded that five of the 11 improved Department systems and none of the contractor systems met the C&A criteria established by Departmental IT security and Office of Management and Budget (OMB) policy, and National Institute of Standards and Technology (NIST) standards and guidelines. Based on the limited number of improved C&A packages and its review, OIG concluded that the Department lacks a consistent and effective process for performing C&A. The result is that (1) systems are authorized for processing without demonstrating that their operational and technical controls are, in fact, in place and operating as intended, and (2) authorizing officials lack adequate information on the remaining vulnerabilities.

Challenge 2: Effectively Manage Departmental and Bureau Acquisition Processes

The Department spends nearly \$2 billion annually on goods and services—roughly a third of its annual appropriation—and each year relies more on contractors to support its mission-critical work. Adequate oversight of acquisition planning and execution is essential to ensuring that taxpayers' dollars are spent effectively and efficiently and procurement laws and regulations are followed.

For example, the Census Bureau's contracting for products and services to support 2010 decennial operations continues to bear watching. The Bureau estimates that 17 percent (\$1.9 billion) of its 2010 budget will be spent on contracts for IT systems, advertising, and leases for local office space.¹ One key IT program—Field Data Collection Automation (FDCA)—will develop the handheld mobile computers that field staff will use to collect 2010 decennial information. This is a critical piece of the Bureau's re-engineered strategy. The Census Bureau originally planned to develop this equipment in-house but determined in early 2004 that it lacked the management and technical resources to do so, and on March 31, 2006 awarded a system development contract. However, the late decision to use a contractor and the initial slow pace in planning the acquisition shortened the amount of time available for awarding the contract and developing FDCA. These delays have been a major contributor to the recently-announced one-month delay in address canvassing, the first major field operation of the dress rehearsal for the 2010 census.

Challenge 3: Strengthen Internal Controls Over Financial, Programmatic, and Business Practices

Internal controls are the steps agencies take to make sure their operations are effective, efficient, and in compliance with laws and regulations. Internal controls also ensure that financial reporting is reliable, and assets are safeguarded from waste, loss, or misappropriation, according to OMB. Two documents, the FMFIA and the 2004 revision of OMB Circular A-123 (Management's

¹ <http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.21&filename=d06465t.pdf&directory=/diskb/wais/data/gao>. Accessed April 7, 2006.



Responsibility for Internal Control), set out internal control requirements for the federal government: the Department and all federal agencies must define and document major financial internal control processes and test key financial controls to determine whether they are effective as of June 30, 2006.

Although OIG noted recent improvement in the Department's management and financial accountability as well as in program and operational effectiveness, OIG audits continually indicate more work is needed to strengthen internal controls over programs, operations, and administrative areas.

OIG expects the new federal emphasis on strong internal controls to create a number of new demands for OIG reviews in the coming years. For example, the Digital Television Transition and Public Safety Act of 2005 passed in 2005 puts the National Telecommunications and Information Administration (NTIA), one of the Department's smaller agencies, in a position of having to manage an enormous national project with an even larger budget than had been anticipated. Successfully implementing this act will constitute a significant management challenge for the Department. OIG will share lessons learned from its work in other areas to help the Agency design strong, well-structured programs and minimize opportunities for fraud.

Challenge 4: Ensure that USPTO Uses Its Authorities and Flexibilities as a Performance-Based Organization to Achieve Better Results

Since March 2000 when the Patent and Trademark Office Efficiency Act transformed the U.S. Patent and Trademark Office (USPTO) into a performance-based organization designed to operate more like a private corporation than a government agency, OIG has paid close attention to a number of aspects of the organization's internal management structures and practices.

At the same time, USPTO faces numerous challenges, such as a continuing increase in applications, training over 1,000 newly hired examiners in Patents and Trademarks, and transitioning to an electronic processing environment. In addition, USPTO's expanded authority over personnel decisions and processes, procurement, and IT operations needs to be effectively and efficiently utilized.

OIG has issued nearly a dozen reports examining problems at USPTO since 2001. The Bureau has generally taken decisive action to address some problems OIG identified in the past, and OIG has been pleased that USPTO has been receptive to OIG recommendations. But ultimately, OIG believes that many of the problems USPTO suffers are serious and require the sustained commitment of senior managers to resolve. OIG will continue to monitor the Bureau's progress.

Challenge 5: Control the Cost and Improve the Accuracy of the Decennial Census

Even after adjusting for inflation, the 2010 census will be the country's most expensive decennial ever—estimated to cost \$11.3 billion. The Census Bureau has established a rigorous testing schedule to monitor development and implementation of the strategy, identify problems, and incorporate solutions in time for the decennial.

During the last six months, OIG built on the work it did in 2005 and early 2006 which reviewed the 2006 test address canvassing operation. OIG completed a review of the Census Bureau's test to enumerate the group quarters population.

Although most U.S. residents live in residential housing units, such as single-family houses, apartments, and mobile homes, more than seven million people live in situations such as college dormitories; nursing homes; prisons; and group homes, collectively known as group quarters. OIG reviewed the group quarters testing operation at the Census Bureau's test site in Travis County, TX.



MANAGEMENT DISCUSSION AND ANALYSIS

OIG's review found that although the Bureau is working on new methods to better enumerate the group quarters population, it continues to face a number of challenges. For example, non-traditional student housing, such as private dorms and student cooperative housing, did not easily fit into any of the Census Bureau's group quarters definitions. Sometimes these units were defined as private residences and received housing unit questionnaires. In those cases, there was an increased likelihood that the unresponsive students had already moved out of their residence before the follow-up operation. When this occurred, enumerators relied on records kept in administrative offices, which often lacked Hispanic origin and race information. OIG also found that 42 percent of the validation workload was associated with large apartment complexes erroneously identified as potential group quarters during address canvassing. This caused problems in the group quarters validation and the nonresponse follow-up operations.

OIG also found that the Census Bureau should take additional steps to count the student population, such as working closely with fraternity and sorority campus oversight organizations and exploring the use of the Internet as a response option for this computer-oriented generation. Finally, OIG noted that some additional group quarters processes and procedures warrant management attention. OIG continues to look at various aspects of Bureau planning and preparations for the 2010 census, including update/enumerate operation at the Cheyenne River Reservation and Off-Reservation Trust Land in South Dakota.

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

Over the next five years, the Department, through the National Oceanic and Atmospheric Administration (NOAA), will spend several billion dollars in contracts for the purchase, construction, and modernization of environmental satellites.² These systems, operated by NOAA's 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.

Complex, high-cost acquisitions such as these are extremely difficult to manage within cost and schedule goals, as was revealed in OIG's audit during this reporting period of the National Polar-orbiting Operational Environmental Satellite System (NPOESS).

NPOESS is intended to replace the current generation of civilian and military weather satellites as they reach the end of their useful lives. By September 2005, NPOESS was \$3 billion over budget and well behind schedule, yet the contractor had received more than \$123 million in award fees. OIG uncovered two overarching management and contract weaknesses that contributed to the unchecked cost and schedule overruns.

First, OIG found that while the sensor problems were communicated to the program's executive committee (EXCOM), the EXCOM did not effectively challenge the integrated program office's optimistic assessment of their impact. Though it was clear by December 2002 that both costs and delays were increasing, the program director—a NOAA employee—maintained that these problems would be solved within available funding reserves and that NPOESS remained on schedule, and his assessment was never effectively challenged. Three years later it was clear the first satellite launch was going to be delayed, but it was too late to turn the program around.

Second, the NPOESS experience shows that the incentive structure used to reward contractors does not always result in top performance. Despite ongoing, significant delays and cost overruns, OIG found the prime contractor was awarded nearly the maximum fee amounts for the first five billing periods. These payments were permissible because the fee plan's evaluation criteria did not sufficiently tie incentive earnings to completion of the most critical or high-risk tasks.

² <http://www.osec.doc.gov/bmi/Budget/05APPR/PAR05.pdf>, page 210.



MANAGEMENT DISCUSSION AND ANALYSIS

Since OIG's report was released, the Deputy Secretary of Commerce has stressed the importance of NPOESS to the Department's mission and national responsibilities and noted that he now receives monthly NPOESS progress reports from NOAA.

The GOES-R series is the next generation of geostationary satellites (GOES) that will replace existing GOES satellites in the next decade. The Department's investment for GOES-R for FY 2006 to FY 2010 is projected at about \$2 billion. OIG has initiated a joint review of the GOES-R program with the National Aeronautics and Space Administration's (NASA) OIG. The shared objective is to determine whether the Department and NASA have created a management structure to ensure effective oversight of the many risks associated with the GOES-R program.

OIG's acquisition focus will be on the program office's overall approach to procuring key satellite instruments, identifying potential risks, and implementing associated mitigation strategies. OIG will also assess the acquisition contracts' award fee plans to determine whether they are structured to promote excellent performance.

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 competition by imports primarily through the work of the International Trade Administration (ITA). ITA also works with USPTO and NIST to assist U.S. companies on intellectual property rights (IPR) and standards. Over the past several years, OIG has focused a number of reviews on the Department's efforts to increase U.S. market opportunities, provide assistance to U.S. exporters, and overcome trade barriers in difficult foreign markets.

In September 2006, in response to OIG recommendations made to ITA in several recent reports, the ITA's U.S. and Foreign Commercial Service Program (US&FCS) announced extensive changes in its procedures for verifying export success claims, its primary performance measure. US&FCS stated that the new procedures were necessary because, in a significant number of cases, OIG had found discrepancies in the reported export successes. These discrepancies raised doubts about the integrity of the data US&FCS reports to Congress and the Administration on its accomplishments. The new US&FCS procedures require improved documentation, supervisory confirmation of a sample of export success reports, and verification that US&FCS provided value-added assistance.

OIG conducted on-site inspections of US&FCS posts in Brazil, Argentina, and Uruguay. Significant export opportunities are opening in these countries as Brazil's large economy continues its steady growth, Argentina recovers from its 2001-2002 economic crisis, and Uruguay pursues closer trade relations with the United States. OIG inspections focused on the management, program operations, and financial and administrative practices of these three South American posts. It issued its report on US&FCS's operations in Argentina and Uruguay in September with 20 recommendations, and OIG will publish its report on US&FCS's larger post in Brazil before the end of the calendar year.

OIG's review of US&FCS Argentina and US&FCS Uruguay found that the posts are providing useful export assistance to U.S. companies and have established collaborative relationships with key U.S. government offices and non-governmental organizations (NGO) both in those countries and in the United States. OIG's review found effective administrative management practices at both posts, but it also identified some financial management and accounting concerns that warrant the attention of Department managers.



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

NOAA is charged with monitoring the health of the nation's ocean, coastal, and Great Lakes resources; administering civilian ocean programs; and protecting and preserving the nation's living marine resources through scientific research, fisheries management, enforcement, and habitat conservation.

During the past year, OIG followed up on its audit of the National Marine Fisheries Service's (NMFS) preparation of a biological opinion for California's Central Valley Project, one of the nation's major water conservation efforts. In response to OIG's audit recommendations, NOAA commissioned two independent scientific reviews of the opinion, both of which found the scientific information used in the biological opinion was not the best available. In light of these findings, OIG asked NOAA officials to submit to it a plan that identifies actions they will take to address the deficiencies and implement the related recommendations made by the independent review organizations.

OIG also continued its series of reviews of salmon recovery programs, auditing a tribal subgrantee funded by NOAA's Pacific Coastal Salmon Recovery Fund. Much like the audits OIG detailed in its 2004 and 2005 semiannual reports, it questioned costs and noted some administrative weaknesses.

NOAA's challenges include its efforts as a steward of marine resources, the Agency's consultation process, and its management of fisheries and marine mammals.

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

The Department has a dual responsibility in the area of emergency preparedness, safety, and security; not only must it be ready to protect 38,000+ employees and hundreds of facilities, but because several Department programs are critical to national preparedness and recovery efforts, it must support U.S. efforts to prepare for, respond to, and promote recovery from major disasters.

OIG continues to monitor the Department's progress in resolving departmental emergency preparedness and security weaknesses it identified in assessments conducted in 2002 and 2005. Although the Department has made significant improvement in emergency preparedness to address vulnerabilities, OIG found, among other things, the need for better departmental guidance and oversight of emergency programs, risk assessments, occupant emergency plans, and security forces at its domestic operations, as well as better oversight of security upgrades and greater attention to security at its overseas offices.

Challenge 10: Enhance Export Controls for Dual-Use Commodities

The Department's Bureau of Industry and Security (BIS) oversees the federal government's export licensing system for dual-use commodities and technology and is charged with advancing U.S. national economic security interests by administering and enforcing export controls. The primary goal of the licensing and enforcement system is to prevent hostile nations and terrorist groups from acquiring sensitive technologies and materials that have both civilian and military applications by controlling their export.

The National Defense Authorization Act (NDAA) for FY 2000, as amended, directed the inspectors general of the Departments of Commerce, Defense (DOD), Energy (DOE), and State, in consultation with the directors of the Central Intelligence Agency (CIA)³ and the Federal Bureau of Investigation (FBI), to report to Congress by March 30, 2000, and annually until the year 2007, on the

³ *The Intelligence Reform and Terror Prevention Act of 2004 [Public Law 108-458], dated December 17, 2004, established the Director of National Intelligence to serve as the head of the U.S. intelligence community.*



SOME TOPICS COVERED BY INTERAGENCY OIG REVIEWS

- ◆ Federal Automated Export Licensing Systems
- ◆ Commerce Control List and U.S. Munitions List
- ◆ Deemed Exports
- ◆ Export Enforcement
- ◆ Export Licensing Process for Chemical and Biological Agents
- ◆ U.S. Dual-Use Export Controls for China
- ◆ U.S. Dual-Use Export Controls for India (Department of Commerce only)
- ◆ Annual Follow-up

adequacy of export controls and counterintelligence measures to prevent the acquisition of sensitive U.S. technology and technical information by countries and entities of concern. (OIG at the Department of Homeland Security [DHS] also has participated since its establishment in 2003.) In addition, the NDAA for FY 2001 requires the IGs to discuss in their annual interagency report the status or disposition of recommendations made in prior-year reports submitted under the act.

OIG has recently initiated its eighth and final NDAA required review, this time looking at the effectiveness of U.S. controls on dual-use exports to India. India presents unique challenges to U.S. commercial interests and export control policy. As one of the fastest growing economies in the world, India offers expanding trade opportunities for U.S. exporters but also increased competition for U.S. industry and labor.

OIG will detail the findings of its India evaluation in its March 2007 semiannual report. And though this will conclude OIG's statutory reporting requirements under NDAA, it will continue to monitor BIS's efforts to implement and enforce dual-use export controls, given the importance of this mission to the nation's security. OIG will also follow up on its previous NDAA recommendations and report on BIS's progress in implementing them in its next semiannual report.



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).

2006 MANAGEMENT CHALLENGES	
CHALLENGE	RESPONSE
1. Strengthen Department-wide information security	<ul style="list-style-type: none"> ◆ Made significant progress in information technology (IT) security, with 100 percent of systems covered by IT security plans, 84 percent with tested controls, 100 percent with contingency plans, 93 percent with certification and accreditation (C&A) packages, and with much-improved quality and thoroughness of the C&A documentation. Operating Units are addressing C&A process and documentation issues that OIG identified as needing further improvement.
2. Effectively manage Departmental and bureau acquisition processes	<ul style="list-style-type: none"> ◆ Revised acquisition planning policy to make sure that the acquisition and program offices partner early to develop and implement effective and timely contracts which support the Department's mission. ◆ Continued major communication and outreach program to acquisition and program communities focusing on acquisition planning, the training of contracting officer's representatives (COR), and development of a performance-based acquisition enterprise. ◆ 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, ensured that the COR element is included in their performance plan. ◆ Undertook refinement of a database to track the education and training of the acquisition workforce including the CORs. ◆ Launched an initiative to develop and implement a comprehensive human capital plan for the acquisition community. ◆ Sponsored a joint Acquisition and COR Conference in November 2005 with 485 attendees. This training was offered at no cost to the attendees and provided guidance on critical acquisition issues.

(continued)



MANAGEMENT CHALLENGES *(continued)*

CHALLENGE	RESPONSE
<p>2. Effectively manage Departmental and bureau acquisition processes <i>(continued)</i></p>	<ul style="list-style-type: none"> ◆ Expanded the Acquisition Review Board to cover interagency agreements over \$5 million and real property. The board met 13 times this fiscal year and reviewed 27 cases with an estimated value of \$11.7 billion. ◆ Launched a new risk management initiative which will address the major business investment process. ◆ Led by the Departmental Procurement Executive (PE), the Office of Acquisition Management and Financial Assistance (OAMFA) developed an enterprise-wide strategic plan to improve acquisition management. This plan was actively supported by the Commerce Acquisition Council and the Heads of Contract Offices across the Department. ◆ Implemented the acquisition strategic plan which is transforming the acquisition community into a performance-based enterprise. The PE implemented a major outreach program to the acquisition community and to program officials stressing that acquisition is much broader than procurement or contracting and that the acquisition community partnering with program officials are being transformed into business brokers for program mission success. ◆ Met monthly with the Commerce Acquisition Council to keep the bureaus informed on issues and concerns which impact the acquisition community. ◆ Re-designed the Balanced Scorecard (BSC) for Acquisition using an enterprise-wide working group to revise its performance metrics, customer and employee surveys, and standardized reports. ◆ Obtained in January 2006 direct hire authority for the bureaus' contracting offices. It is being used to bring contract specialists on board quickly. ◆ Leading the effort to standardize the definition and description of data elements and processes in the acquisition and requisition systems. ◆ Implementing the financial and acquisition systems interface, the acquisition and financial partners are changing the requisition process. OAMFA is leading the deployment program and designed and implemented training modules to support these efforts.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>3. Strengthen internal controls over financial, programmatic, and business processes</p>	<ul style="list-style-type: none"> ◆ In 2005, the Department received an unqualified opinion on the financial statements for the seventh consecutive year. Only two reportable conditions were identified: Construction in Progress (new) and IT Security. Corrective action plans (CAP) were developed and implemented for both reportable conditions. As a result of the Department's internal controls improvements, the auditors removed the Construction in Progress reportable condition for the FY 2006 audit. The Department continues to monitor the remaining CAP and requires and monitors CAPs for management letter comments to address issues before they are raised to the level of internal control reportable conditions. ◆ The Department is participating in a 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/Assistant Secretary for Administration (ASA), bureau CFOs and OIG. The FY 2006 implementation of A-123 included the following: <ul style="list-style-type: none"> ● Establishment of the Senior Management Council that provides oversight for these activities and the Senior Assessment Team that conducts day-to-day activities. ● Evaluation of the overall control environment at the Department and compilation of an inventory of both Department-wide and bureau-specific key process cycles and approximately 630 key controls. ● Development of a communications plan to inform Department employees about the importance of internal controls in carrying out their responsibilities. Implementation will begin during the fourth quarter. ● Development of a Department-wide testing approach and plan. ● Review of the testing results and determination as to the significance of any deficiencies (i.e., whether they constitute an internal control deficiency, reportable condition, or material weakness) by the Senior Management Council and Senior Assessment Team. During the first quarter of FY 2007, bureaus will develop CAPs as needed to address any level of deficiency. ● Evaluation of the results and documentation of the adequacy of the Department's internal controls resulting in an unqualified annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report (PAR).

(continued)



MANAGEMENT CHALLENGES (continued)

CHALLENGE	RESPONSE
<p>4. Ensure that the U.S. Patent and Trademark Office (USPTO) uses its authorities and flexibilities as a performance-based organization to achieve better results</p>	<ul style="list-style-type: none"> ◆ USPTO is continuing the transformation to a performance-based organization and to its credit, the Agency reports it accomplished 94 percent of its key performance measures in FY 2006. USPTO has also had a clean audit opinion for 14 consecutive years. ◆ USPTO faces numerous challenges, such as continuing workload increases, hiring and training over 1,000 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. 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 decisive action to address problems the OIG identified.
<p>5. Control the cost and improve the accuracy of the decennial census</p>	<ul style="list-style-type: none"> ◆ The 2010 Decennial Census program continues to be the highest priority of the Census Bureau. In response to the lessons of Census 2000, and to better meet expanding needs for social, demographic, and geographic information in the United States, in 2001 a multi-year effort to completely modernize and re-engineer the 2010 Census of Population and Housing was developed. This effort has four major goals: (1) Improve the relevance and timeliness of census long-form data, (2) Reduce operational risk, (3) Improve the accuracy of census coverage, and (4) Contain costs. The re-engineered 2010 Census program consists of three integrated components designed to take advantage of opportunities for innovations made possible through the expanded use of technology, major changes in the business process for data collection, and the use of focused coverage improvement procedures. <ul style="list-style-type: none"> ● American Community Survey (ACS) ● Master Address File/Topologically Integrated Geographic Encoding and Referencing Enhancement Program (MAF/TIGER) ● Short-form only 2010 Census ◆ Full implementation of the ACS, completion of the MAF/TIGER Enhancement Program (MTEP), and continued development of a fully tested, redesigned plan for a short-form only 2010 Census must all occur for the Census Bureau to achieve its long-range performance goals for the 2010 Census.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
5. Control the cost and improve the accuracy of the decennial census <i>(continued)</i>	<ul style="list-style-type: none"> ◆ With respect to the OIG's specific observations concerning the Group Quarters Enumeration operation for the 2006 Census Test, the Census Bureau has sent a formal response to the OIG which includes in depth comments on many of the observations. The Census Bureau concurs with some of the findings and recommendations, but disagrees with others, including the recommendation about using the Internet for student population response. The Census Bureau has tested the use of the Internet for the 2010 Census a number of times, and believes offering the option would provide limited benefits. Also, the Bureau is concerned about the increased security risk an Internet option would add to the Decennial Census. For these reasons, the Census Bureau leans against offering an Internet option for the 2010 Census, though they continue to evaluate the feasibility of such an option.
6. Effectively manage the development and acquisition of environmental satellites	<ul style="list-style-type: none"> ◆ The National Oceanic and Atmospheric Administration (NOAA) has responded to the final OIG audit report on the National Polar-orbiting Environmental Satellite System (NPOESS) program issued in May 2006. ◆ NOAA developed an action plan that describes the efforts of NOAA and provides a schedule for completion. Actions address each of OIG's recommendations on program oversight and contractor award fees. They are: <ul style="list-style-type: none"> ● The first annual Independent Program Assessment (IPA) to implement the IG recommendations is scheduled to begin in January 2007. ● The second action is to revise the NPOESS award fee plan. An interim award fee plan covering the 18 month period from April 2006 to September 2007 will be implemented in early FY 2007. ● The third action is to separate award fee determination from system program direction. NOAA has completed this action and has appointed a Program Executive Officer (PEO) with responsibility as the fee determination official.
7. Promote fair competition in international trade	<ul style="list-style-type: none"> ◆ The International Trade Administration (ITA) recognizes the significance of the management challenges regarding U.S. trade with China. ITA's response to this challenge addresses both operational actions responding to the IG's extensive audit in China and key overarching steps that have been taken to deal with trade compliance in China. ◆ ITA has committed to an extensive action plan to improve ITA's US&FCS operations in China. These actions are in response to the IG's report, "US&FCS China Generally Performs Well, but Opportunities Exist for Commerce to Better Coordinate its Multiple China Operations." <ul style="list-style-type: none"> ● This report contained 36 recommendations for ITA to address. ITA has completed a detailed action plan that outlines all actions taken or planned. ● ITA has already made considerable progress on completion of open IG recommendations for ITA contained in this report. ITA has completed 75 percent of the recommendations.

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MANAGEMENT CHALLENGES (continued)

CHALLENGE	RESPONSE
<p>7. Promote fair competition in international trade (continued)</p>	<ul style="list-style-type: none"> ◆ ITA has also taken several overarching steps to advance policies and implement actions to optimize China trade compliance: <ul style="list-style-type: none"> ● ITA is planning extensive follow-up from the commitments made during the Joint Commission on Commerce and Trade (JCCT) meetings through establishment of working groups and analysis of recent JCCT commitments. Through efforts with the JCCT, an action plan has been developed that address several key trade areas of concern. These areas include Chinese commitments to increase U.S. access to the Chinese market, improving enforcement of intellectual property rights (IPR), ensuring the rule of law, structural and regulatory initiatives, and export controls. In addition to these key areas, China committed to progress in a number of other discrete areas. The first was agreement to establish a new working group on the manufacturing of active pharmaceutical ingredients. The second was development of an enhanced steel dialogue that brings the private sector into the progress. ● ITA is committed to vigorously combating unfair trade practices. It currently maintains 58 antidumping orders on imports from China, including consumer goods, steel products, agricultural products, seafood, and chemicals. These orders represent 22 percent of all current U.S. antidumping orders. The estimated value of trade affected in 2005 by these orders was more than \$5.25 billion. ● ITA has stepped up its engagement with China through the JCCT Structural Issues Working Group and the newly established Steel Dialogue. Subsidy concerns cover a wide variety of programs, including industrial policies, the role of state-owned enterprises, and China's continued use of price controls. ● Transparency remains a major obstacle to identifying and measuring subsidies in China, a difficulty furthered by China's continuing failure to provide its annual subsidy notification to the World Trade Organization (WTO).
<p>8. Effectively manage NOAA's stewardship of ocean and living marine resources</p>	<ul style="list-style-type: none"> ◆ NOAA is concerned about the mischaracterization of the peer reviews of the Central Valley biological opinion. OIG reports that two independent scientific reviews of the opinion were conducted and that they both found "serious problems with the opinion's integrity." None of the three independent reviews provided to NOAA concluded that the underlying scientific integrity of the biological opinion was impaired. The peer review reports raised multiple and complex issues that merit evaluation in the context of future improvements to the Section 7 program and the subject biological opinion. Since several of the peer review recommendations require longer-term research or modeling, NOAA will determine what short-term improvements are possible and what longer-term actions will be undertaken.

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT CHALLENGES <i>(continued)</i>	
CHALLENGE	RESPONSE
<p>9. Aggressively monitor emergency preparedness, safety, and security responsibilities</p>	<ul style="list-style-type: none"> ◆ Focused on optimizing security at the Department, the Office of Security 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. ● Met and exceeded the first major milestone of Homeland Security Presidential Directive 12, making the Department one of the only agencies to do so. ● Developed or enhanced program to monitor, evaluate, and test the Department's Occupant Emergency Plans (OEP). Continued assessments of OEPs for the Department's 622 occupied facilities, thus far completing 336 in the current four-year cycle. ● Tracked implementation of recommended countermeasures designed to mitigate risks identified in the 403 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 622 occupied facilities. ● Coordinated closely with the US&FCS and the Diplomatic Security Services to ensure appropriate action was taken to correct deficiencies identified in risk assessments of key overseas locations. ● Exercised the Department's readiness for continuity of operations in the government-wide Forward Challenge FY 2006, successfully testing all bureau Continuity of Operations (Plans (COOP). Conducted in-depth reviews of all bureau COOP plans, while continuing to host COOP working groups. ● Steered bureau declassification activities to meet the December 2006 automatic declassification deadline of the Department's 25-year-old or older classified permanent records. ● Received a Green "R" (Results) Card from OMB's Clay Johnson in recognition of the Department's successful implementation of 100 percent Electronic Questionnaires for Investigative Processing (e-QIP) investigations in May 2006.
<p>10. Enhance export controls for dual-use commodities</p>	<ul style="list-style-type: none"> ◆ An IG report in 2004 resulted in the creation of the Deemed Exports Advisory Committee (DEAC). The DEAC which was established in May 2006, will be issuing its report in 2007. ◆ BIS continues to evaluate and implement IG recommendations.



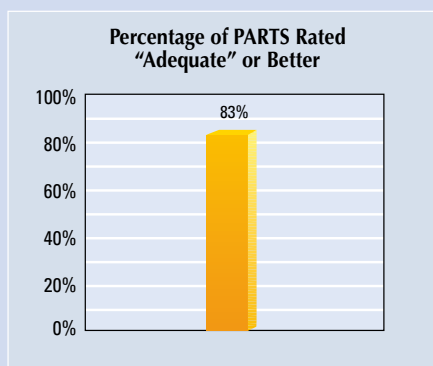
PROGRAM ASSESSMENT RATING TOOL (PART) STATUS

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 FY 2005 with results reported in FY 2006. The results of previous PART reviews are reported in the FY 2004 and FY 2005 Performance and Accountability Reports (PAR). The results of these reviews are used to inform the participants in the planning and budgeting process and are published in the annual President's Budget and Performance Plan, submitted to Congress. OMB did not conduct any PART reviews for programs appearing in the Management Integration Goal during FY 2005.

TABLE 1: RESULTS OF THE OMB PART PROCESS¹

RATING	RESULTS
Effective	6
Moderately Effective	10
Adequate	9
Results Not Demonstrated	5
Totals	30*



*Amount reflects the total number of Department programs 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	
PROGRAM	RATING AND SCORE
Current Economic Statistics and Census of Governments (Census)	Moderately Effective – 83%
Market Access and Compliance (ITA)	Adequate – 58%
Import Administration (ITA)	Results Not Demonstrated
Bureau of Industry and Security (BIS) (entire bureau)	Moderately Effective – 72%
National Telecommunications and Information Administration (NTIA) (entire bureau)	Adequate – 62%
Weather and Related Services (NOAA)	Moderately Effective – 76%
Ecosystem Research (NOAA)	Adequate – 63%

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

TABLE 2: PART SUMMARIES 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

PROGRAM NAME	CURRENT ECONOMIC STATISTICS (CES) AND CENSUS OF GOVERNMENTS
Score and Rating	◆ Moderately Effective – 83%
Lead Bureau	◆ Census Bureau
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ These programs address the need to provide comprehensive economic statistics, critical to understanding the current conditions of the U.S. economy. ◆ Improve the relevance of CES data by improving measurement of the services sector. ◆ Facilitate reporting and reduce burden through the use of electronic reporting.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Increased the number of current economic survey reporting units filing electronically by 41 percent. ◆ Established quality management program for the Economic Directorate. ◆ The Committee on National Statistics, a subsidiary of the National Academy of Science, began its review of the Directorate's Census of Governments and corresponding current programs. ◆ Expand the Quarterly Services Survey to include Rental and Leasing; the remainder of Health Care and Social Assistance; Arts, Entertainment, and Recreation, and Other Services; and increasing coverage to at least 25 percent of GDP.
PROGRAM NAME	MARKET ACCESS AND COMPLIANCE (MAC)
Score and Rating	◆ Adequate – 58%
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ MAC's mission is clear. The U.S. government seeks to ensure that its trading partners abide by the commitments of their trade agreements and that U.S. companies can enter foreign markets on a level-playing field. MAC supports this by assisting U.S. industry with market access and trade agreement compliance problems. ◆ MAC has developed new long-term performance measures that will reflect program outcomes; however, MAC should also develop efficiency measures. MAC should engage other federal agencies to develop long-term shared goals regarding high-level trade compliance issues. ◆ Overall, program management is strong. However, MAC would benefit from implementation of a financial system that allows staff to allocate time and operational costs to different activities and enables management to readily identify how resources are applied to key activities and goals.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Developing measures to assess the efficiency and cost-effectiveness of the program. ◆ Implementing a financial system to better track how resources are applied to program goals. ◆ Working with other federal agencies to develop long-term shared goals regarding high-level trade compliance issues.

(continued)



STRATEGIC GOAL 1: <i>(continued)</i>	
PROGRAM NAME	IMPORT ADMINISTRATION (IA)
Score and Rating	◆ Results Not Demonstrated
Lead Bureau	◆ International Trade Administration (ITA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ IA does not have long term measures that address the program's intended outcome, and therefore results cannot be demonstrated. IA does have an annual measure that indicates its efficiency in administering certain program processes. ◆ Overall, IA is well-managed. However, it would benefit from a program evaluation that assesses how well IA is accomplishing its mission.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Developing long-term measures and targets that address the program's intended mission. ◆ Conducting a program evaluation that addresses how well the program is accomplishing its mission. ◆ Implementing a financial system to better track how resources are applied to program goals.
PROGRAM NAME	BUREAU OF INDUSTRY AND SECURITY (BIS) (ENTIRE BUREAU)
Score and Rating	◆ Moderately Effective – 72%
Lead Bureau	◆ Bureau of Industry and Security (BIS)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ BIS's purpose, design, and management are strong; however it would benefit from an updated, reauthorized Export Administration Act (EAA). A new act would clarify some outdated control requirements, increase penalties for violations, and specify interagency licensing processes. ◆ BIS has long-term and annual measures that relate to the program's goals, and targets are largely met, including those related to increasing efficiency.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Working to ensure passage of an updated reauthorized EAA. ◆ Developing a measure to address the accuracy of the export licensing process.



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC GOAL 2: FOSTER SCIENCE AND TECHNOLOGICAL LEADERSHIP BY PROTECTING INTELLECTUAL PROPERTY, ENHANCING TECHNICAL STANDARDS, AND ADVANCING MEASUREMENT SCIENCE	
PROGRAM NAME	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) (ENTIRE BUREAU)
Score and Rating	◆ Adequate – 62%
Lead Bureau	◆ National Telecommunications and Information Administration (NTIA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ NTIA coordinates executive branch telecommunications policy, manages all spectrum use by federal government departments and agencies, and examines how the radio spectrum is used and managed in the United States. ◆ NTIA plays an important role in advancing the President's Spectrum Policy Initiative, engaging relevant parties in pursuit of the President's goals for spectrum use. ◆ NTIA lacks outcome measures and data to ensure that radio spectrum allocation serves the greatest public benefit. As a proxy, the program uses output-based measures, such as frequency assignment processing speed. NTIA should continue efforts to develop measures of economic efficiency of spectrum use, particularly for the federal spectrum.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Analyzing the costs and benefits of the process by which spectrum is allocated in order to improve efficiency of operations. ◆ Improving technical, procedural, and policy coordination with the Federal Communications Commission (FCC) in order to improve management of the radio spectrum. ◆ Developing methods to measure the economic efficiency of spectrum use, considering opportunity costs and benefits.



STRATEGIC GOAL 3: OBSERVE, PROTECT, AND MANAGE THE EARTH'S ENVIRONMENT TO PROMOTE ENVIRONMENTAL STEWARDSHIP

PROGRAM NAME	WEATHER AND RELATED SERVICES
Score and Rating	◆ Moderately Effective – 76%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ The program has made progress in achieving its long-term goals, particularly in improving accuracy and timeliness of forecasts and warnings. ◆ One of the satellite programs has experienced significant cost and schedule overruns which were caused by management and technical problems. This program is at least 25 percent over budget and the satellite launches are delayed by at least two years.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Investing in technology to improve severe weather warning lead times. ◆ Instituting quarterly reporting on progress of satellite programs.
PROGRAM NAME	ECOSYSTEM RESEARCH
Score and Rating	◆ Adequate – 63%
Lead Bureau	◆ National Oceanic and Atmospheric Administration (NOAA)
Major Findings/ Recommendations	<ul style="list-style-type: none"> ◆ Ecosystem Research addresses the need for science in support of wise management of ocean and coastal resources. The President's U.S. Ocean Action Plan expressed support for many of these activities, which were also emphasized by two recent blue-ribbon panels, the U.S. Commission on Ocean Policy and the Pew Oceans Commission. ◆ Some redundancies exist both within the components of Ecosystem Research and between it and other federal efforts. Ecosystem Research was established to begin to align different research efforts within NOAA in order to address these redundancies. In addition, other federal, state, and private organizations have similar or shared responsibilities. ◆ Within some of the components of this program, program managers have had difficulty influencing how resources are targeted to ensure that the highest priority science needs are met. This can be an issue for institutional programs, such as Sea Grant, and for earmarked research projects.
Actions Taken/ Planned	<ul style="list-style-type: none"> ◆ Assessing the portfolio of research within NOAA's Ecosystem Research program in order clarify the role of each of the program's components and eliminate redundancies. ◆ Modifying planning and management processes so that research activities meet the highest priority science needs and provide a balanced response to local, regional, and national issues.



MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE SECTION



INTRODUCTION TO THE PERFORMANCE SECTION

In fiscal year (FY) 2006, the Department accomplished its mission through three strategic goals and an overarching management integration goal that articulate long-term outcomes, as well as performance goals that represent shorter-term outcomes and priorities. Performance goals include specific targets designed to achieve specific performance results within a given fiscal year.

The Performance Section of the report comprises 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 goals fall under each objective. The information contained in the objective provides the performance goals and the activities associated with them. At the end of the performance goal, discussions of the Challenges for the Future for the strategic objective conclude the section.
Performance Goal	Performance Goal Description, Achievements, Program Evaluations, Strategies, and Future Plans. The information contained in each performance goal is designed to provide the reader with the overall achievements of the performance goal and how those achievements support the objective, and in the larger-scale, how they support the furthering of the Department's Strategic Goals.

















Within each Strategic Goal section there are summary charts that provide the historical trend data for financial and full-time equivalents (FTE) resources, and overall performance results, using a stoplight coding system. At the beginning of each strategic goal section and each objective section is a table summarizing the performance goals. A goal is said to have been met if 100 percent of the targets of its corresponding measures were achieved, significantly met if 75 percent to 99 percent of its targets were achieved, and not met if less than 75 percent of its targets were achieved. The performance chart includes a quick summary of the status of the performance measures associated with Strategic Goal, Strategic Objective, or Performance Goal. The chart is color coded: red to indicate performance was not met, yellow to indicate that performance was slightly below target (95 percent - 99 percent of target), green to indicate that performance was met (100 percent - 124 percent of target), and blue to indicate that performance was exceeded (more than 125 percent of target). The numbers under the colors indicate the number of performance measures (or results) associated with the goal.

The same summary resource charts and performance results charts are used for each objective and performance goal under each strategic goal.

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.

STRATEGIC GOAL 1



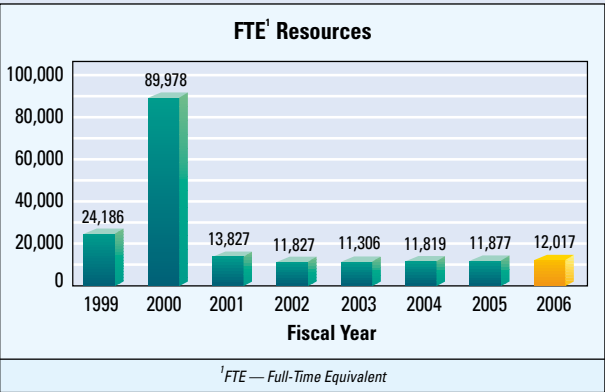
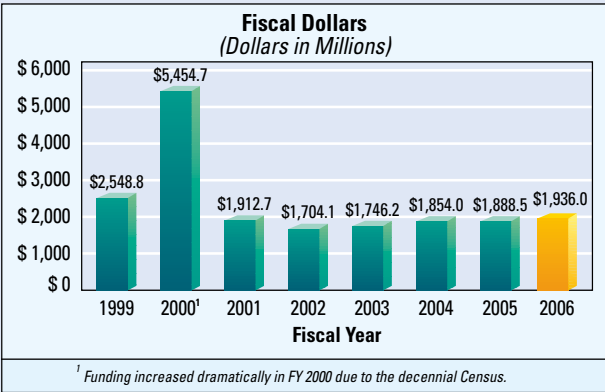
PERFORMANCE GOAL	STATUS*
Increase private enterprise and job creation in economically distressed communities (EDA)	
Improve community capacity to achieve and sustain economic growth (EDA)	
Enhance U.S. competitiveness in domestic and international markets (ITA)	
Broaden and deepen U.S. exporter base (ITA)	
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	
Identify and resolve unfair trade practices (ITA)	
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	
Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)	
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)**	
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 (ESA/Census)	
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)	
*  = MET (100%)  = SIGNIFICANTLY MET (75% - 99%)  = NOT MET (< 75%)  = NOT APPLICABLE	
** This goal had one measure—Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls. No assessments were completed until late in the fourth quarter, so data or estimated data will not be available before January 1, 2007. Results will be reported in the FY 2007 PAR.	



STRATEGIC GOAL 1

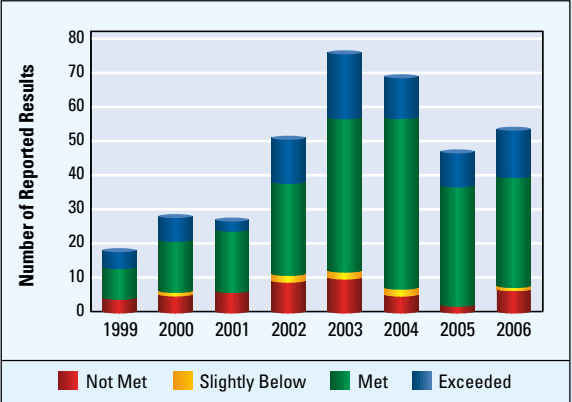
Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC GOAL 1 TOTAL RESOURCES



The Department is committed to opening and expanding foreign markets for U.S. goods and services and improving the nation's export performance. The Department through the International Trade Administration (ITA) will promote 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 will enhance cooperation with its partnership organizations so that U.S. businesses can benefit from global business through free market trade negotiations and through identified priority markets. The Department will continue to focus on fostering a level playing field for U.S. firms through development of trade policy positions, advancement of negotiating positions, and through effective execution of U.S. trade laws intended to curb and combat predatory trading practices.

STRATEGIC GOAL 1 PERFORMANCE RESULTS



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



PERFORMANCE SECTION * STRATEGIC GOAL 1

The Department through the Bureau of Industry and Security (BIS) ensures that export controls do not place U.S. firms at a competitive disadvantage 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 Department, through the Economics and Statistics Administration (ESA), provides decisionmakers with timely, relevant, and accurate economic and statistical information related to the U.S. economy and population. The Department is at the forefront of national efforts to continually improve these statistics. Through the Census Bureau, the Department is planning a re-engineered Decennial Census, which will use technology and automation to increase the accuracy and reduce the risk of this core constitutional responsibility. 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 the Bureau of Economic Analysis (BEA), the Department can supply the economic statistics essential to sound business forecasting and monetary policy.

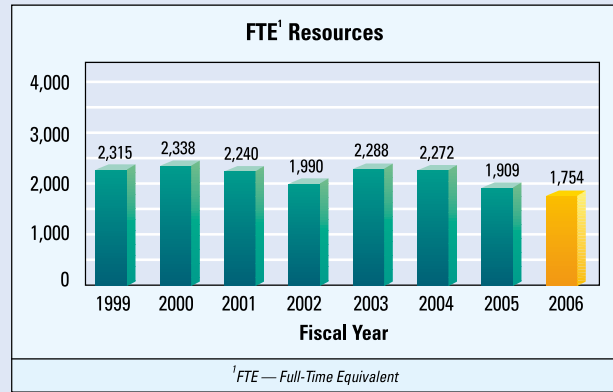
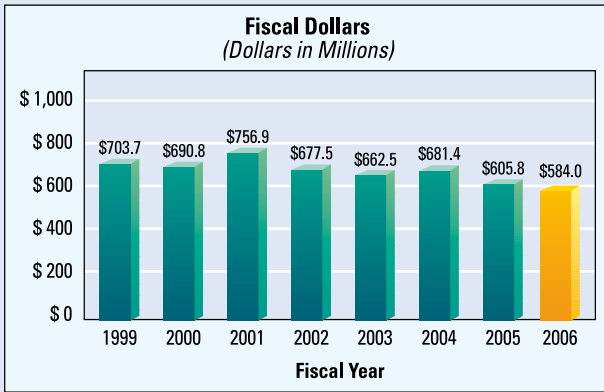
In support of disadvantaged individuals and communities, the Department, through the Economic Development Administration (EDA), promotes private enterprise and job creation in economically distressed communities and regions by investing in projects that produce jobs and generate private capital investment.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

The Department successfully moved this strategic goal forward in FY 2005. Bureaus with programs supporting this strategic goal are EDA, ITA, MBDA, BIS, and ESA's Census Bureau and BEA.

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and non-governmental organizations

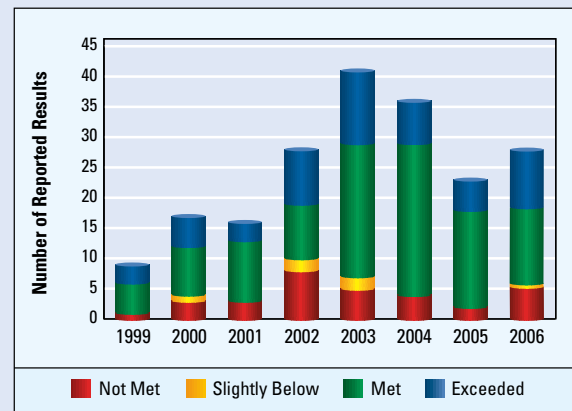
STRATEGIC OBJECTIVE 1.1 TOTAL RESOURCES



This objective is important to the nation as it 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 U.S. exporter base, improving customer and stakeholder satisfaction, 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 provided a \$1 million investment to the Precision Manufacturing Institute in Meadville, PA to support renovations of space for the Edinboro-PMI Technology and Education Center.

STRATEGIC OBJECTIVE 1.1 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Increase private enterprise and job creation in economically distressed communities (EDA)	●
Improve community capacity to achieve and sustain economic growth (EDA)	●
Enhance U.S. competitiveness in domestic and international markets (ITA)	●
Broaden and deepen U.S. exporter base (ITA)	●
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE



PERFORMANCE SECTION * STRATEGIC GOAL 1

The Center's programs focus on high-end technical training for the robotics and nanotechnology businesses, which benefit from the positive impacts on efficiency and productivity that result from their employees' increased knowledge and ability to apply these new technologies. The region's underemployed and unemployed are provided training opportunities making them eligible for the high skill, high wage jobs that are being created. Participants will be offered training on critical skill sets needed within the industry and region. The Center allows manufacturers and workers to adopt new technologies and production techniques required to compete in a global economy. The Center staff estimates that approximately 400 jobs will be created or retained, and \$20 million in private investment will be leveraged as a result of the EDA investment.

An EDA investment in the city of Tupelo, MS assisted in the construction of a multi-story, 31,609 square foot, small business incubator was completed in November 2006. The Tupelo/Lee County Regional Business Incubator project will provide area entrepreneurs and existing businesses with an opportunity to obtain the working space, specialized technical assistance, and peer support their business endeavors need to succeed during the difficult early stages of development. EDA's investment of \$1.625 million is anticipated to leverage \$9.2 million in private investment and is projected to create 281 new jobs and 36 new businesses by the end of the start-up cycle. Another EDA investment in Worcester, MA will aid the city's declining Piedmont-Main neighborhood, a minority area in need of development. The Martin Luther King, Jr. Business Empowerment Center (MLKJ-BEC) project involves the rehabilitation of a 42,224 square foot facility, which will complete the transformation of the building from a vacant former envelope warehouse into a modern, clean incubator for small businesses and aspiring entrepreneurs. It is estimated that at least 25 new small businesses and 60 new jobs will be created as a result of the MLKJ-BEC and at least \$5 million in private investment will be leveraged.

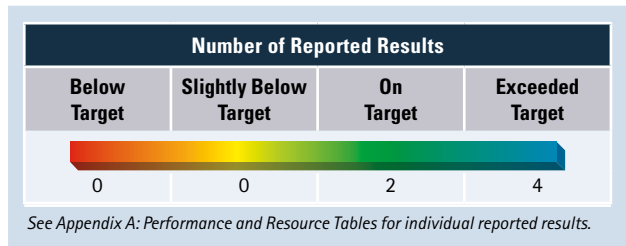
EDA's capacity-building programs include Partnership Planning, in which EDA designates and funds Economic Development Districts (EDD). EDD funding supports local officials to develop or revise and implement their Comprehensive Economic Development Strategy (CEDS). The CEDS is a long-term strategic plan 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. For example, the Southern Five Regional Planning District and Development Commission in Illinois used the CEDS to identify and subsequently fund 131 new initiatives, of which 15 were related to infrastructure, 14 to building construction and rehabilitation, and 60 to technical assistance efforts.

Performance Goal: Increase private enterprise and job creation in economically distressed communities (EDA)

Working with economically distressed communities and regions to create jobs and expand the economy.

Preliminary data collected through the Government Performance and Results Act (GPRA) process for investments made in FY 1997, FY 2000, and FY 2003 indicate that these EDA investments have helped generate more than \$4.94 billion in private sector investment and create and retain 105,206 jobs.

The private investment targets for FY 1997 were \$1,162 million after nine years, \$102 million after six years for FY 2000, and \$320 million after three years for FY 2003. Data reported in FY 2006 show that EDA was 201 percent, 104 percent, and 522 percent of the respective targets. In addition, jobs created or retained in distressed communities as a result of EDA investments in the same years was 100 percent, 152 percent, and 128 percent and totaled 50,546, 42,958, and 11,833, respectively.





In FY 2006, EDA responded to the highly distressed Gulf Coast region following the devastating effects of Hurricanes Katrina, Wilma, and Rita. In the immediate aftermath of Hurricane Katrina, EDA worked in cooperation with the Arkansas State University's Delta Center for Economic Development and other EDA grantees, to secure the deployment of four EDA-funded "Netmobiles," minivans equipped with high-technology computer equipment and satellite Internet access, to Katrina-affected areas. Business counselors used the Netmobiles to assist business owners in finding and acquiring the resources necessary to resume operations.

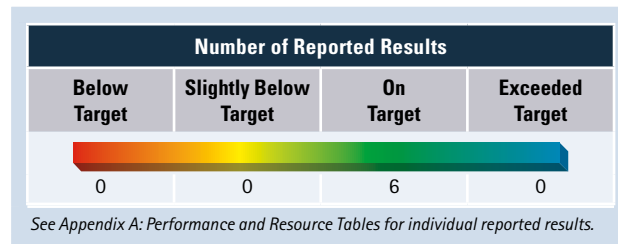
EDA has awarded 33 investments totaling \$19.3 million from its FY 2005 and FY 2006 budgets in the devastated areas of Louisiana, Mississippi, and Alabama to assist in funding Business Counseling Centers, business advertising, technical assistance to economic development corporations, and bridge loans to small businesses. It is estimated that these EDA investments will leverage more than \$170.5 million in private investment and create 1,557 jobs in this region of "greatest need."

All EDA investments are compliant with EDA's Investment Policy Guidelines to ensure that an investment will be part of an overarching, long term strategy that enhances a region's success in achieving a rising standard of living, and will demonstrate a high degree of commitment by exhibiting strong cooperation between the business sector; relevant regional partners; and local, state, and federal governments. Peer reviews are conducted every three years for each EDD Partnership Planning investment recipient, and the EDA regional offices continue to monitor the performance of all investment recipients.

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

Support local planning and long-term partnerships through technical assistance to help distressed communities.

EDA continues to build upon partnerships with local development officials: EDDs; University Centers (UC); 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.



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. Businesses that receive TAAC aid commonly request assistance to undertake market research; develop new marketing materials, initiate e-commerce, identify technology, computer systems, and software to meet specific needs of the firm; and complete a quality assurance program. In FY 2006, the TAACs assisted 439 clients with 386 of those clients taking action as a result of TAAC assistance; 383 of those who took action achieved their expected results. Overall, clients reported \$1.8 Billion in increased sales or revenue and estimated 23,692 jobs were created or retained due to TAAC assistance in FY 2006. In FY 2004, Mid-Atlantic TAAC absorbed the New Jersey TAAC. In order to synchronize future reporting dates with the other 10 TAACs, Mid-Atlantic TAAC has an 18 month reporting period in FY 2006.



PERFORMANCE SECTION * STRATEGIC GOAL 1

The University Center Economic Development program is a partnership between the federal government and academia that helps to make the varied and vast resources of universities available to economic development communities. In FY 2006, EDA completed the first three-year competition cycle for UC funding. In FY 2004, EDA's Denver and Austin regional offices conducted open competitions for UC funding. During FY 2005, EDA held similar competitions in its Chicago and Philadelphia regions, and in FY 2006, competitions were held in EDA's Seattle and Atlanta regions. In FY 2007, the cycle will be restarted with competitions in Denver and Austin.

In FY 2005, the Denver region awarded a \$1.75 million UC investment to establish a partnership between the University of North Dakota Center for Innovation in Grand Forks, ND and North Dakota State University (NDSU) Research and Technology Park in Fargo, ND. This investment aided in the construction of a business and technology incubator in the NDSU Research Park creating new opportunities for the launch of technology enterprises in that state. The program cultivates new private/public relationships between entrepreneur ventures and corporations with the two research universities to develop and commercialize technologies. The initiative is called the Red River Valley Research Corridor University Center program. In concert with EDA's emphasis on regionalism and cluster-based economic development, the Red River Valley encourages and supports regional clusters that extend as far north as Winnipeg and east to Minneapolis and credits the regional approach for much of their success.

Research endeavors, funded by EDA, significantly contribute to the economic development literature. The Research and National Technical Assistance (RNTA) program supports research of leading, world class economic development practices, and funds information dissemination efforts. This research is shared with stakeholders via publications and Web accessible documents on the EDA Web site.

Work was completed on several EDA projects including an award to the National Association of Regional Councils for the dissemination of information to economic development practitioners nationwide. Two projects completed under the Research and Evaluation program in FY 2006 were the Massachusetts Institute of Technology (MIT) and Carnegie Mellon University study, *Measuring Broadband's Economic Impact*, and an award in support of the National Institute of Standards and Technology (NIST) Small Business Innovation Research (SBIR) program. The MIT study represented a first attempt to measure the impact of already-deployed broadband technologies by applying controlled econometric techniques to data on broadband availability and economic performance for the entire United States. The results of the study support the view that broadband access does enhance economic growth and performance, and that the assumed economic impacts of broadband are real and measurable.

In FY 2006, EDA funded the Addressing Competitiveness and Innovation in Rural U.S. Regions Initiative for the development and analysis of rural clusters of innovation and linking rural and metropolitan regions. This study is a follow-up to a 2001 project funded by EDA and led by Harvard Professor Michael E. Porter entitled the Clusters of Innovation Initiative, which analyzed and identified the drivers of economic competitiveness in urban areas, and a 2002-2003 study supported by EDA which provided an overview of the research on economic development in rural regions. The Monitor study is expected to provide recommendations for a framework and process guidelines for other rural regions to draw on to do their own cluster studies and initiatives. Another investment made in FY 2006 is a RNTA program award for \$85,000 to the International Economic Development Council (IEDC) to assist presidentially-declared disaster areas in Alabama, Louisiana, Mississippi, and Texas impacted by Hurricanes Katrina and Rita by allowing volunteer members of IEDC to deploy to various economic development organizations.

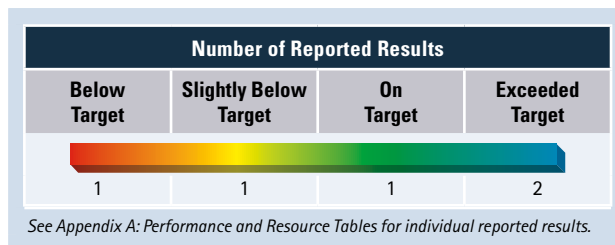
The above mentioned RNTA research studies and others can be found on EDA's Web site at <http://www.eda.gov/Research/ResearchReports.xml>.



Performance Goal: Enhance U.S. competitiveness in domestic and international markets (ITA)

Ensure that U.S. small and medium-sized enterprises (SME) and manufacturers can compete and win in the global economy.

ITA's Manufacturing and Services (MAS) program advances and strengthens the competitiveness of U.S. industry by researching and analyzing competitive factors that impact U.S. business sectors in domestic and international business environments. Specifically, MAS serves as the liaison with U.S. industry and trade associations to address U.S. industry's concerns (trade and otherwise) and to support U.S. industry's competitiveness. The program collects, compiles, and disseminates data on U.S. industry and trade, and provides critical advice (through the International Trade Advisory Committees) on domestic and international trade and investment policies affecting the competitiveness of U.S. industry. MAS undertakes a program of research and analysis of the manufacturing and services industries. Based on these analyses and interactions with U.S. industry, MAS develops strategies, policies, and programs to strengthen the competitive position of U.S. industries in the United States and world markets. MAS maintains a focus that ensures inclusion of U.S. SMEs since these firms are critical to the U.S. economy.



MAS industry analysts provide in-depth industry information and advice to the Secretary on trends in the manufacturing and services industries, and support the Secretary in his role as the federal government's chief advocate for the manufacturing and services sectors. These analysts evaluate the effects of domestic and international economic and regulatory policies on the ability of U.S. industry to compete in world markets. The program's industry experts analyze regulations and other proposed policies to determine their impact on cost competitiveness of U.S. firms and work with other U.S. agencies to reduce the impact of proposed and existing policies and regulations on U.S. industries.

MAS industry experts are an essential government link with U.S. industry and trade associations and work with them to identify key issues affecting competitiveness and industry specific barriers to exporting.

Additionally, MAS adjusts its resources as required to meet challenges in support of the needs of the U.S. business community and to ensure that resources continue to be focused on high-priority areas. Examples in FY 2006 include MAS's recent heightened focus on trade issues with China and MAS's analytic work assessing the industry-specific impacts of Hurricane Katrina.

Enhancing U.S. Competitiveness – The importance of understanding and addressing U.S. competitiveness is a key challenge for ITA. The reality of today's global economy requires that any analysis of U.S. business competitiveness be holistic in its view, accounting for both domestic and international factors. ITA consults with U.S. industry to assess the impact of proposed domestic and international regulatory policies that affect U.S. industry's competitiveness. The report, *Manufacturing in America*, detailed the intense global competition U.S. manufacturers face. Service industries, which represent approximately 70 percent of private sector output, confront an identical level of competitive intensity.

Manufacturers' concerns are one of the important foundations for generating policy recommendations to help ensure that government is creating conditions where U.S. manufacturers can compete in intensely competitive global markets. In FY 2006, ITA led U.S. government efforts to advance U.S. industry competitiveness through regulatory advocacy and analysis like the recent evaluation of the exposure levels from hexavalent chromium. ITA will continue to assess the impact of domestic and international



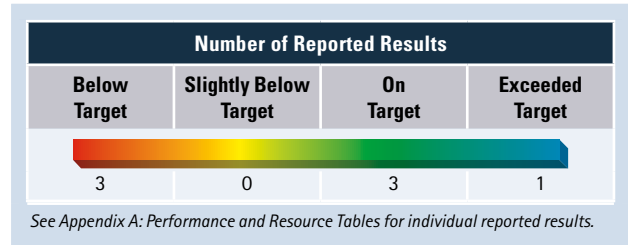
economic policies on U.S. competitiveness by completion of reports and analysis such as the FY 2006 "Sugar Study" and serve as U.S. industry's voice on regulatory impact through working groups and advisory committees. By the end of FY 2007, ITA remains committed to complete the implementation of the remaining difficult recommendations in the *Manufacturing Report*, those largely involving changes in Agency practices or shifts in current laws and regulations.

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

Support jobs and foster economic growth by expanding the number U.S. exporters, especially SMEs.

The health of the U.S. economy depends on U.S. SMEs. 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 with which the U.S. has recently negotiated free trade agreements (FTA). For example, SMEs benefit directly from new trade agreements that slash foreign tariffs and remove the barriers that disadvantage U.S. workers and exporters. Recently signed trade agreements with Singapore, Chile, Morocco, and Australia, and a Central America FTA have yielded benefits to these SMEs:

- ◆ More than 6,000 SMEs export to Chile.
- ◆ Over 4,000 SMEs export to Costa Rica.
- ◆ Approximately 3,000 SMEs export to Honduras.



The Commercial Service program's mandate is to create an 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 operates a Trade Information Center that provides a single point of customer contact for all government export promotion programs, runs the Advocacy Center that supports U.S. companies bidding on major foreign contracts, and coordinates U.S. government export promotion and assistance programs through the TPCC. ITA's unique global network of trade professionals located in over 250 offices, domestically and internationally, capitalizes on high export areas identified by trade patterns and facilitates aggressive outreach to traditionally under-served rural and minority communities.

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.

In addition to the areas described above, two critical program priorities for ITA during FY 2006 included its efforts to strengthen public-private promotion through leveraging public and private partnerships and to promote U.S. exports in strategic and emerging markets. These priorities reinforced ITA's goal to broaden and deepen the export base.



- ◆ ITA remains committed to advancing public and private partnerships. ITA considers working with force multipliers and strategic partnerships and promoting other ITA and trade promotion agency programs as a key to leveraging and amplifying ITA's promotion efforts. In FY 2006 ITA has had several recent successes, such as:
 - An e-Bay marketing partnership to promote Commercial Service programs and services.
 - PNC Bank and the Ex-Im Bank partnerships to provide information on mechanisms for financing purchases of U.S. products and services.
 - Bilateral partnerships such as the recent U.S.-Japan Joint Initiative for Enhanced Cooperation on Intellectual Property Rights (IPR) to enhance bilateral cooperation on IPR protection and enforcement and other issues.
- ◆ ITA has continued to advance U.S. negotiated trade positions and expand trade through FTAs. ITA recognizes that although FTA countries currently consist of only seven percent of world GDP, U.S. exports to these countries in FY 2006 amounted to 47 percent of total U.S. exports. FTA countries continue to exhibit excellent results for U.S. exports, for example:
 - U.S. exports to Chile have increased 91 percent since implementation of the Chile FTA.
 - U.S. exports to Singapore have increased 25 percent since implementation of the Singapore FTA.
 - U.S. exports to Australia have increased 10.5 percent since implementation of the Australia FTA.

Continuing this trend with all negotiated FTAs will offer significant opportunities for U.S. firms in the years to come.

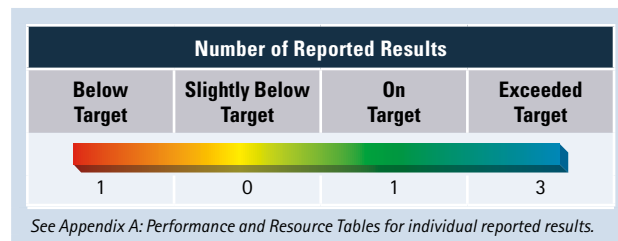
- ◆ ITA will also continue to support trade efforts in critical markets in China, India, Russia and Greater Central Asia as well. These markets address key foreign policy goals and support the President's goal of promoting democracy and liberty through free trade. ITA is working to bring free trade to these critical emerging economies. This work reinforces U.S. efforts to bring greater geopolitical stability to uncertain areas of the globe through enhanced opportunity and economic development.

Last year, U.S. firms exported almost \$1.3 trillion in goods and services, contributing to U.S. economic growth and supporting millions of jobs. Moreover, numerous innovative U.S. companies depend on the fact that 95 percent of the world's consumers live outside the United States. U.S. export opportunities remain boundless, so long as markets continue to open, artificial barriers and distortions are confronted, and U.S. firms and workers continue to adapt and innovate.

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

Achieve entrepreneurial parity for minority business enterprises (MBE) by actively promoting their ability to grow and to compete in the global economy.

MBDA's mission is to effectively and efficiently serve U.S. minority entrepreneurs. The accomplishment of this mission involves the realization of MBDA's vision of entrepreneurial parity and equality for MBEs. For the past 38 years, MBDA has forged new ground in the growth and development of





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MBEs. During FY 2006, the Agency established several new Department initiatives and was highly productive in delivering program services for the Gulf Coast recovery effort.

In FY 2006, MBDA published a report entitled *The State of Minority Businesses: An Overview of the 2002 Survey of Business Owners*. This report analyzed the recent U.S. Census Bureau's Survey of Business Owners, a component of the 2002 economic census. The findings indicate that between the periods 1997 to 2002, the total number of MBEs increased by 35 percent, outpacing all U.S. firms which grew by only 10 percent. Likewise, annual gross receipts for MBEs increased by 13 percent, while non-minority firms showed a three percent growth rate. In addition, the number of paid employees grew by five percent for MBEs compared to a decline of seven percent for non-minority businesses. This data supports MBDA's vision of reaching parity between the percentage minority population over age 18 and the parity percentage for minority firms, the amount of gross receipts, and the total paid employees within minority firms.

MBDA accomplishes its performance goal through the implementation of several business development programs. The success of these programs is measured by the dollar value of contract awards obtained by MBEs and facilitated by MBDA's grantees and staff. The certainty that MBEs will realize the proceeds associated with these awards varies from contract to contract. Multiple-year contracts with option years are less certain as the options may or may not be exercised. In the FY 2007 PAR, MBDA will include the full potential value of multiple-year contract awards obtained and disclose the dollar value of option years in a footnote. For indefinite-delivery contracts, only the actual dollar values realized or guaranteed will be included. This revised methodology for reporting contract awards obtained is consistent with recommendations from the Department's Inspector General (IG) and was agreed to by MBDA during FY 2006.

MBDA also focuses national performance results on the number of new jobs created, the increase in annual gross receipts for firms assisted, and support from strategic partnerships, as well as the dollars obtained in contract awards and financial transactions for minority business.

The MBDA Strategic Growth Initiative (SGI) focuses service on mid to large size firms with receipts of \$500,000 or greater. These firms have a better opportunity to compete and grow in an environment of re-engineered business practices, bundled contracts, and global competition. Furthermore, MBEs face an intense push for efficiencies of scale at every level of the supply chain. To meet this challenge, MBDA has developed a new demonstration program that will encourage business-to-business (B2B) partnership linkages, joint ventures, and mentor protégé agreements. B2B forums were held in New Orleans, Biloxi, and in Washington, D.C. during the National Med Week Conference. Over 500 firms have participated in efforts to formalize partnerships to compete for large contract awards that have been identified and brought to the table for competition.

Other areas of service included the continuing efforts of the White House Initiative for Asian and Pacific Islanders and the Office of Native American Entrepreneurship and Trade. Both units within MBDA are working to forge new opportunities and business alliances with corporations and federal program services to assist these two minority groups.

In FY 2006, MBDA conducted a competitive solicitation to fund a new Minority Business Opportunity Center (MBOC) program that is client focused and will broker procurement opportunities. The new MBOC program fully responds to issues addressed by the Office of the Inspector General (OIG) in a recent audit of the previous MBOC program.

The Office of Performance and Program Evaluation (OPPE) oversees the verification and validation of performance measures, especially contract and financial transactions. OPPE initiated a review of the MBDA's Regional Enterprise Centers (formerly District/Area Offices). This review focused on the contributions made by each district office to the Agency mission and included a cost benefit analysis and review of customer satisfaction interviews with strategic partners.



MBDA is faced with several management challenges, including maintaining a high Agency Return on Investment (ARO), identifying limited resources to support the rebuilding of the Gulf region, continuous improvements to the MBDA Portal Business tools to reach more minority firms, increasing the MBDA American Customer Satisfaction Index, and supporting and expanding the Knowledge Management program. Through its knowledge management efforts, MBDA will ensure that data concerning minority business development trends is shared and thoroughly analyzed.

MBDA continued its successful partnership with the Tuck School of Business at Dartmouth College to train business development specialists and project consultants to improve operations and consulting services for SGI firms.

MBDA updated its strategic plan for FY 2007 through FY 2010. This plan identifies national priorities and the strategies to achieve results. It also addresses future challenges and on-going activities to be accomplished.

STRATEGIES AND FUTURE PLANS

EDA's "Results-Driven Performance" initiative has reached many communities and regions across the United States through satellite telecasts, forums, e-newsletters, magazines, and other means. Communities target their economic development strategies to attract private sector investments and higher-skill, higher-wage jobs using their EDA-funded CEDS process, TAAC activities, and UC assistance. EDA brings all these capacity-building resources together to provide communities with innovative and entrepreneurial talent that will achieve and sustain economic growth where it is most needed.

Support for U.S. Government Foreign Policy Initiatives – ITA has a strategy to address the challenges posed by changing economic, technological, and global business conditions to help U.S. firms expand and conduct business abroad. ITA has made much progress in expanding U.S. exports while supporting U.S. government foreign policy initiatives; both the Iraq and Afghanistan task forces have helped generate export sales in those countries while supporting the U.S. foreign policy goal of regional stability. By generating U.S. exports, ITA simultaneously supports the development of a stronger market-oriented economic system in areas of the world (Africa, Middle East), contributing both to U.S. economic goals and global stability.

Continued Focus on 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. 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 non-tariff trade barriers. ITA assists in the development of commercial infrastructure in target markets such as China, Turkey, and India.

The health of the U.S. economy depends on U.S. SMEs. The U.S. and Foreign Commercial Service (US&FCS) program's mandate is to create an environment in which all U.S. exporters and export-ready companies, including SMEs, can flourish. In order to achieve this, the US&FCS program seeks to increase export opportunity awareness among U.S. companies by identifying potential exporters who need assistance, leveraging electronic and traditional media, centralizing relationships with customers, and developing alliances and partnerships to deliver export assistance. A unique global network of trade professionals located in over 250 offices covering 80 countries and 47 states, plus Puerto Rico, capitalizes on high export areas identified by trade patterns and as stated in the TPCC's National Export Strategy.

The Commercial Service offers a large array of specialized products and services to assist U.S. companies, especially SMEs. ITA's US&FCS has also initiated a rollout of revised product prices that enable ITA to recover costs for specialized products and services in accordance with the Office of Management and Budget (OMB) requirements.



Leading the National Export Strategy – While contributing to the success of U.S. workers and firms, ITA has also served as a leader in the federal government's export assistance programs and in the federal government at large. ITA has led the implementation of the National Export Strategy and has increased and recast its Web presence. Through the creation of export.gov, a comprehensive federal government-wide portal for export information, ITA has been able to streamline the customer's interaction with the U.S. government by delivering market research, trade leads, and trade events by industry sector. Export.gov's customer utilization rate has grown exponentially, and in FY 2005 export.gov had 1.79 million unique visitors. Moreover, monthly visits increased by 223 percent from November 2003 to March 2006, and export.gov's U.S. company registry has grown from 1,200 companies at the end of FY 2003 to over 25,000 in March 2006. Additionally, ITA has recently redesigned its organization Web site, trade.gov, which highlights more information about ITA's product and service offerings.

External Factors that Impact the Performance Goal – ITA's success in achieving the goal to Broaden and Deepen the U.S. Exporter Base is impacted by domestic and international economic conditions. 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.

Independent Verification and Validation (IV&V) Reviews – In FY 2006, both the IG and auditors reviewed and found discrepancies in collected and reported Commercial Service performance data. This issue has become increasingly critical because of the heightened emphasis that is being placed on performance results. ITA's Chief Financial Officer (CFO), in conjunction with ITA Program Measure Owners, conducted IV&V reviews of selected performance measures to strengthen program management and performance. This included reviews in ITA's US&FCS program, including several US&FCS U.S. Export Assistance Centers in the domestic field, a detailed review of the US&FCS Export Transaction Measure (completed in conjunction with Department staff), and a review of export successes at US&FCS overseas posts in London, in conjunction with the independent audit. In the spirit of the President's Management Agenda (PMA), these reviews have enabled ITA to verify source measure data that express progress toward achieving ITA strategic goals.

The IV&V reviews have addressed data collection and reporting issues; inconsistencies and accountability weaknesses identified in IG inspection reports completed for Chicago, Philadelphia, Turkey, India, China, and the Pacific Northwest; and, follow through on ITA's resulting action plans. These IV&V reviews reinforce ITA's and the Department's credibility on planning and performance management and provide an opportunity for ITA to strengthen internal controls and to clarify and harmonize performance data reporting standards worldwide.

ITA-Wide Customer Satisfaction Survey – ITA conducted its second tri-annual ITA-wide customer satisfaction survey in the spring of 2006. The survey evaluated the overall program success and the portfolio of ITA's services by:

- 1 Benchmarking ITA against other federal government agencies
- 2 Testing the validity of ITA's operating model
- 3 Identifying quality of service concerns
- 4 Showing which aspects of service have the greatest effect on satisfaction
- 5 Identifying recommended adjustments

ITA hired an external contractor, the CFI Group, to use their patented methodology to conduct the survey to ensure the integrity of the analysis and the anonymity of the customer responses.



The 2006 survey showed satisfaction equal to that measured in the 2003 survey. The survey showed that ITA's customers are primarily SMEs, the largest portion (40 percent) of whom are manufacturers. Its customers represent a broad range of industries and are often experienced exporters, with over a quarter of customers getting a majority of their revenue from exports. ITA's customers are most satisfied with the assistance received to resolve transaction specific problems in a foreign country and with the special/niche import programs that ITA administers. Customers value their interactions with ITA staff and find them knowledgeable about foreign markets, though they would like to see ITA have more specific industry knowledge across the organization. It will be important for ITA to understand that its customers exist at the organizational level and work to improve coordination across the program units to increase customer satisfaction over time.

Expanded Web Presence – ITA has developed and is utilizing Internet Web services to assist exporters. For example, Export.gov and Trade.gov are sites that enable SMEs to have low-cost access to online information on overseas markets. Web-based export services available through the U.S. government serve as one approach to minimize external factors. ITA's commercial officers stationed in over 250 offices throughout the United States and overseas provide key information to the U.S. business community on best prospects for U.S. exporters in various countries. Through domestic offices, ITA trade specialists work directly with U.S. businesses to tailor innovative solutions to their market and exporting needs. ITA partners with state commerce departments and economic development agencies to ensure that U.S. exporters receive the best services and support that both federal agencies and states have to offer.

The Census Bureau is currently releasing the *Survey of Business Owners - 2002, formerly titled the Survey of Minority-Owned Business Enterprises (SMOBE) - 1997*. MBDA will conduct longitudinal research and data analysis of this survey to address the growth and changes in minority business, specifically, the number of firms by ethnic category, gross receipts changes, the increase in jobs, the business participation rates of each minority group, and geographical movements in minority business. This data will provide special profiles and support future decisions by MBDA.

CHALLENGES FOR THE FUTURE

The opportunities of the worldwide economy will be available to those communities that focus on innovation, entrepreneurship, and cooperative regional approaches to economic development. Communities and regions need to adapt to this reality. Many will require outside assistance to do so.

The Base Realignment and Closure Plan announced in 2005 and the severe hurricanes of 2005 further add to the demand for tools such as the Economic Adjustment Program.

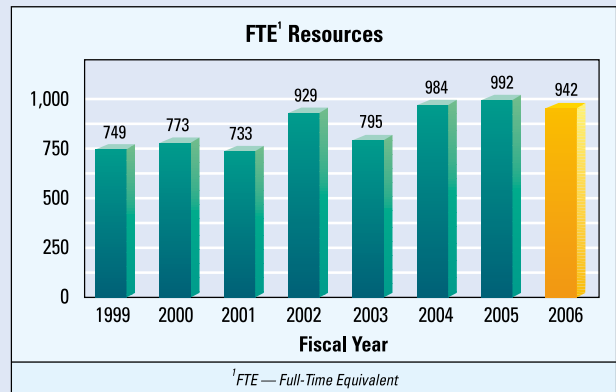
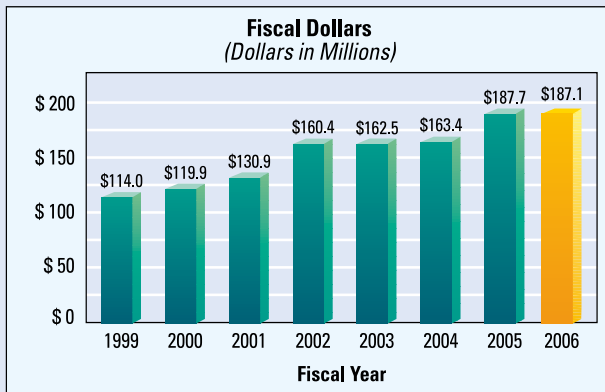
Changing economic, technological, and social conditions in the last decade have altered how international trade is conducted. This changing international trading environment presents U.S. exporters with numerous challenges and opportunities, such as domestic and international competitiveness; compliance with World Trade Organization (WTO) accession requirements for nations like China; standards, currency, and intellectual property (IP) issues; as well as transparency and rule-of-law requirements.

MBDA will continue to meet its challenges by sustaining the overall return on program investment, provide staff and project training in collaboration with the Amos Tuck School of Business at Dartmouth, implement phase two of the Customer Relationship Management initiative, and re-engineer the business development center (BDC) technical assistance program to better serve high growth minority firms.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

STRATEGIC OBJECTIVE 1.2 TOTAL RESOURCES

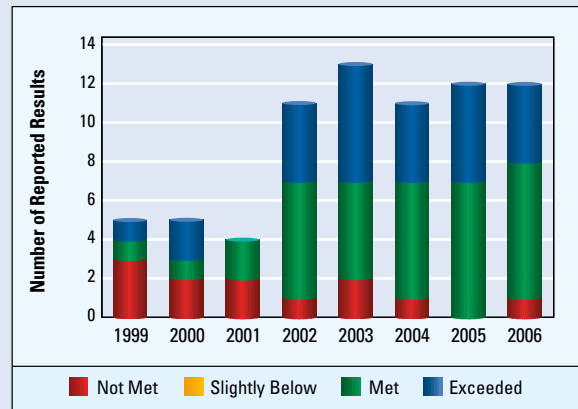


This objective is important to the nation as it focuses on ensuring fair competition in international trade, advancing U.S. national security and economic interests by enhancing the efficiency of the export control system, preventing illegal exports and identifies violators of export prohibitions and 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.

The Department continues to face the task of advancing U.S. foreign policy and security goals while addressing viable opportunities to expand the U.S. market base. The Department's success in reconciling these imperatives stems from its ability to integrate efforts to support the President's commercial and foreign policy goals to promote freedom and liberty through free and fair trade while pursuing expanding profitable markets for U.S. goods and services. For this reason, the Department is readily working to reconstruct Iraq and Afghanistan, and to bring free trade to Africa and the Middle East.

The Department supports this objective by administering the U.S. dual-use export control system. 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. The Department effectively 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.

STRATEGIC OBJECTIVE 1.2 PERFORMANCE RESULTS



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



STRATEGIC GOAL 1 * PERFORMANCE SECTION

PERFORMANCE GOAL	STATUS*
Identify and resolve unfair trade practices (ITA)	●
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	●
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	●
Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)	●
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)**	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	
** This goal had one measure—Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls. No assessments were completed until late in the fourth quarter, so data or estimated data will not be available before January 1, 2007. Results will be reported in the FY 2007 PAR.	

- 1 The Department promulgates clear, concise, and timely regulations that set forth the license requirements for the export of dual-use items. Principal areas of focus include implementation of controls agreed to in the four multilateral export control regimes—the Australia Group (chemical and biological nonproliferation), the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Wassenaar Arrangement (conventional arms and dual-use goods and technologies)—as well as furthering other U.S. foreign policy interests. For example, in FY 2006, the Department published an important regulation updating controls on high performance computers to bring them in line with technological and market developments. In the development of regulatory policy, the Department consults with industry through six Technical Advisory Committees (TAC). The TACs provide valuable input regarding industry perspectives on trends in technology as well as the practicality and likely impact of export controls. In addition, the Department often publishes significant rules in proposed form to give the exporting community an opportunity to comment before the regulations take effect. For example, in FY 2006 the Department published a proposed update to China policy in proposed form for exporter comment.

- 2 The Department effectively and efficiently processes export license applications and related requests to enable U.S. companies to compete in the international market, while ensuring that U.S. national security is protected and U.S. foreign policy is advanced. In FY 2006, the Department continued to ensure the timely review of all licenses applications with an average processing time of 33 days. This slight increase over the average processing time of 31 days in FY 2005 is primarily due to a two percent increase in the average processing time for all referred applications and a 13 percent increase in the volume of applications reviewed. The Department processed 18,934 export license applications in FY 2006. This marked an increase of 13 percent over the 16,719 applications processed in FY 2005 and represented the highest number of applications processed since FY 1993, when the Department reviewed over 25,000 applications.

- 3 The Department investigates and prosecutes violators of the laws and regulations governing dual-use exports, antiboycott policy, and the Fastener Act. Department Special Agents are sworn federal law enforcement officers with authority to make arrests, execute search and arrest warrants, serve subpoenas, and detain and seize goods about to be illegally exported. The Department works closely with attorneys in the Department of Justice (DOJ) and the Office of Chief Counsel for Industry and Security to prosecute criminal and administrative cases. In FY 2006, the Department took 872 actions that deterred an illegal action, resulted in a criminal prosecution, or led to an administrative charge; 79 percent of these actions were focused on the priority areas of WMD proliferation, terrorism, and transfers of advanced conventional weapons. The Department also conducts checks before licenses are issued to ascertain the *bona fides* of potential end-users, and after licensed commodities



PERFORMANCE SECTION * STRATEGIC GOAL 1

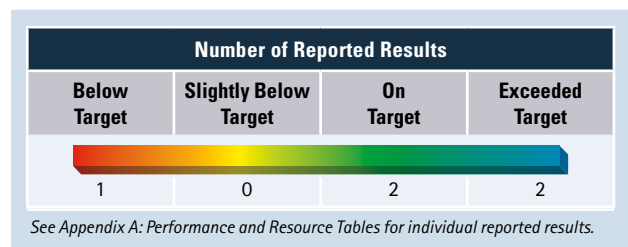
are shipped to ensure that the items are being used by the appropriate end-users in accordance with the license conditions. In FY 2006, the Department performed 942 such end-use checks.

- 4 The Department advances trade while promoting national security with an industry outreach program to facilitate compliance with U.S. export controls. In FY 2006, the Department conducted 53 seminars, including a major seminar in October 2005 with over 700 participants, as well as five overseas programs. Seminars include one-day programs on the major elements of the U.S. dual-use export control system and intensive two-day programs that provide comprehensive presentation of exporter obligations under the Export Administration Regulations (EAR). Special topic seminars, such as exporter obligations, doing business with key trading partners, or key technologies, are also conducted. Over 120 outreach activities were conducted on the release of sensitive technologies ("deemed exports") to foreign nationals in the United States.
- 5 The Department provides technical support to countries developing strengthened export control systems, as required by UN Security Council Resolution 1540. In FY 2006, the Department addressed 40 targeted deficiencies in cooperating countries. The Department also worked with India on steps to strengthen its export control system.
- 6 The Department performs detailed studies of strategic industries targeted at assessing the viability and competitiveness of the U.S. defense industrial base. In FY 2006, the Department completed one such study and launched two more.
- 7 The Department also plays a role in defense preparedness and disaster response under the Defense Priorities and Allocations System (DPAS). DPAS 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. In FY 2006, the Department used its DPAS authority to support U.S. forces in Iraq and Afghanistan, and in support of relief and reconstruction efforts in the wake of Hurricane Katrina.

Performance Goal: Identify and resolve unfair trade practices (ITA)

Help build a rules-based trading system in which international trade is both free and fair for U.S. firms and workers.

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, Import Administration (IA) and Market Access and Compliance (MAC), are committed to ensuring that the U.S. firms receive those benefits and obtain prompt relief from unfair trade practices.



Dumping (i.e. when products of one country are introduced into the commerce of another country at less than the normal value of the products) and the provision of certain subsidies have been condemned by the international community as reflected in the General Agreement on Tariffs and Trade (GATT) and subsequently in the WTO Agreement. IA's administration of the U.S. antidumping/countervailing duty (AD/CVD) laws¹ and its subsidy enforcement activities provide U.S. companies with appropriate

¹ *Tariff Act of 1930: Sections 701 – 783 • Uruguay Round Agreements Act: Section 281 (Subsidies Enforcement Office)*



remedies to address unfairly traded imports consistent with U.S. law and international obligations. The Agency's work at the WTO helps ensure that access to these needed remedies is not weakened or undermined. In addition, IA's assistance to U.S. exporters subject to foreign AD/CVD proceedings helps ensure that these companies receive fair treatment in proceedings that adhere to that country's obligations under the WTO. Further, the Steel Import Monitoring and Analysis (SIMA) system was designed to provide U.S. steel producers and users with important real-time market information in an area that has traditionally been subject to market disruptions and unfair trade in a manner consistent with U.S. WTO obligations regarding import licensing.

IA identifies and monitors import surges created by imports that are sold in the United States at less than fair market value, foreign governments' subsidy practices, and other harmful import trends. It defends U.S. industry against injurious trade practices by administering the AD/CVD laws of the United States. IA expedites investigations when warranted by import surges and foreign subsidy practices, defends the use of unfair trade remedies before the WTO, and coordinates the Department's role in the Administration's steel strategy. IA's Unfair Trade Practices Team confronts unfair foreign competition by monitoring economic data from U.S. global competitors and vigorously investigates evidence of unfair subsidization and production distortions. IA's China Compliance office devotes more resources to China cases and issues unique to non-market economies, such as IPR violations affecting the U.S. textile industry.

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. These problems require U.S. government support. The MAC program unit ensures market access for American businesses, advances the rule of law internationally, and creates a fair, open, and predictable trading environment. In addition, the MAC program 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.

MAC uses a range of techniques to advocate on behalf of U.S. businesses and intervene with other governments to ensure foreign compliance with existing trade agreements and to eliminate trade barriers. Trade agreement compliance and foreign trade barriers have been a continuous problem for U.S. exporting firms, large and small. Many companies, especially small and medium sized firms, do not have the resources, knowledge, or leverage to influence foreign governments, their laws, and regulatory regimes. Based on customer need, MAC has a sizeable caseload each year from U.S. firms that have encountered a trade barrier.

Government to government interaction is often required to influence and shape trade policies developed by foreign governments so the policies don't become impediments to U.S. access of their market. The MAC program addresses the specific existing problem of helping U.S. firms become more aware of their rights and benefits under all trade agreements (bilateral, regional, or multilateral) signed by the United States, and to ensure that they encounter a level playing field when they enter a foreign market. MAC monitors or oversees the monitoring of over 250 trade agreements.

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 U.S. exports. Market access cases frequently arise from these foreign regulatory measures. Complaints are received by ITA from U.S. companies experiencing overseas barriers to U.S. exports that are not covered by trade agreements. Compliance cases arise 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.



ITA takes the lead in the Department to ensure fair competition by obtaining greater market access and measures performance through concluded compliance cases. The number of MAC cases concluded is based on the number of cases processed by ITA where no further action by ITA is warranted, such as when: a case is successfully resolved; the complaint was groundless (i.e., no violation); industry decides not to pursue the complaint; the case is referred to USTR for consideration for formal dispute settlement resolution; or where the problem cannot be resolved despite ITA efforts.

Leveling the Playing Field by Removing Barriers that Hinder American Exporters

Free and fair trade is a two-way street that requires all parties to play by the rules. When the access of U.S. farmers, ranchers, workers, and businesses to foreign markets is thwarted by the failure of other governments to live up to their international commitments, the Department has taken aggressive actions to remove barriers for U.S. exporters. The Administration regularly negotiates solutions to potential WTO cases and unfair trade practices that achieve timely and meaningful results for U.S. companies and workers and avoid drawn-out, costly litigation battles. The Administration's tough, practical, problem-solving approach has helped level the playing field for U.S. manufacturers, innovators, and workers, as well as farmers and ranchers. Two key areas that have been the focus of much effort under this goal include:

Trade Relations with China – Over the last five years, China's economy has continued to grow at roughly 10 percent per year, and its growth has been closely tied to the open trade and investment regimes of the major economies of the world. Exports account for 40 percent of China's GDP. China has depended on the growth of its export sector to spur the modernization of its economy, and has demonstrated that trade can support improved standards of living and lift millions of people in China out of poverty. According to Chinese data, the U.S. market has accounted for 21 percent of China's export growth since 2001. Together, the United States and China are responsible for almost half of the economic growth globally in the past four years. U.S. consumers now have access to a wider variety of less-costly goods from China, and this has helped spur U.S. economic growth while keeping inflation in check. Access to Chinese inputs has also helped make U.S. companies and workers more competitive in the global economy.

Since 2001, when China joined the WTO, U.S. exports to China have grown five times faster than have exports to the rest of the world, and China has gone from being the ninth largest to the fourth largest export market for U.S. farmers, ranchers, manufacturers, and service providers. In fact, U.S. exports to China increased by an impressive 21 percent in 2005, building on similar growth in prior years and making China the fastest growing export market among major U.S. trading partners. ITA considers it is likely that China will remain a challenge and a priority for years to come. ITA will work to ensure that this significant trading partner is both transparent and fair:

- ◆ ITA is committed to extensive follow-up from the commitments made during the China Joint Commission on China Trade (JCCT) meetings in April 2006, through the establishment of working groups and analysis of recent Chinese JCCT commitments (e.g. Government Procurement Agreement).
- ◆ ITA has stepped up its engagement with China through the JCCT Structural Issues Working Group and the newly established Steel Dialogue intended to address steel subsidy issues. Subsidy concerns cover a wide variety of programs, including industrial policies, the role of state-owned enterprises, and China's continued use of price controls.
- ◆ Transparency remains a major obstacle to identifying and measuring subsidies in China, a difficulty furthered by China's continuing failure to provide its annual subsidy notification to the WTO.
- ◆ ITA currently maintains 58 antidumping orders on imports from China, including consumer goods, steel products, agricultural products, seafood, and chemicals. These orders represent 22 percent of all current U.S. antidumping orders. The estimated value of trade affected in 2005 by these orders was more than \$5.25 billion.

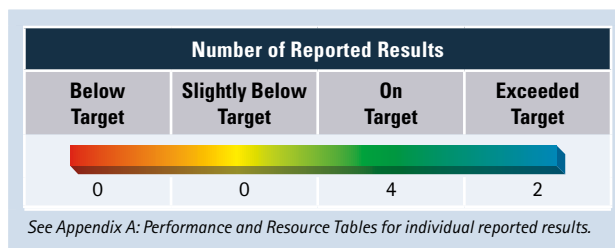


Market Access Challenges – ITA is committed to addressing the removal of existing trade barriers and compliance with negotiated trade agreements. ITA will continue through bilateral and multilateral efforts to strengthen policy dialogues in key markets such as China, India, North America, and the European Union (EU). ITA advances trade policy through its close and significant support for the USTR in FTA, bilateral (e.g. JCCT, India Commercial Dialogue) and Doha negotiations. ITA is a critical player in monitoring compliance with existing trade agreements, and in initiating and resolving MAC cases. ITA remains tenacious in its focus on key crosscutting issues, such as standards and IPR. IPR protection is an essential component of a sound commercial foundation. ITA is a partner in the U.S. Strategy Targeting Organized Piracy (STOP, available online at www.stopfakes.gov), and ITA combats violators of IPR around the world. ITA will identify perpetrators along the entire chain, including manufacturers and importers, and will exert pressure on countries where problems are found. ITA is committed to working with U.S. industry and coordinating with other U.S. agencies, including USPTO and the U.S. Food and Drug Administration (FDA), to investigate allegations of piracy and to help resolve market access and trade compliance cases. Standards and related technical regulations affect an estimated 80 percent of world trade. ITA recognizes the importance of how it addresses standards-related issues, since standards can both distort trade and undermine U.S. competitiveness.

Performance Goal: 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 WMD, combat terrorism, and pursue other national security policy goals. The Department also serves as the lead agency for ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC).

The Department processes export license applications for controlled commodities of U.S. companies engaged in international trade in accordance with EAR. 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.



In FY 2006, the Department successfully promulgated 26 regulations that adapted export controls to the evolving national security and economic situation. Noteworthy regulations published include multilateral export control regime changes from 2005/2006 Plenary meetings, an updated metric for controlling exports of high performance computers, revisions to the Libya regulations in light of its removal from the list of state sponsors of terrorism, and a draft revision to China licensing policy to restrict exports to Chinese military end-users while facilitating civilian trade with trusted end-users.

The Department processed 18,934 export license applications and related requests in FY 2006. This marked an increase of 13 percent over the 16,719 applications processed in FY 2005 and represented the highest number of applications processed since FY 1993, when the Department reviewed over 25,000 applications. Nevertheless, the Department continued to process these applications in a timely manner with an average processing time of 33 days, thereby benefiting exporting companies and industries, and in the U.S. economy, while protecting national security and foreign policy interests.

The Department is able to fully and effectively meet its responsibility for administering the dual-use export control system using current legal authorities. However, there would be benefits in securing comprehensive dual-use export control legislation. Thus,



the Administration continues to work with Congress to pass a revised, reauthorized Export Administration Act (EAA) that will increase penalties, clarify outdated control requirements, further specify interagency licensing processes, and codify procedural rights of exporters.

The Department also develops and implements export control policies toward key countries such as China and India. In FY 2006, the Department published a proposed China policy update and established a High Technology and Strategic Trade Working Group. The Department also supported President Bush's Nuclear Initiative with India, including the strengthening of India's export control system.

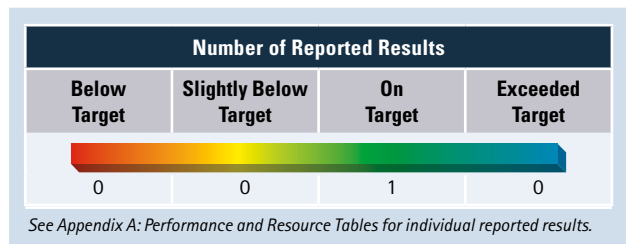
The following are reviews conducted by the Government Accountability Office (GAO) and the IG related to this goal:

- ◆ In March 2006, the IG released a report on dual-use export controls to the People's Republic of China (China). The review found that coordination between the various federal export licensing agencies was adequate during the dispute resolution process for export license applications involving China. In addition the IG made a number of recommendations related to U.S.–China export control activities. BIS has already completed action on four of the nine recommendations, and has plans in place to complete action on the remaining five.
- ◆ In June 2006, GAO released its report on dual-use export controls in the post 9/11 environment. In light of the September 2001 terror attacks, GAO was asked to examine BIS's dual-use export control system. In response, GAO reported on BIS's (1) evaluations of and changes to the system, (2) screening of export license applications against its watchlist, and (3) actions to correct weaknesses previously identified by GAO. In this review GAO recommends that the Secretary of Commerce systematically evaluate the dual-use export control system, correct certain omissions in BIS's watchlist and weaknesses in the screening process, and take action to address GAO's prior unimplemented recommendations.

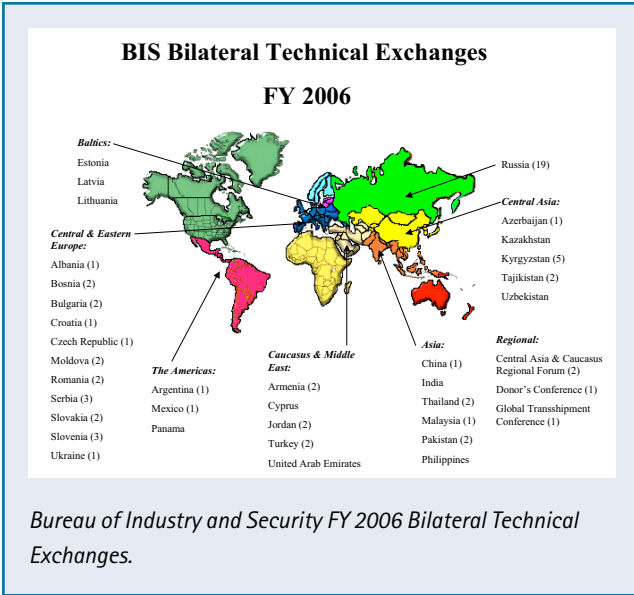
Performance Goal: Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)

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.



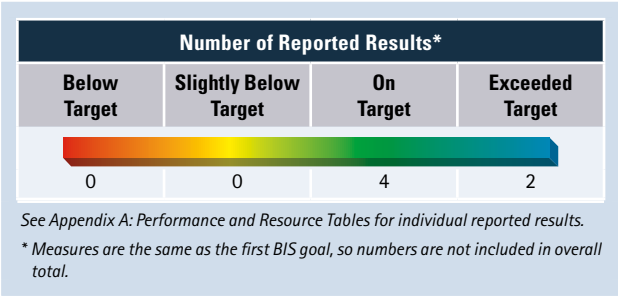
The Department also assists in implementing its international activities by coordinating and managing BIS participation in the U.S. government's Export Control and Related Border Security Assistance (EXBS) program, which provides technical assistance to strengthen the export and transit control systems of nations lacking effective export control systems. In FY 2006, the Department successfully remedied 40 deficiencies in the national export control systems of countries receiving technical assistance under the EXBS program.



Performance Goal: Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)

The Department's enforcement efforts focus on sensitive exports to hostile entities or those engaged in onward proliferation, prohibited foreign boycotts, and related public safety laws. In the area of dual-use exports, the Department gives top priority to investigations and enforcement actions involving the proliferation of WMDs, terrorism, and military diversion.

The Department engages in activities to prevent violations before they occur and to investigate and prosecute violators to dismantle illicit proliferation networks and deter future violations. 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 preventative 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.



In FY 2006, the Department exceeded its targets by completing 872 actions that resulted in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge, as well as conducting 942 end-use checks. The Department also met its goal of ensuring that 79 percent of its investigation case load was targeted on the priority areas of WMDs, terrorism, and military diversion. These actions resulted in 34 convictions for criminal export violations and the imposition of \$3 million in criminal fines and the assessment of \$13 million in administrative penalties.

In addition to dual-use export controls, BIS enforces the antiboycott provisions of the EAR. Implemented to support countries friendly to the United States and eliminate impediments to the U.S. economy, the antiboycott regulations direct U.S. businesses not to participate in foreign boycotts that the United States does not sanction. In FY 2006, the Department supported nine cases resulting in imposed administrative sanctions of \$78,950. As well as investigating criminal and administrative violations of the antiboycott regulations, the Department actively supports the State Departments efforts to dismantle Arab governments' boycott of Israel. The Department provides guidance to the exporting community regarding the antiboycott regulations through public outreach and its telephone and e-mail advice line.



Assistant Secretary for Export Enforcement Darryl W. Jackson (center) and Hong Kong Customs and Excise Department's Head of Trade Controls Raymond Y.M. Wong (far right) tour the container port of Hong Kong with Hong Kong port security officials.

Performance Goal: 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, the 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 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.

In FY 2006, the Department completed an important study of the U.S. imaging and sensors industry, while launching two other studies of strategic industries essential to U.S. security. In addition, the Department established the Secretary's Deemed Export Advisory Committee to provide 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. 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 AND FUTURE PLANS

The Department will expand its analytical infrastructure to support timely and accurate assessments of (1) the impact on U.S. industries of the growth of regional trade pacts, and (2) the impact of major competitors exporting their discriminatory technical regulations to third markets in the developing world; develop strategies to support bilateral and multilateral trade negotiations that prevent the adoption of discriminatory international standards and regulations against U.S. products; work closely with foreign governments and regulatory officials in developing strategies that address regulatory barriers, head off potentially harmful regulations, and help shape good regulations and standards; monitor economic data from U.S. global competitors and vigorously



investigate evidence of unfair subsidization and production distortions; identify legal remedies available to counter unfair trade practices and ensure that they are eliminated, rather than leave these small and medium-sized manufacturers in the United States with costly trade litigation; and focus and sharpen expertise on China through the recently created China Compliance office in IA. This effort devotes more resources and dedicated experts to China for compliance issues.

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.

CHALLENGES FOR THE FUTURE

Implementing an export control system that advances U.S. national security, foreign policy, and economic objectives in a dynamic technology and geopolitical environment.

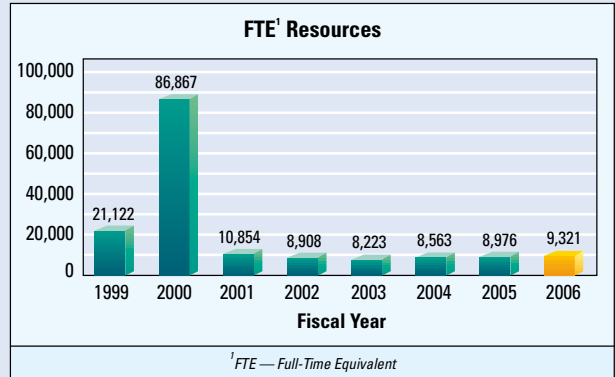
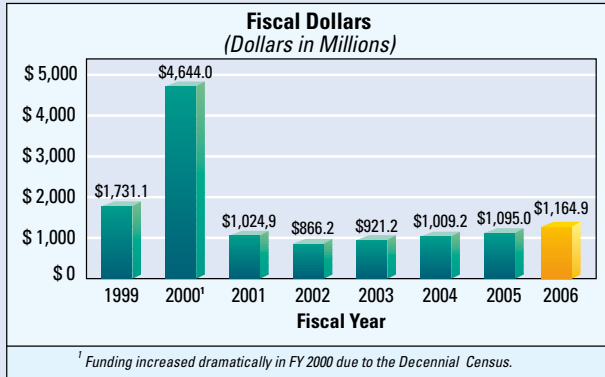
Strengthening the legal foundation of the dual-use export control system. The EAA lapsed on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Compo 783 (2002), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (FR 45273, Vol. 70, 150, of August 5, 2005) 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.

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 its new 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

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

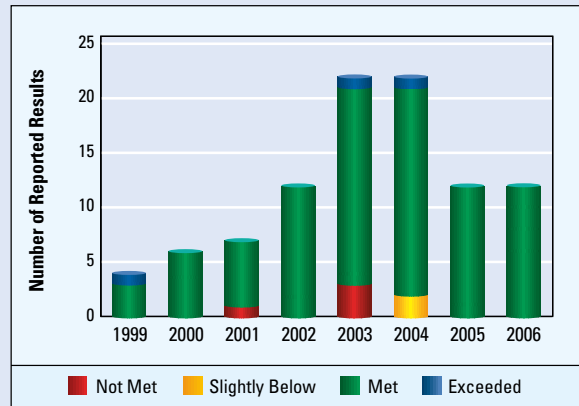
STRATEGIC OBJECTIVE 1.3 TOTAL RESOURCES



This objective is important to the nation's economic well being in that it focuses on meeting the needs of policymakers, businesses and non-profit organizations, and the public for current measures of the U.S. population, economy, and governments, while respecting individual privacy, ensuring confidentiality, and reducing respondent burden. It also focuses on promoting a better understanding of the U.S. economy by providing 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.

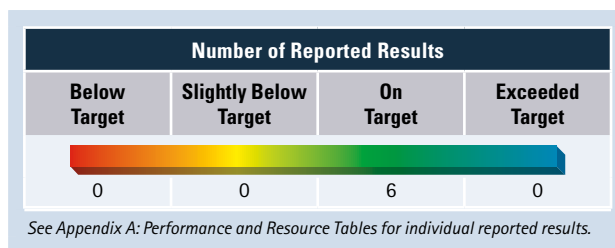
PERFORMANCE GOAL	STATUS*
Meet the needs of policymakers, businesses, non-profit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments (ESA/Census)	●
Promote a better understanding of the U.S. economy by providing the most timely, relevant, and accurate economic data in an objective and cost-effective manner (ESA/BEA)	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	



Performance Goal: 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 (ESA/Census)

Census Bureau collects and disseminates a wide range of current demographic and economic information and provides benchmark measures of the nation's economy and population to help decisionmakers and the public make informed decisions.

The Census Bureau's current economic statistics program provides public and private data users with annual national statistical profiles for every sector of the U.S. economy. In FY 2006 the Census Bureau released over 400 reports with 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.



The current demographic statistics programs provide accurate, timely, and efficient information on the social and economic condition of the population. These programs include:

- ◆ The Current Population Survey (CPS) provides monthly information on labor force characteristics and provides official government estimates of annual data on work experience, income, migration, and school enrollment. In an effort to provide information about the evacuees from Hurricane Katrina, the Census Bureau and the Bureau of Labor Statistics (BLS) added questions to the CPS, beginning in October 2005, that provide monthly estimates of the evacuee population, their labor force status, and whether they have returned to their original residence.
- ◆ The Survey of Income and Program Participation (SIPP) is the major source of information on the economic well being of Americans over-time. The data are used to estimate future costs and coverage for government programs and to provide detailed statistics on the distribution and source of income in the United States. The Census Bureau also began efforts to design a new and more efficient data collection and processing system on income and federal and state program dynamics to meet the policy and operational needs of the country, which will eventually replace the SIPP.
- ◆ The Survey of Program Dynamics (SPD) provides sub-national estimates of poverty and receipt of government assistance; and the State Children's Health Insurance Program (SCHIP) provides state-based estimates of health insurance coverage of children.

The Census bureau met its target to achieve at least 90 percent of the planned response rates for the current economic and demographic surveys. Response rates are a measure of the quality of survey data.

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; Intercensal Demographic Estimates; Demographic Surveys Sample Redesign; and the Decennial Census program.



PERFORMANCE SECTION * STRATEGIC GOAL 1

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 data help build the foundation for GDP and other indicators of economic performance. The Census of Governments is the only source of comprehensive and uniformly classified data on the economic activities of state and local governments. During FY 2006, the Census Bureau released 51 reports from the 2002 Economic Census. In addition, work began on the forms content and initial forms design for both the 2007 Economic Census and Census of Governments.

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. In addition to meeting the schedule for the release of the official set of July 2005 population estimates for the nation, states, counties, cities, and townships, the Intercensal Demographic Estimates program designed special methodology, to deliver to BLS beginning in October, monthly survey controls for the CPS that took into account the unprecedented impact of Hurricanes Katrina and Rita. The Intercensal Demographic Estimates program also produced a set of January 1, 2006 total household population estimates for the 117 counties identified by the Federal Emergency Management Agency (FEMA) as eligible for Individual and Public Assistance (IPA). Because of the unique nature of the methodology and data used, these special estimates were not part of the official estimate series but were produced to provide data users with some information on population size of the affected areas.

The Demographic Surveys Sample Redesign program provides improved sampling methodologies and updated samples of households based on the most recent census information for major recurring household surveys conducted by the Census Bureau. Census 2000-based samples for the National Health Interview Survey were released on schedule. The Census Bureau began investigating the acquisition and use of commercial address lists for the National Health Interview Survey and other programs with the goal of reducing survey costs. The Census Bureau is also investigating if the use of the American Community Survey (ACS) as a sampling frame for the Dynamics of Economic Well-being System would be cost effective.

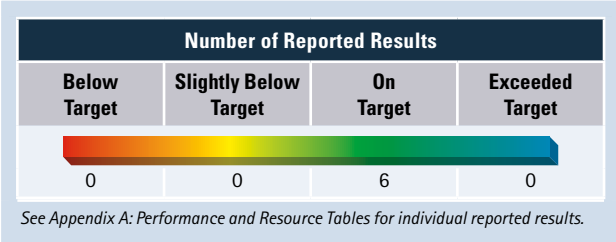
The Decennial Census program completed all planned FY 2006 activities and operations related to the 2006 Census Test, and awarded two of the major automation contracts for the 2010 Census itself. The ACS, which collects and tabulates long-form data every year throughout the decade, achieved a 97.6 percent 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 based on the first full year of ACS data collection at the full national sample size. The Boundary and Annexation Survey (BAS) program achieved an 86.6 percent response rate. BAS is used to update information about the legal boundaries and names of all governmental units in the United States. In addition, street features have been corrected in the Topologically Integrated Geographic Encoding and Referencing System (TIGER) database for the planned 700 counties in FY 2006, bringing the total completed to just over two-thirds of all 3,232 counties in the United States and Puerto Rico.

The data used to evaluate the effectiveness of performance goal achievements are reviewed on a quarterly basis. The Census Bureau continues to validate the performance data and ensure that all programs have verifiable processes in place to collect, store, and calculate all performance information reported in the Annual Performance Plan (APP) and the Performance and Accountability Report (PAR). Based on Census Bureau analysis and review, the Department can attest to the accuracy and reliability of the data used to report performance results.



Performance Goal: 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)

ESA's Bureau of Economic Analysis (BEA) produces some of the nation's most important economic statistics, including the GDP, the broadest measure of economic activity. BEA produces economic statistics for four major program areas:



- ◆ **National Economic Accounts** includes GDP, personal income and outlays, corporate profits, and capital stock estimates. These statistics are key ingredients in federal budget planning, monetary policy, and business investment decisions.
- ◆ **Industry Economic Accounts** are directly linked with the national income and product accounts (NIPA) and other economic accounts. The annual input-output accounts and the GDP-by-industry estimate are an integrated set of accounts that provide a time series of detailed information on the changing structure and performance of the U.S. economy. These statistics are critical for studying the inter-relationships among U.S. industries and the sources of productivity. In addition, the industry economic accounts produce industry satellite accounts, including travel and tourism and a preliminary research and development (R&D) account, which provide more detail on selected economic activities and their contributions to economic growth.
- ◆ **International Economic Accounts** include the international transactions accounts (balance of payments), the international investment position accounts, and the estimates of the activities of multinational companies (for both U.S. direct investment abroad and foreign direct investment in the United States). These statistics are important for understanding the financial position of the U.S. in the world as well as for studying the phenomenon of offshoring.
- ◆ **Regional Economic Accounts** provide estimates of personal income and earnings by industry for 50 states and the District of Columbia, 938 metropolitan and micropolitan areas, 3,111 counties, and 179 BEA economic regions. Along with the estimates of gross state product by industry, these statistics are used by the federal government for the distribution of over \$215 billion in federal funds; by state and local governments for budget forecasts and spending caps, economic development, and transportation planning; and by businesses for site locations, planning, and investment decisions.

BEA draws on the data collection and analyses conducted by the Census Bureau, 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



PERFORMANCE SECTION * STRATEGIC GOAL 1

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 market would have few statistics to understand the health of the U.S. economy.

Measures such as the GDP, U.S. and local area personal income, international trade in goods and services, and gross state product are important components to the work of government, business, academia, and other organizations. Some key uses of BEA measures:

- ◆ The Office of Management and Budget (OMB), Congressional Budget Office, Council of Economic Advisors, and the Department of Treasury (DOT) use trend GDP and a wide range of NIPAs data including trend growth in real GDP and inflation, wages and salaries, profits, and other types of data to make important policy decisions.
- ◆ Federal Reserve uses real GDP and BEA's measures of inflation to help set monetary policy.
- ◆ U.S. businesses use BEA data to guide over \$2 trillion in U.S. private business in investments plant, equipment, and new housing construction to assess the macroeconomic and international trade outlook, and in making location decisions in the United States and around the world.
- ◆ Federal programs—such as Medicaid, Foster Care, and SCHIP—use BEA's state personal income estimates to allocate over \$215 billion in federal funds.
- ◆ Virtually all 50 states and the District of Columbia use quarterly state personal income to estimate revenue and expenditure projections.
- ◆ U.S. trade policy officials use trade and other international account statistics to develop trade policy and to assess the impact of international investment and trade on the U.S. economy.
- ◆ U.S. private investors use BEA's economic data to help them in managing over \$22 trillion in investments in stocks and bonds.

BEA has worked to make these critical measures more accurate and more accessible for all users. BEA has significantly accelerated the release of eight key economic statistics and expanded the level of detail of both new and historical data available. BEA has also incorporated more real-time data and more detailed IRS source data into key sector estimates. BEA has increased the speed and quality of its information dissemination by implementing a Really Simple Syndication (RSS) feed on www.bea.gov and launching a new online digital library to make available to the public important historical information about the national accounts. During FY 2006, BEA also reached out to virtual users by revising the Industry Accounts input-output interactive tables and developing a database-driven, user-friendly glossary for the BEA Web site.

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 2006, BEA achieved a number of important data improvement and availability targets, including:

- ◆ Implemented a new GDP core processing system, System for Tabling and Aggregating Time Series (STATS), for both the Annual Revision and the Current Estimate. This new GDP processing system will improve processing time, reduce error rates, and enhance customer service.
- ◆ Released the preliminary R&D satellite accounts for the first time.



- ◆ Expanded geographic detail on U.S. international transactions to better understand the nation's financial position in the world.
- ◆ Launched an online, interactive system for BEA data on multinational companies. The new system allows users to create time series data tables and charts interactively.
- ◆ Completed the accelerations of the releases of gross state product with industry detail and metropolitan area personal income.
- ◆ Worked with the Federal Reserve to jointly publish integrated estimates of the NIPAs and flow of funds.
- ◆ Launched a new online digital library and expanded the BEA Web site to include important archive files including estimates for local area personal income, state personal income, gross state product, and state personal income.

BEA has met all six of its FY 2006 performance targets, thereby, providing the U.S. public with a reliable source of accurate and comprehensive economic data. BEA has met each of its targets for all three of its long-term performance measures for the past three years. These long-term measures—reliability of release, customer satisfaction, and percent of GDP estimates correct—track the core attributes of BEA's mission. Three budget-related measures, which are tied directly to specific budget initiatives, monitor BEA's performance toward achieving the projects for which funds were provided. BEA has accomplished all the major milestones defined in the BEA Strategic Plan related to these budget initiatives; thus meeting the performance targets.

BEA programs are evaluated through a variety of means. OMB has evaluated BEA twice using the Program Assessment Rating Tool (PART). In FY 2002 and FY 2003, BEA was awarded the highest rating of effective and was ranked within the top five percent of all federal programs reviewed. BEA also conducts an online survey of its users to monitor their satisfaction with BEA products and services. For four years running, customers of BEA products and services have indicated high levels of satisfaction. In 2006, BEA conducted its third Organizational Assessment Survey (OAS), administered by the Office of Personnel Management (OPM), to assess its organizational culture. BEA is one of the highest scoring federal agencies among those surveyed and it scored above the median on all measures and matched or bettered the highest ratings on seven measures.

The BEA 5-year Strategic Plan is the most important evaluation of BEA programs and performance. The Strategic Plan is a detailed operating plan that guides BEA's planning with more than 160 detailed milestones per year. Managers are responsible for ensuring that the milestones are met as they feed directly into the performance measures and budget requests of the Agency.

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

STRATEGIES AND FUTURE PLANS

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. This effort will allow the Census Bureau to meet 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 Master Address File (MAF) and geographic database (TIGER), and a re-engineered short-form



PERFORMANCE SECTION * STRATEGIC GOAL 1

only 2010 census. The Census Bureau will continue the ACS and release products for geographic areas and population groups of 65,000 or greater for the second year in a row.

Other plans for FY 2007 include completing evaluation reports for the 2005 National Census Test; completing operations and evaluations for the 2006 Census Test; continuing major contracting efforts related to field data collection automation, data response integration, and data access and dissemination; beginning to award printing contracts for the 2010 Census; continuing preparations and pre-census operations for the 2008 Dress Rehearsal; continuing the overall management and integration of planning, testing, development and implementation efforts for the 2010 Census; and conducting early operations for the 2010 Census.

The Census Bureau began efforts in FY 2006 to re-engineer the SIPP. SIPP's household longitudinal design, with an interview every four months across several years, provides a wide breadth of detail on a wide range of topics, but is extremely burdensome on respondents, complicated to edit and process, and expensive to conduct. The Census Bureau is working with stakeholders and moving rapidly to develop a new system on the dynamics of economic well being, and is considering several design options. The redesigned data collection system is expected to lower attrition, reduce respondent burden, and increase the timeliness of the data, while addressing the same basic issues covered by SIPP. This effort will result in a survey that meets the most important data needs of policymakers, at a reduced cost to taxpayers.

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. The Census Bureau plans to enhance the 2007 Economic Census to ensure the usefulness and relevance of the programs; improve the timing of respondents, especially for large companies; increase response rates; improve internal processing efficiency; and improve the timeliness of statistical products.



Census Bureau employees manage, operate, and support a variety of data collection, data capture, and data processing operations. Photographed by Ted Wathen for the U.S. Census Bureau.

In addition, this year the Census Bureau has undertaken an independent review of the Government Statistics programs. The review, conducted by the Committee on National Statistics, is aimed at assessing program content and recommending improvements. In June, the panel held a two-day workshop where several themes recurred throughout— improving timeliness; filling gaps in the current data; measuring relevance of the historical data scheme in the current economy; the Census Bureau's role in providing data analysis; and the importance of increasing the program's visibility. The final report is expected by December 2006.

BEA conducted extension outreach to its user communities in order to better understand their statistical needs. As part of the annual updates to the BEA 5-year Strategic Plan, BEA provides all its stakeholders and users an opportunity to review the five-year plan and make recommendations. In addition, BEA senior staff have participated in conferences and meetings to share the priorities and changes at BEA in order to help users understand improvements and to get feedback on their priorities.

During 2006, 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. Areas of particular focus for BEA's FY 2006 outreach were the hurricane-affected areas of the Gulf State region. BEA staff conducted training and participated in conferences designed to inform users of recent improvements to and expansion of publicly available data that reflected the economic consequences of the three major hurricanes of 2005. BEA also provided its regional input-output modeling system (RIMS) multipliers for these areas to government and non-government users in order to develop a more complete understanding of the affects of the hurricanes on regional economies and specific industries.

BEA staff also use these and other 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 annually through a series of BEA directorate-level planning retreats and a senior staff retreat. At the retreat, a review of the past Strategic Plan is conducted and a report of the progress toward meeting the milestones is prepared and made public. Senior staff also use the retreat to set the directions and priorities for the Agency for the next year to five years. This updated plan is made available to the public for comment. Through this process, BEA is able to clearly define a path that reflects the needs and interests of the U.S. public.



A census-taker collects information from a household that did not mail in the form for the 2006 Census Test. Photographed by the U.S. Census Bureau.

CHALLENGES FOR THE FUTURE

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.

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.

BEA continues to face three major challenges in the near future. To tackle them, BEA has developed a detailed, public plan in its Strategic Plan for FY 2006 - FY 2010. The three major challenges facing BEA are:

Measuring a constantly changing economy. The U.S. economy is in constant flux. In order to measure a constantly changing economy, BEA must meet important challenges such as understanding the structural changes in the economy, improving measurement methodologies in areas like pensions and R&D, monitoring changing tax and accounting laws, and locating and incorporating data sources to capture the changes. BEA must continue to keep pace with these changes 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 is growing among users of federal economic statistics. BEA has continued to integrate its industry accounts with the NIPAs, and is working with BLS and the Federal Reserve to integrate shared accounts. The federal



PERFORMANCE SECTION * STRATEGIC GOAL 1

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. BEA is its workforce. The quality of BEA statistics is dependent on the knowledge and skills of its staff. With the increasingly complex and changing economy, the demands on BEA staff to be at the leading edge of economic change and provide innovative solutions to measurement are increasing. BEA must continue to prepare its employees for these challenges.

STRATEGIC GOAL 2

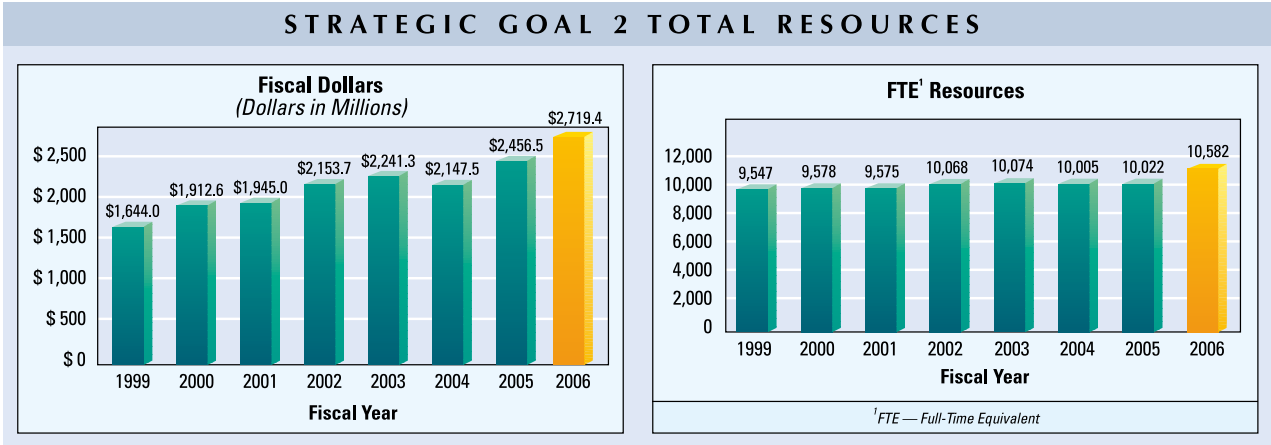


PERFORMANCE GOAL	STATUS*
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure (TA/NIST)	●
Accelerate private investment in and development of high-risk, broad-impact technologies (TA/NIST)	●
Raise the productivity and competitiveness of small manufacturers (TA/NIST)	●
Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (TA/NTIS)	●
Improve the quality of patent products and services and optimize patent processing time (USPTO)	●
Improve the quality of trademark products and services and optimize trademark processing time (USPTO)	●
Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide (USPTO)	●
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	●
Promote the availability, and support new sources, of advanced telecommunications (NTIA)	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	



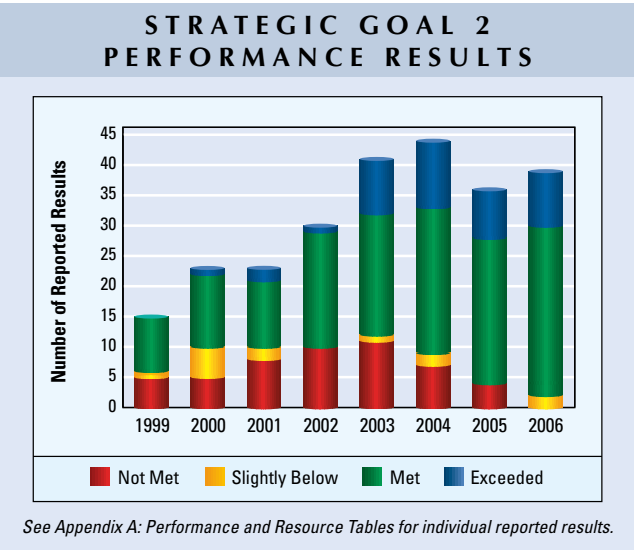
STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property (IP), enhancing technical standards, and advancing measurement science



Working with U.S. industry to develop and apply technology, measurements, and standards, the Department of Commerce is focused on providing the infrastructure necessary to develop innovative breakthroughs and new technologies vital to the nation's long-term economic growth.

The Department'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. Over 380 National Institute of Standards and Technology (NIST) staff members participate in more than 95 standards development organizations each year, and NIST sells as many as 31,000 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 firms along with universities and other government agencies.

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.

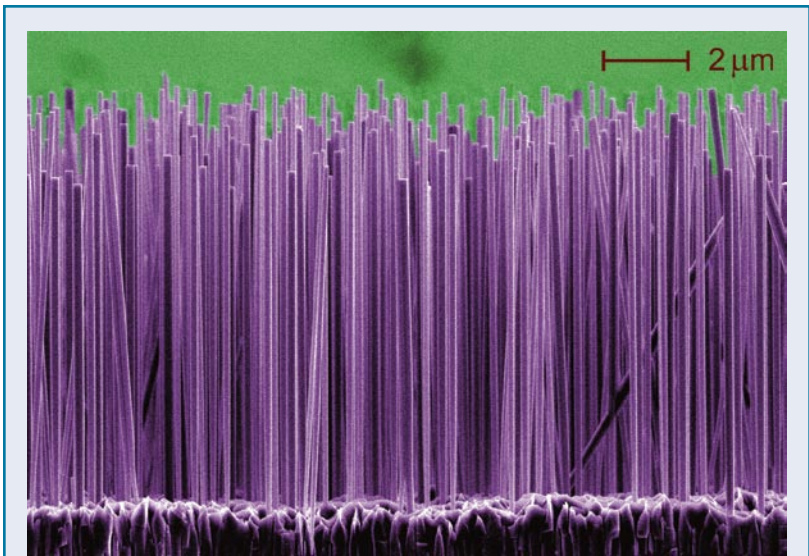
A sample of significant accomplishments that the Department achieved in FY 2006 includes the following:

NIST

◆ **Hydrogen Economy:** *"Nano-Cages" for Hydrogen.* Researchers at NIST analyzed the lattice-like arrangement of atoms in a custom-made material known as a metal-organic framework, demonstrating that nanoscale "cages" formed in the material have a previously unrecognized capacity to store hydrogen. Their work implies that similar materials might be engineered to optimize both the storage of hydrogen and its release under normal vehicle operating conditions—potentially a "fuel tank" for future hydrogen-powered cars.

◆ **Natural Disasters:** *NIST Cites Keys to Minimizing Structural Damage from Hurricanes.* NIST coordinated a multi-organizational team of experts from private sector, academic, and federal entities to conduct a broad-based reconnaissance of areas impacted by Hurricanes Katrina and Rita to analyze the performance of a variety of physical structures during the storms. The experts found that stricter adherence to existing building standards, model building codes, and good building practices, and a greater recognition of the risks posed by storm surge, could minimize the kind of structural damage caused by hurricanes in the Gulf Coast states. NIST issued a report that made 23 recommendations for specific improvements in the way that buildings, physical infrastructure (such as bridges and utilities), and residential structures are designed, constructed, maintained, and operated in hurricane-prone regions across the United States. Many of those recommendations are being acted upon already.

◆ **Nanotechnology:** *Building Infrastructure for Nanomanufacturing.* U.S. Secretary of Commerce Carlos M. Gutierrez announced the launch of a state-of-the-art center for collaborative nanotechnology research at NIST. At the new Center for Nanoscale Science and Technology (CNST), scientists from U.S. companies, universities, and government will focus on laying the technical groundwork necessary for U.S. industry to translate nanotechnology's many anticipated offerings into practical realities—manufacturable, market-ready products.



These "nanolights" made by NIST researchers are about a thousand times thinner than a human hair and may have many applications from "lab on a chip" devices for identifying chemicals to ultraprecise tools for laser surgery. Photographed by Lorelle Mansfield for NIST.



◆ **Competitiveness and Innovation: *Assessing the Nation's Measurement System.*** NIST launched an ambitious assessment of the nation's decentralized measurement system to determine whether this vital infrastructure—the U.S. Measurement System, or USMS—can effectively address diverse needs for ever more exacting and reliable measurement and calibration tools in a high-tech, global economy. As part of this effort, NIST joined with other private and public sector organizations to conduct a series of public workshops to assess and document the priority needs areas for improved measurements and standards. USMS workshops have been held for a broad range of industries, including optical radiation measurements, proteomics, advanced electronics, telemedicine, biotechnology, nanotechnology, data storage, and broadband communications. In addition, NIST solicited input from hundreds of companies, agencies, and individuals. NIST will issue a report on the assessment by fall 2006.

USPTO

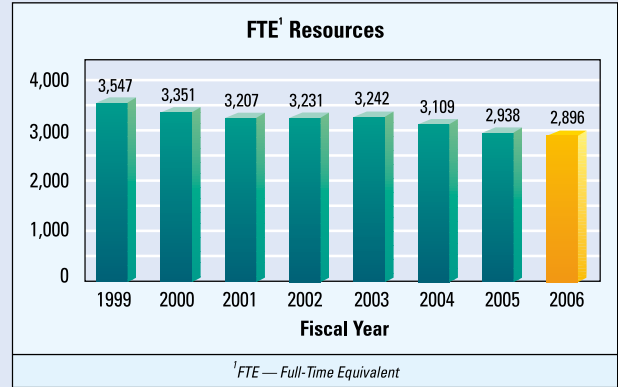
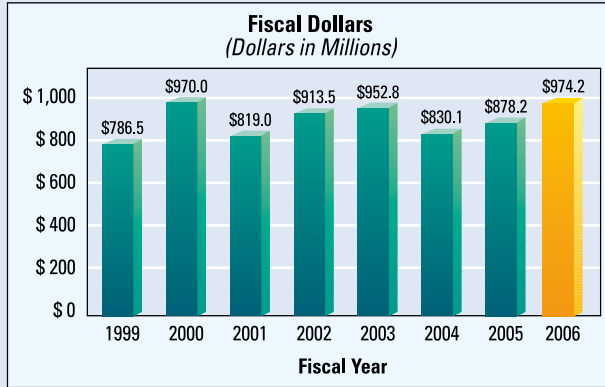
The U.S. Patent and Trademark Office (USPTO). USPTO received 417,819 Utility, Plant, and Reissue (UPR) patent applications for FY 2006, an increase of 8.7 percent from FY 2005. USPTO published 291,259 pending applications and issued 183,182 UPR and Design patent grants. USPTO received 275,790 trademark applications containing 354,775 classes for registration, an increase of 9.7 percent from 2005. The Office registered 147,118 marks including 188,899 classes. Total office disposals were 256,002, including 315,783 classes. The inventory of total trademark applications under examination decreased by five percent from 497,400 files with more than 653,000 classes at the start of the year, to 474,241 files, including 634,087 classes at year end.

The Department has demonstrated successful progress under this strategic goal. Bureaus with programs supporting this strategic goal include the Technology Administration (TA), consisting of the Technology Administration/Under Secretary (TA/US), NIST, and the National Technical Information Service (NTIS); USPTO; and the National Telecommunications and Information Administration (NTIA).

STRATEGIC OBJECTIVE 2.1

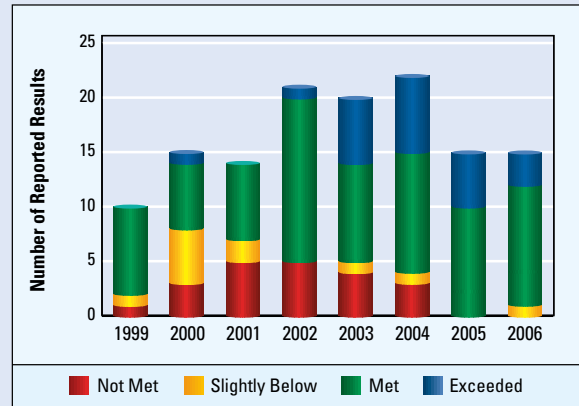
Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

STRATEGIC OBJECTIVE 2.1 TOTAL RESOURCES



Through NIST, the Department 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.

STRATEGIC OBJECTIVE 2.1 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure (TA/NIST)	●
Accelerate private investment in and development of high-risk, broad-impact technologies (TA/NIST)	●
Raise the productivity and competitiveness of small manufacturers (TA/NIST)	●
Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (TA/NTIS)	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	

Among its activities, TA accomplished the following in FY 2006:

◆ **Nanotechnology:** *Stable Polymer Nanotubes May Have a Biotech Future.* Scientists at NIST have created polymer nanotubes that are unusually long (about one centimeter) as well as stable enough to maintain their shape indefinitely. Manipulating lasers as "tweezers" and "scalpels," the researchers created tiny, fluid-filled polymer tubes less than 100 nanometers (nm) in diameter. The NIST team developed processes for extending the shelf life of polymer nanotubes—considered essential for commercial applications—and forming sturdy nanotube network structures. The NIST nanotubes may have biotechnology applications as channels for tiny volumes of chemicals in nanofluidic reactor devices, for example, or as the "world's smallest hypodermic needles" for injecting molecules one at a time.

◆ **Quality:** *NIST Extending Baldrige Program to Non-profit Organizations.* Starting in 2007, non-profit organizations—including charities, trade and professional associations, and government agencies—will be eligible to apply for the Malcolm Baldrige National Quality Award, the nation's highest honor for performance excellence and quality achievement. In 2006 ten non-profit organizations—including federal, state, and local agencies—applied to a pilot application program run by NIST in preparation for the 2007 award process. In April 2006 Vice President Cheney and Secretary Gutierrez recognized the six recipients of the 2005 Baldrige Award, including, for the first time, a community college, an automotive dealership, and an oil industry business.

◆ **Reducing Barriers to Trade:** *Commerce Acts to Simplify Telecom Trade with Singapore.* In June 2006, new, streamlined regulatory approval procedures came into effect in the United States and Singapore, reducing technical barriers in the telecommunications trade between the two countries. Singapore officially recognized four U.S. organizations identified by NIST as "certification bodies" as qualified to determine whether shipments of telecommunications products comply with that country's required standards. Prior to this action, procedures for certifying U.S. telecommunications exports were performed entirely by Singapore organizations. The new procedures eliminate the need for often-duplicative testing and allow U.S. manufacturers of telecommunication equipment to certify their products at home and ship directly to the \$1.3 billion Asian market.

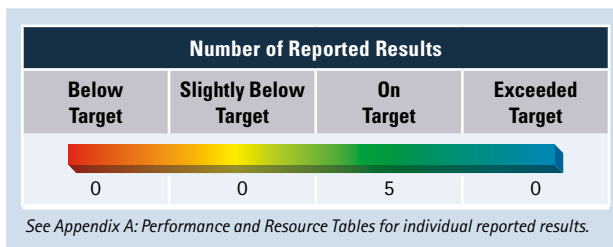


Vice President Dick Cheney and Commerce Secretary Carlos Gutierrez present the 2005 Baldrige National Quality Award to representatives of DynMcDermott Petroleum Operations Company. Since 1993, the firm has operated and maintained the U.S. Strategic Oil Reserve, a cache of up to 700 million barrels of crude oil. Photographed by Ron Bell for the Department of Commerce.

Performance Goal: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure (TA/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.

Progress on this goal is evaluated using an appropriate mix of specific output tracking, peer review, and economic impact analyses. 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://www.nist.gov/director/planning/strategicplanning.htm>.





PERFORMANCE SECTION * STRATEGIC GOAL 2

Specific achievements of this performance goal are described below:

- ◆ 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 produce a total of 2,000-2,200 publications with approximately 50 to 60 percent appearing in prestigious scientific peer-reviewed journals. In FY 2006, NIST staff authored 1,163 publications in peer-reviewed journals.
- ◆ 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. In FY 2006, NIST sold 31,195 SRMs.
- ◆ 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 90 million estimated downloads in FY 2006. For example, in June 2006, the NIST Mass Spectrometry Data Center added a major class of spectra to its reference collection. The "NIST Peptide Ion Fragmentation Library" enables highly reliable protein identifications to be made with far greater sensitivity and speed than previously possible. The data has applications in a wide variety of biotechnologies, including pharmaceuticals, health care, agriculture, and food.
- ◆ Today's global marketplace demands rapidly conducted, highly accurate, and efficiently delivered measurements. 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 impedance; in FY 2006, NIST calibrated 3,026 items.

Accomplishments and applicable quantitative data used to evaluate progress on this long-term performance goal 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 2006, a JILA External Review Committee, created by the University of Colorado, conducted a four-day, in-depth review of the operations and scientific activities of JILA. JILA is one of the nation's leading research institutions in the physical sciences and is jointly operated by NIST and the University of Colorado. The review committee consisted of representatives from universities across the country and NIST staff. The committee was unanimously impressed by the overall high quality of scientific research and organizational management at JILA, and concluded that "JILA is truly a unique organization that blends the research cultures of a university and a government laboratory in ways that lead to synergistic and innovative approaches to...challenging scientific problems."

Also in FY 2006, the National Research Council (NRC) Board on Assessment (BOA) delivered a biennial report on the NIST Laboratories focused on the following areas:

- ◆ The technical quality and merit of the laboratory programs relative to the state-of-the-art worldwide.
- ◆ The effectiveness with which the laboratory programs are carried out and the results disseminated to customers.
- ◆ The degree to which the laboratory programs are meeting the needs of intended customers.
- ◆ The adequacy of the laboratories' facilities, equipment, and human resources insofar as they affect the quality of the technical programs and the effectiveness with which the laboratories meet customers' needs.

In the latest NRC assessment report, the BOA indicated that it was impressed with the technical quality of NIST's work: "NIST carries out in a superb fashion an absolutely vital role in supporting as well as facilitating the further development of the technological base of the U.S. economy. Its personnel and scientific programs are, by scientific measures, among the best in the world, and its explicit and continuing attention to the needs of its customers keeps it alert to the changing technological environment to which it must be responsive...." This report is available online at <http://www.nist.gov/director/AssessmentReport.pdf>.

In addition to peer reviews, the programmatic goals and strategic direction of NIST as a whole are reviewed regularly by the Visiting Committee on Advanced Technology (VCAT). The VCAT is a legislatively mandated panel of external advisors that meets quarterly to review NIST's general policy, organization, budget, and programs. In its most recent annual report, the VCAT commended NIST for "aggressively undertaking new strategic planning activities to help ensure that programs and investment strategies are better aligned with NIST's mission and national priorities." See <http://www.nist.gov/vcat/> for additional information on the VCAT, including its most recent annual report.

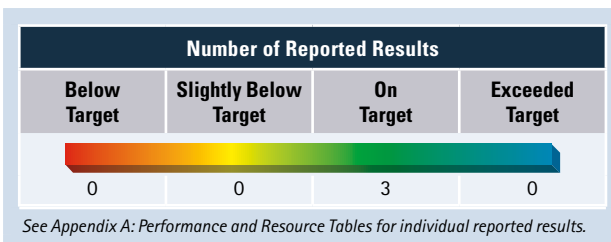


John L. (Jan) Hall of NIST and the University of Colorado at Boulder was named a co-winner of the 2005 Nobel Prize in Physics for his pioneering work in the development and transformation of the laser from a laboratory curiosity to one of the fundamental tools of modern science and a ubiquitous component of modern communications systems. Photographed and copyrighted by Geoffrey Wheeler.

Performance Goal: Accelerate private investment in and development of high-risk, broad-impact technologies (TA/NIST)

Phase-out of the Advanced Technology Program (ATP) was initiated in FY 2006. ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use.

Key indicators of the generation and diffusion of new commercially relevant technical knowledge include patents and technical publications generated by Advanced Technology Program (ATP)-funded projects and ATP-funded projects with technologies under commercialization. Although ATP did not issue any new awards in FY 2006, the long-term nature of ATP-funded projects results in a three to five-year lag from initial project funding to the generation of measurable outputs and outcomes.



Specific achievements of this performance goal are described below:

- ◆ Publications and patents represent major channels for the diffusion of technical knowledge that results from ATP investment in the development of new technologies. Past ATP-funded research generated more than 1,700 cumulative publications and more than 1,400 cumulative patents through FY 2005.
- ◆ The number of ATP-funded projects with technologies under commercialization is an indication of the extent to which ATP-funded research leveraged or catalyzed new products and services. Through FY 2005, over 340 ATP projects have technologies under commercialization.

Evaluation is a central part of ATP's operation. ATP uses a variety of methods, including internal assessments, external program reviews, and economic impact studies to assess and evaluate the program. Additional information on ATP's evaluation methods is available at: http://www.atp.nist.gov/eao/eao_main.htm.

The measures above, along with other programmatic accomplishments, are used to evaluate ATP's progress towards its long-term goal of increasing investment in and development of new technologies. Data are gathered from the portfolio of ATP project participants through ATP's Business Reporting System (BRS). BRS reports are reviewed by ATP's Economic Assessment Office and the individual project managers overseeing the ATP project.

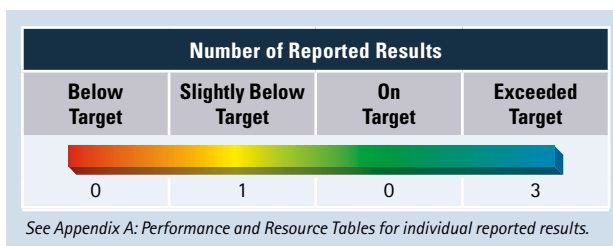
The programmatic objectives and management of ATP are reviewed by the ATP Advisory Committee. Additional information on the ATP Advisory Committee, including recent annual reports, is available at http://www.atp.nist.gov/adv_com/ac_menu.htm.

In FY 2006, NIST began an effort to ensure that the results of funded research are available to the private sector for future technology development and commercialization after the program is concluded.

Performance Goal: Raise the productivity and competitiveness of small manufacturers (TA/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.

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, lean implementation, quality improvement practices, human resources and organizational development, and industrial marketing.



Specific achievements of this performance goal 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 2005, MEP centers provided services to 16,448 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. Estimates from the most recent survey results from services provided in FY 2005 show increased sales of \$2,508 million, increased capital investment of \$2,013 million, and cost savings of \$816 million all attributed to the services received from MEP centers.

MEP's data collection process is designed to obtain actual client impacts and, as a result, client survey data lag by approximately one year. The survey process, coupled with the timeline for producing the Performance and Accountability Report (PAR), precludes the reporting of actual FY 2005 data. The data reported in the PAR represent a combination of three-quarters of actual client reported impacts and one-quarter of estimated client impacts. The estimate is based on the final quarter of FY 2004 survey data and has been adjusted to reflect the number of clients anticipated in the final FY 2005 survey quarter. Final FY 2005 data will be available in December 2006.

These data, 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, 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.

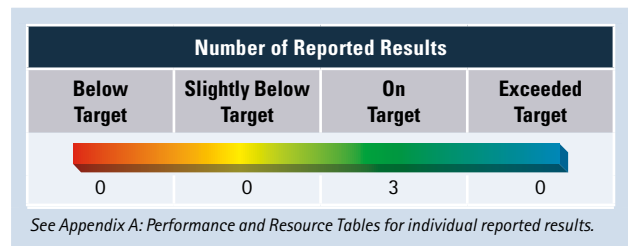


As with other NIST programs, the programmatic objectives and management of MEP are reviewed by the VCAT and MEP's National Advisory Board (NAB), which was established by the Secretary of Commerce in October 1996. Recently, the charter for the MEP NAB was amended to add flexibility and respond to the program's shift in emphasis to enhancing firms' innovation capabilities. NIST is now in the process of selecting additional board members. Several nominees have been identified, additional candidates are being sought, and the Program anticipates scheduling a NAB meeting in the fall of 2006.

Performance Goal: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (TA/NTIS)

Bringing scientific and technical information to U.S. business and industry.

NTIS, a component of TA, 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.



STRATEGIES AND FUTURE PLANS

The U.S. technology sector operates in a dynamic global environment that has changed radically since the end of the Cold War. The emergence and the strength of new economies in countries such as China and India, as well as the dramatic increase in the pace of innovation around the world, have resulted in a transformation of the technological and competitive landscape for the U.S. technology sector. The results are newer, larger global market opportunities, and more and stronger global competitors. Because the United States cannot generally compete in the area of low-cost manufacturing and labor, technological innovation will remain a key differentiator for the United States. TA/US will continue to work to identify barriers to and foster the U.S. technological innovation process for rapid development, deployment, and commercialization of new and emerging technologies with broad economic and social potential.

To address these priorities and fulfill its mission, TA/US engages and works with industry, Department bureaus and federal agencies, and other stakeholders in the innovation community to help maximize the contribution of technological innovation to the growth of the U.S. economy. Through its analytical policy focus, TA/US helps frame and explore key issues related to emerging technologies, the innovation infrastructure, technology transfer, general business climate, economic security, and market opportunities that affect U.S. innovative capacity, competitiveness, and economic growth. TA/US identifies problems and barriers to technological innovation, promotes new models of technology transfer and R&D collaborations, offers policy recommendations to address challenges posed by technological change, and examines other concerns related to technological innovation. By engaging key stakeholders in dialogue and through rigorous analysis of collected data and information, TA/US provides new knowledge and intelligence about the innovative capacity of U.S. firms and workers that inform the actions of the Secretary of Commerce, policymakers, and stakeholders.



STRATEGIC GOAL 2 * PERFORMANCE SECTION

Analytical findings are delivered and disseminated through a variety of media and products, including congressional testimony, briefings, reports, and the TA/US Web site; advocacy in the federal interagency policy process and appropriate international fora; workshops and conferences; and other channels. Through the dissemination of TA/US's analysis, U.S. policymakers, leaders, and decisionmakers are provided with increased knowledge and a deeper understanding of trends and policy implications brought about by rapid advancement of new and emerging technologies and the globalization of technological innovation. TA/US's portfolio of policy work adapts and evolves in alignment with the dynamic, fast-paced, and increasingly more technology-driven, knowledge-based global economy.

NIST uses a variety of methods, including hosting conferences and workshops; participating on standards committees; and ongoing interactions with industry, professional groups, universities, and other government agencies; to identify the needs of its diverse customers. As usual, NIST hosted a large number of conferences and workshops in FY 2006, ranging from nanoscience to biometrics to quantum computing and organizational performance improvement. This year, NIST supplemented its usual large number of conferences and workshops with a special series of private-public sessions for the USMS—all aimed at identifying priority measurement needs impeding future technological innovations. NIST led this comprehensive assessment of the USMS, and NIST scientists continued to work closely with industry on developing research and development (R&D) roadmaps. Through these private-public collaborations, priority measurement needs from across industry and the economy are identified, along with potential solutions and viable solutions providers. In addition, NIST conducts retrospective and prospective economic impact studies annually to prioritize R&D funding and ensure that the Department conducts the highest priority research. Two new studies launched this year address biotechnology and semiconductor industry measurements. Additional studies are planned to quantify the economic impact of formal standards-related activities.

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.

Phase-out of ATP was initiated in FY 2006. 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.

In a continuing effort to develop state-of-the-art capabilities to disseminate scientific and technical information to the public NTIS has developed a strategic plan that focuses on accelerating the transformation of NTIS into a flexible, adaptable, electronically-based information acquisition, dissemination, and preservation entity. NTIS launched strategic initiatives in human capital and in business process re-engineering of mission-critical processes and continues to develop a detailed strategic roadmap that responds to changes in the information acquisition and dissemination environment. NTIS's strategic plan supports both the President's Management Agenda (PMA) and the Department's strategic plan. Achievements recognized from this implementation include management development teams addressing identified initiatives, regularly scheduled financial reviews, and development of human capital plans identifying mission critical occupations. These changes will ensure that the challenge of permanent preservation of and ready access to the taxpayers' investment in R&D through the acquisition, organization, and preservation of the titles added annually to the permanent collection will maximize scientific and technical information dissemination contributing to the U.S. economic growth.



Federal Acquisition Circular (FAC) 2005-10 was published on June 28, 2006 regarding the FAR Case 2005-033 Interim Rule implementing the Wage Determinations Online Program Web site (<http://www.wdol.gov>). WDOL.gov technical development was completed by NTIS through a cooperative effort with OMB, DOL, DOD, General Services Administration (GSA), Department of Energy (DOE), and other agencies to improve the wage determination process. WDOL.gov is part of the Integrated Acquisition Environment (<http://www.acquisition.gov>), one of the e-government initiatives in the PMA.

In FY 2006, NTIS distributed the highly anticipated and highly promoted U.S. Department of Agriculture (USDA) revised Food Pyramid. NTIS continues to assist USDA in providing nutritional information products to the public through NTIS's comprehensive dissemination program. The products disseminated have increased steadily over the past several years averaging 11.5 million items distributed annually. NTIS also continued distribution of the Administration's "Healthy Start, Grow Smart" baby developmental series, adding the nutritional information for the second year of a child's life. The "Healthy Start, Grow Smart" series now encompasses ages newborn through 24 months. NTIS anticipates disseminating approximately six million items in FY 2006.

CHALLENGES FOR THE FUTURE

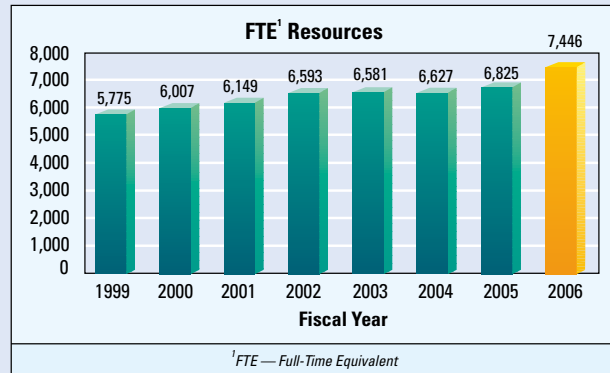
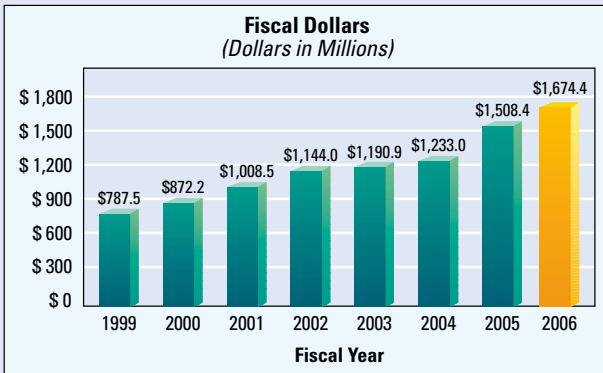
Keeping a competitive edge in the world economy depends on the nation's ability to generate and harness the latest in scientific and technological developments—particularly in the physical sciences and engineering—and to apply these developments to real world applications. Throughout the last decade, 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 they generate: the location of R&D and high-tech manufacturing, competition for high-skilled workers, and the climate for attracting global investment. Technological innovation will ensure continued U.S. leadership in science and engineering, which will in turn drive productivity, grow the economy, and solve important societal problems.

Technological innovation is vital to U.S. economic growth, the nation's industries, and U.S. workers. 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 science and technology, reflects the importance of 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.

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

STRATEGIC OBJECTIVE 2.2 TOTAL RESOURCES

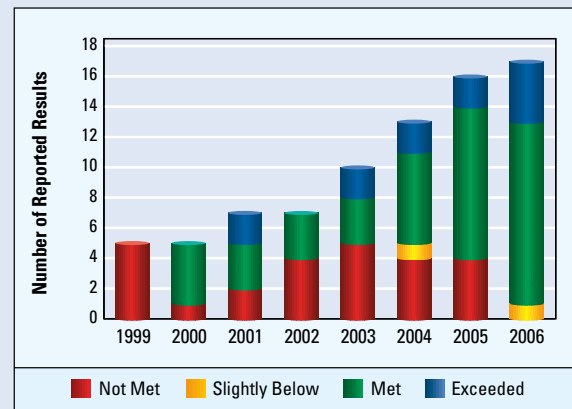


This objective is important to the nation as it serves to ensure that the intellectual property (IP) system contributes to a strong global economy, encouraging investment in innovation, and fostering entrepreneurial spirit.

Achievement of this objective will protect individual rights and innovation in a timely, efficient manner. A discussion of each performance goal within this objective will further describe the outcomes of the objective.

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.

STRATEGIC OBJECTIVE 2.2 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Improve the quality of patent products and services and optimize patent processing time (USPTO)	●
Improve the quality of trademark products and services and optimize trademark processing time (USPTO)	●
Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide (USPTO)	●

* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE

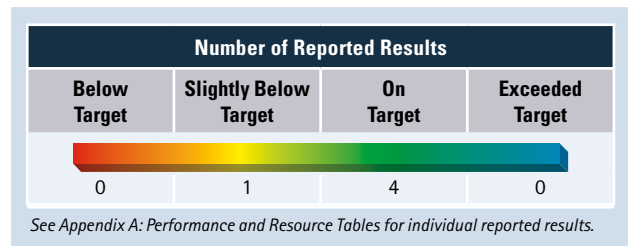


The Department promotes the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws. Under this system of protection, industry in the U.S. has flourished, creating employment opportunities for millions of Americans.

The primary services provided by the Department 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 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.

Performance Goal: Improve the quality of patent products and services and optimize patent processing time (USPTO)

The most significant activity under this goal 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.



PATENT QUALITY

Providing quality services and products is USPTO's foremost priority. USPTO's commitment to the continuous refinement and expansion of the quality initiatives is outlined in the *21st Century Strategic Plan*. Patent examinations are subjected to both end product and in-process reviews that evaluate the quality of the substantive basis for examiner decisions, applicability of searched cases, evidence, and clarity of communications with applicants. Findings produced by these reviews are shared individually with examiners, collected in a database for ongoing analysis, serve as the basis for the development of training programs, and used to strengthen the review process. Beginning in late 2006, USPTO commenced an intensive effort to better define quality and identify appropriate criteria to gauge quality.

This effort has culminated in plans that will ensure examiners maintain the knowledge and skill levels necessary to perform quality examinations through training and the administration of certification exams.

In January 2006, USPTO launched an academy approach to training entry-level patent examiners aimed at graduating examiners sufficiently skilled to produce quality examinations with reduced oversight. New employees are given in-depth training for up to eight months that combines technical and legal instruction, practical applications, small group study, and one-on-one assistance with real applications. The goal is for competency to improve and attritions of new hires to decrease. Approximately 600 new examiners participated in this program in 2006.

Two of the measures USPTO uses to gauge patent quality are the allowance error rate and the in-process examination compliance rate. An allowance 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. The allowance error rate is measured by the ratio

of the number of applications containing an allowance error to the total number of allowed applications reviewed. In FY 2006, efforts to improve quality resulted in an allowance error rate of 3.5 percent, 12.5 percent better than the goal of 4.0 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 90 percent in-process examination compliance, USPTO exceeded its goal of 86 percent.

PATENT PENDENCY

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, outsourcing, exploring work sharing with other patent offices, process reform through revised rules of practice, and training. In FY 2006 1,218 new patent examiners were hired. Additionally, USPTO has completed an agreement with the Australian Intellectual Property Office and awarded a competitive contract for outsourcing Patent Cooperation Treaty (PCT) searches in FY 2007 and beyond, which will free examiners to focus on the examination of national applications.

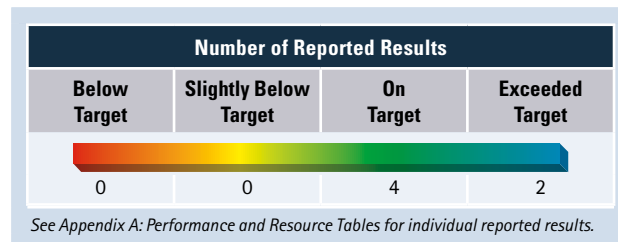
USPTO met its target of 31.3 months for total pendency. USPTO did not meet its first action pendency target of 22.0. The target was not met because there were more older applications processed than planned. USPTO expects to meet the goal next year through increased hiring efforts.

PATENT EFFICIENCY

Patent efficiency measures the relative cost-effectiveness of the entire patent examination process over time, or the efficiency with which the organization applies its resources to production. The cost is calculated by totaling all costs (including direct and indirect) incurred to produce a patent product and dividing the sum by the number of product outputs. The FY 2006 target of \$4,214 was met with an actual of \$3,798.

Performance Goal: Improve the quality of trademark products and services and optimize trademark processing time (USPTO)

The fundamental process involved in reaching this goal is the examination of trademark applications. Trademark attorneys 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.



TRADEMARK QUALITY

A vital component of USPTO's commitment to improve the quality of examination is the identification of criteria used to assess the quality of an office action. In order to determine trademark examination quality, first and final examiner search results and actions are evaluated in order to create a more comprehensive and rigorous review of what constitutes examination quality. More than 350 items are scrutinized to determine "excellent," "satisfactory," and "deficient" work with regard to the examiner's research, critical analysis of the application, and the writing of the office action. The examining attorneys' handling of every substantive and procedural issue is also analyzed comprehensively. These more rigorous criteria have been used to measure quality for the past two years. As a result, the quality of the examiners' first action on applications has demonstrably improved. The quality of final office actions has met its target goal.

In FY 2006, the trademark first action deficiency error rate was 4.3 percent, well below the 6.5 percent deficiency target. Similarly, the final action deficiency error rate was 3.6 percent, also less than the 6.5 percent target.

As part of USPTO's commitment to improve the quality of examination and ensure that all examiners possess the knowledge, skills, and abilities necessary to perform at the highest level, examiners are required to take a series of e-learning tutorials. The quality review process allows the Office to conduct training on the micro level with specific feedback, and also on the macro level with training modules that address trends, targeting topics that warrant improvement.

TRADEMARK PENDENCY

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 processed; and (2) final action 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. The Office met its FY 2006 target, 5.3 months, by achieving a first action pendency of 4.8 months. Trademark final action pendency results were 15.5 months, excluding suspended and inter partes cases, and 18.0 months including all cases in FY 2006. The Office met its FY 2006 target of 16.3 months excluding suspended and inter partes cases, and 18.8 months including all cases.

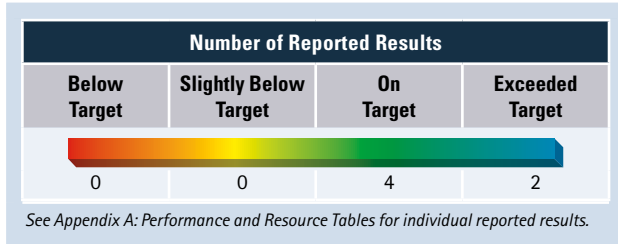
TRADEMARK EFFICIENCY

The measure of Trademark efficiency is calculated by dividing total USPTO expenses associated with the examination and processing of trademarks (including associated overhead and supporting expenses) by outputs (office disposal). The measure indicates the degree to which Trademarks can operate within plan costs relative to outputs produced. The FY 2006 trademark efficiency target of \$635 was met with an actual of \$565.

The strategic plan outlines the Office's commitment to working with its IP partners to improve the efficiency of its processing systems. The number of applications and communications received and processed electronically has continued to increase and has resulted in more coordinated and streamlined work processes. The continued expansion of electronic file management, when combined with internal process mapping, will allow a more efficient design and control of the work process, provide tools to monitor and better manage the work, measure production and timeliness, and evaluate quality. This greater reliance on electronic systems will, in turn, prepare the Office for the globalization that characterizes the 21st century economy.

Performance Goal: Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide (USPTO)

USPTO continues to work with its IP partners as well as its applicant public to improve its processing systems. Significant progress is being made in the transitioning of its patent and trademark operations to an e-government environment. Currently, all federally registered and pending trademarks are available to the public on USPTO's Web site, www.uspto.gov. On USPTO's Web site, a variety of tasks can be accomplished, including filing electronically for patents and trademark registration, reviewing the status of current applications as needed, tracking the status of a public patent application as it moves from pre-grant publication to final disposition, and reviewing the documents in the official patent application file, including all decisions made by patent examiners.



PATENT E-GOVERNMENT

The public Patent Application and Information Retrieval (PAIR) system offers the public an advanced electronic portal for PDF viewing, downloading, and printing an array of information and documents for patent applications not covered by confidentiality laws. Public PAIR also offers a quick-click feature for ordering certified copies of patent applications and application files. The private PAIR system allows applicants access to the file history of their applications. In FY 2006, over 24.1 million search requests were made in public PAIR, and 2.7 million requests in private PAIR.

In March 2006, USPTO fully deployed an enhanced electronic filing system (EFS-Web). The system was designed with extensive applicant input to improve the ease of e-filing. E-filing reduces errors and expedites processing by eliminating the scanning and indexing required for paper applications. USPTO met its FY 2006 goal of 10.0 percent of patent applications filed electronically.

Additionally, conversion of all paper applications to electronic form was completed, providing desktop access to patent applications by all examiners, support, and management personnel. USPTO has met its target of electronically managing 99 percent of patent applications. In FY 2006, USPTO enhanced its telecommuting program to remotely provide patent examiners with full access to all patent systems necessary to perform their jobs from home, and added collaborative communication technologies. More than 500 patent employees now participate.

One exciting accomplishment during FY 2006 was the expansion of the Trilateral Document Access system that provides patent examiners at USPTO and Japan Patent Office (JPO) offices access to selected application documents in the file wrappers of each other's office.

TRADEMARK E-GOVERNMENT

The public may access official trademark files online by using the Trademark Document Retrieval (TDR) system. This system grants access to the full file contents of all federally registered and pending trademarks in an electronic PDF format. TDR contains nearly two million pending and registered trademarks dating back to 1885, and represents more than 100 years of marketing creativity. TDR enables the public to download and print an array of information and documents. By allowing public access to interested



parties, USPTO is better able to provide timely and useful information to business owners as they develop their marks and prepare to file trademark applications.

The goal for trademark applications filed electronically was revised to 80 percent, based on 2005 results, and the Office was still able to exceed the revised target in FY 2006 with 94 percent of applications received electronically. The trademark electronic filing system has been enhanced by expanding the number and type of transactions that can be completed online and by offering reduced fees to encourage electronic communications. Twenty-five electronic forms are now available through the award winning Trademark Electronic Application System (TEAS). Options for reduced fees, system enhancements, 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 is now the preferred method for communicating on trademark matters. USPTO has met its target of electronically managing 99 percent of trademark applications.

In the past year, the types of notices sent electronically through "Tpostal," the Agency's electronic bulk mailing system for trademark related notices, increased threefold. USPTO uses the U.S. Postal Service's Web-based NetPost Mailing online system to print, stamp, and mail 16 types of notices. These postcard notices are sent electronically to trademark filers within 24 hours of receipt by U.S. Postal Service. Using postcards, rather than letters, saves time and reduces labor, materials, and postage costs, which result in considerable savings.

ADVANCING INTELLECTUAL PROPERTY

USPTO's Office of External Affairs (EA) plays a critical role in the U.S. government's efforts and obligations to provide IP technical assistance throughout the world. In FY 2006, EA conducted 239 Technical Assistance activities to date affecting 102 countries.

EA's mission is to promote development of IP systems internationally. Some recent initiatives include 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 establishing USPTO Global Intellectual Property Academy (GIPA) to expand IP training, technical assistance, capacity programs, and activities for foreign government officials. Seventeen GIPA training programs have been conducted during FY 2006.

EA also manages 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 more than 30 IP attorneys at USPTO with regional expertise on how to secure patents, trademarks, and copyrights, and on enforcement of these rights. In FY 2005, the hotline received 955 calls. In FY 2006, USPTO has received 1,460 calls through the hotline.

In support of U.S. Trade Representative (USTR) and other U.S. government agencies, USPTO plays a key role in the negotiation and drafting of IP provisions of free trade and other international agreements. These provisions generally require U.S. trading partners to provide stronger, more effective protection for IP than is required under World Trade Organization's (WTO) Trade Related Aspects of Intellectual Property Rights (TRIP) Agreement. USPTO has participated in numerous negotiating rounds and/or implementing legislation for all recently concluded and ongoing free trade agreements (FTA).



STRATEGIES AND FUTURE PLANS

In 2002, USPTO submitted the *21st Century Strategic Plan*, updated in 2003, and has adhered to it over the past four years. In FY 2006, USPTO reviewed its progress in achieving goals, identified current and future challenges, and is in the process of updating the plan for FY 2007 – FY 2012. The new plan builds on the infrastructure developed in the original and outlines specific strategies to meet the goals of optimizing patent quality and timeliness.

Strategies to reduce patent pendency and improve patent quality will 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, develop a suite of patent products to better meet the differing needs of applicants, and more efficiently utilize the Agency's resources.

USPTO will 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. Applicants will be provided with expanded opportunities to conduct business with USPTO electronically. The Office will continue to expand patent examiners' opportunities to participate in the telecommuting program at the rate of more than 500 additional employees annually.

Multiple initiatives will be implemented to improve quality. Examples of quality improvements include involving external stakeholders in defining quality, developing quality metrics and performance targets; assessing the existing process for reviewing examiner work; and externally validating quality data.

USPTO will transform patent appeals and interference processing and workload, and enrollment and discipline functions. This effort will entail enhanced communication and involvement with registered patent practitioners and improvements in the Agency's responsiveness.

USPTO will continue to work on curbing IP theft and strengthen IP protection and enforcement in every corner of the globe. More IP experts will be posted in foreign countries where U.S. IP challenges are the greatest. 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, where participants learn what IPR is, why it is important, and how to protect and enforce these rights.

CHALLENGES FOR THE FUTURE

Achieving the goal 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.



PERFORMANCE SECTION * STRATEGIC GOAL 2

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.

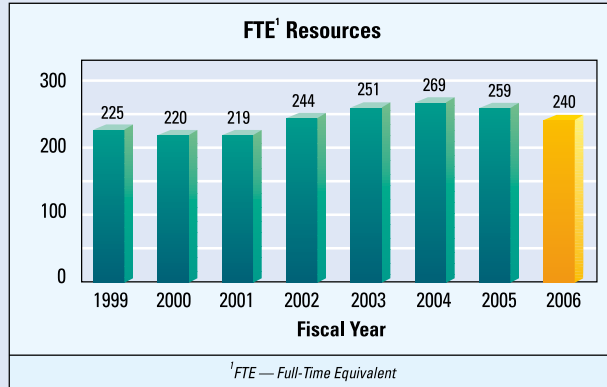
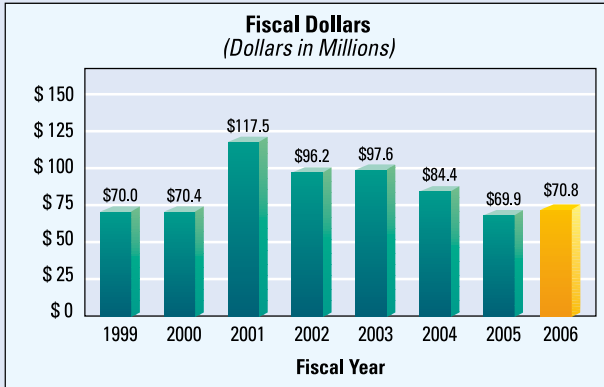
Addressing many of these challenges requires an interrelated approach to ensure that the solution to one challenge does not hamper the remedy of another. USPTO's updated strategic plan for FY 2007 – FY 2012 provides a set of focused initiatives to ultimately produce solutions to the challenges noted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

Increasing public awareness of various IP issues and interests and how these affect them is an important aspect of the USPTO role. Educating the public about the examination processes of USPTO and how these relate to the use of IPR in the market place will help in that process. 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 that the violation of IPR affects everyone, and how, will be beneficial to improving the effectiveness of the system as a whole.

STRATEGIC OBJECTIVE 2.3

Advance the development of global e-commerce and enhanced telecommunications and information services

STRATEGIC OBJECTIVE 2.3 TOTAL RESOURCES

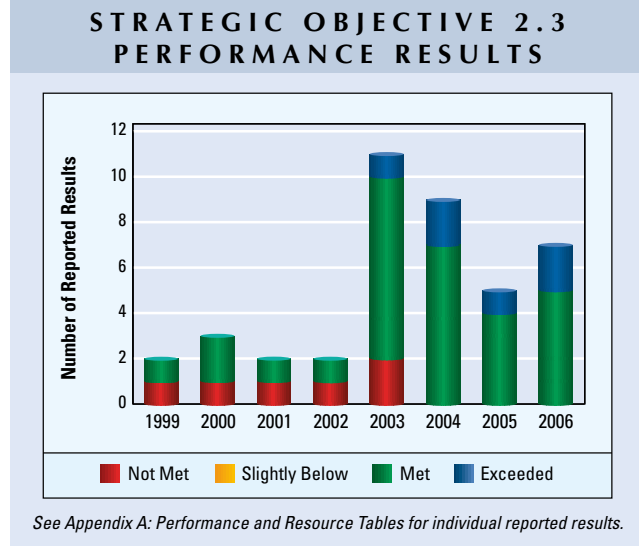


This objective is important not only to the nation, but to the international community as it has a role in radio frequency (RF) spectrum management and communications on a national level, to the President as an advisor on communications policy matters, on Internet domain names, and for wireless technology and high-speed Internet services.

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

The Department through NTIA:

- ◆ Serves as the principal adviser 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.



PERFORMANCE GOAL	STATUS*
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	●
Promote the availability, and support new sources, of advanced telecommunications (NTIA)	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	



PERFORMANCE SECTION * STRATEGIC GOAL 2

- ◆ Manages all federal use of the electromagnetic spectrum and generally promotes efficient use of spectrum.
- ◆ Conducts telecommunications technology research, including standards-setting in partnership with business and other federal agencies.
- ◆ Awards grants through the Public Telecommunications Facilities Program (PTFP).

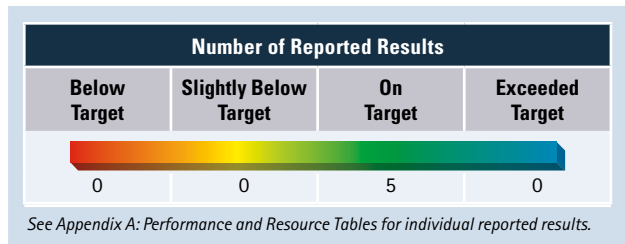
The Agency's expertise encompasses every aspect of telecommunications, including domestic policy, international policy, spectrum management, and technical telecommunications research and engineering.

- ◆ In a "Memorandum for the Heads of Executive Departments and Agencies" dated November 30, 2004, the President directed that an implementation plan be developed in FY 2005 for the recommendations contained in a two-part series of reports released by the Secretary of Commerce in June 2004, under the title *Spectrum Policy for the 21st Century—The President's Spectrum Policy Initiative Reports*. 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.
- ◆ Among its broadband-related activities, NTIA provided technical guidance to the Federal Communications Commission (FCC) for the responsible deployment of broadband over power line (BPL) systems, contributing significantly toward fulfillment of the President's vision for universal affordable broadband Internet access for all Americans by 2007.
- ◆ NTIA also is leading Department activities in the areas of next-generation Internet Protocols, ultrawideband (UWB) technology, wireless broadband applications, wireless sensor technologies, and Internet technical functions.

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

Advancing broadband and third generation (3G) wireless services.

NTIA examined an array of spectrum management policy issues in FY 2006 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.



NTIA coordinated with federal agencies the Spectrum Reform Initiative implementation plan with 54 milestones to be completed over the next five years. 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 took steps to establish the Department of Commerce Spectrum Management



STRATEGIC GOAL 2 * PERFORMANCE SECTION

Advisory Committee, consistent with the Federal Advisory Committee Act and the NTIA Organization Act. This committee will be comprised of a broad range of stakeholders, including representatives from state, regional, and local sectors; industry; academia; and consumer groups.

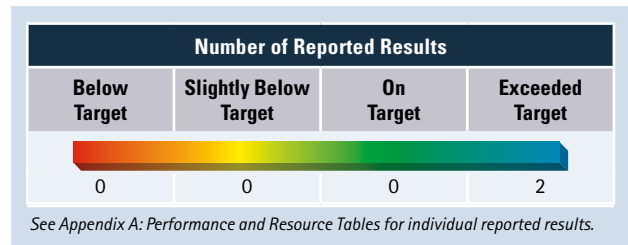
The achievements of this performance goal are described below:

- ◆ NTIA has improved the timeliness of processing frequency assignment requests from a target of 12 business days to less than nine days. 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 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. 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 by 2008, and ultimately to near instantaneously, supporting long-term goals for efficiency and effectiveness of spectrum use. NTIA's research efforts directly support this goal. The Spectrum Initiative for the 21st Century Implementation plan, developed in coordination with other federal agencies, provides targets for specific NTIA spectrum management and spectrum policy activities, which serve to advance both of the Agency goals. NTIA adopted a new measure of the percent of milestones completed annually to measure progress in achieving these goals.
- ◆ NTIA conducted a two-day spectrum policy reform workshop on the use of economic or other incentives to increase the efficiency of spectrum use. The workshop addressed incentives that apply both to federal government as well as non-government spectrum users. Session topics included spectrum valuation, rights and secondary markets, sharing, and fees. This is the second workshop on spectrum policy that NTIA has sponsored through the National Academy of Sciences.
- ◆ The FCC and NTIA provided information 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, guidance was provided to assist Advanced Wireless Service (AWS) licensees in this band to begin implementing service during the transition of federal operations from the band while providing interference protection to incumbent federal government operations until they have been relocated to other frequency bands or technologies.
- ◆ NTIA called for public comment on a proposed spectrum sharing test bed to explore innovative ways to make more intensive use of the nation's airwaves and promote continued economic growth and national security. The test bed proposal, a key recommendation of the President's Spectrum Policy Initiative, would enable federal and non-federal users of spectrum to test ideas on new ways to share the finite radio spectrum.
- ◆ NTIA selected a Washington, D.C. public safety wireless network to evaluate its effectiveness in sharing the radio spectrum with federal, state, and local governments during emergencies. Selection of the Washington, D.C. Wireless Accelerated Responder Network (WARN), an interoperable, city-wide, broadband public safety network fulfills one of the 24 recommendations of the President's 21st Century Spectrum Policy Initiative for improving management of the nation's airwaves.

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

Performing research to improve both the performance of telecommunications networks and the availability of digital content on the Internet.

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. A number of Internet related policy issues required NTIA action, including ICANN (Internet Corporation for Assigned Names and Numbers) reform and continuing Internet privatization, domain name management both domestically and internationally, next generation Internet Protocols, and the combination of Internet and telecommunications addressing (ENUM). All of these activities required substantial coordination among NTIA's program offices, as well as interagency coordination to develop the Administration's positions.



The achievements of this performance goal are described below:

- ◆ NTIA released the final report on the technical and economic issues related to Internet Protocol Version 6 (IPv6) adoption in the United States, including the appropriate role of government, international interoperability, security in transition, and costs and benefits of IPv6 deployment. The report was developed by the IPv6 Task Force, led by NTIA and NIST.
- ◆ NTIA published a Notice of Inquiry and convened a public meeting to seek views on the continued transition of the technical coordination and management of the Internet Domain Name and Addressing System to the private sector.
- ◆ NTIA testified before the Senate Committee on Commerce, Science and Transportation on wireless telecommunications issues and spectrum management reform. NTIA also testified before the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Financial Services regarding recent developments related to WHOIS databases. NTIA submitted testimony before the House Committee on Homeland Security's Subcommittee on Emergency Preparedness, Science and Technology regarding "The State of Interoperability: Perspectives on Federal Coordination of Grants, Standards and Technology."
- ◆ NTIA began extensive preparations for the 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. Programs authorized by the Act include the Digital-to-Analog Converter Box Voucher Program, Public Safety Interoperable Communications Grants, 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 awarded a sole source contract to ICANN to perform technical functions supporting the Internet Domain Name System (DNS). ICANN has been performing the Internet Assigned Numbers Authority (IANA) services since 2000. They involve three interdependent technical coordinating functions for the Internet domain name and addressing system. These functions include coordination of the assignment of technical protocol parameters, administration of certain responsibilities associated with Internet DNS root zone management, and allocation of IPv4 and IPv6 address space.



- ◆ In FY2006, NTIA awarded \$19.7 million for 95 grants from PTFP to assist public radio, public television and nonbroadcast (distance learning) projects across the country.

Just over \$12.3 million went to 31 grantees to assist in the digital conversion of public television facilities. Radio projects were awarded \$5 million for 49 grants. Nine of the 49 radio grants awarded a total of \$604,237 for digital conversion of public radio stations. One radio grant, totaling \$104,553, was issued on an emergency basis so a public radio station in Austin, TX could replace studio equipment destroyed by fire.

Other PTFP grants include \$1.1 million for eight television equipment replacement grants, which included two grants made on an emergency basis. These emergency awards, totaling \$429,370, replaced a television transmitter in New Orleans destroyed by Hurricane Katrina and a failed transmission line in South Dakota. Five nonbroadcast (distance learning) grants were made for \$740,169, and one grant was awarded to the University of Hawaii for \$499,440 for the PEACESAT (Pan-Pacific Educational and Cultural Experiments by Satellite) project.

Included in the above radio and television awards are grants so 11 public radio stations and 16 public television stations can purchase standby generators to enable the stations to continue public service programming during times of emergency.

The data used to evaluate the effectiveness of performance goal 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 AND FUTURE PLANS

The bulk of NTIA's resources will be directed 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 (1) identifying and supporting new wireless technologies that promise innovative applications for customers of the federal and private sectors; (2) 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; (3) developing plans and policies to use the spectrum effectively; (4) 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 radio-communication conferences; and (5) improving, through telecommunications research and engineering, the understanding of radio-wave transmission thereby improving spectrum utilization and the performance of radio-communications 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 implementation of Spectrum Relocation Fund legislation. NTIA will 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 domain names system. NTIA anticipates that it will participate on behalf of the Administration in a congressional examination of the Telecommunications Act focusing on telephony subsidy reform and the classification of advanced broadband services. NTIA will also participate on behalf of the Administration in Digital TV transition policy-making and implementation of IPv6.











CHALLENGES FOR THE FUTURE

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 respond to the President's call to clear the regulatory hurdles that stand in the way of broadband deployment and create the regulatory certainty necessary to meet the President's goal 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



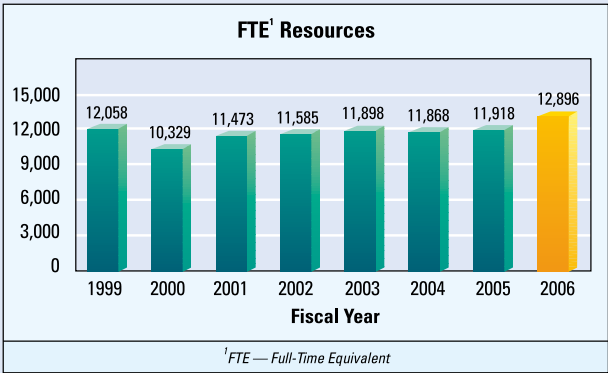
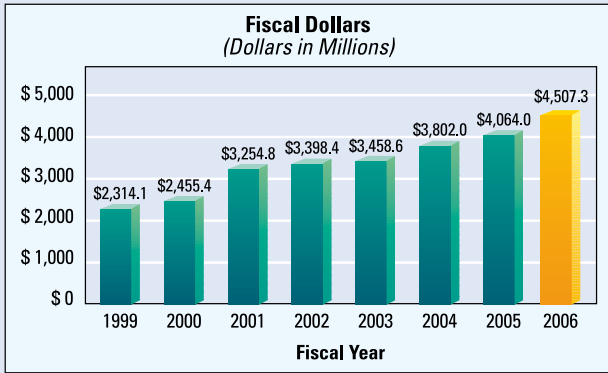
PERFORMANCE GOAL	STATUS*
Serve society's needs for weather and water information (NOAA)	
Understand climate variability and change to enhance society's ability to plan and respond (NOAA)	
Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)	
Support the nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)	
*  = MET (100%)  = SIGNIFICANTLY MET (75% - 99%)  = NOT MET (< 75%)  = NOT APPLICABLE	



STRATEGIC GOAL 3

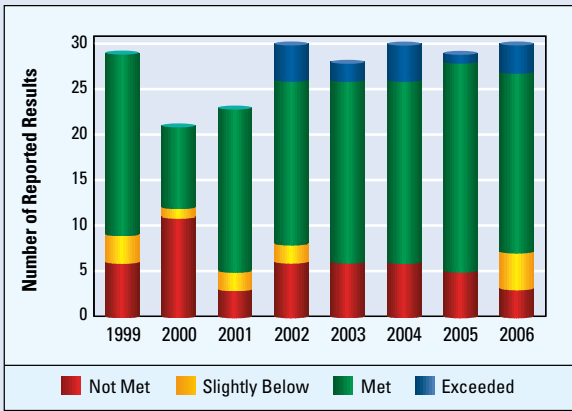
Observe, protect, and manage the Earth's resources to promote environmental stewardship

STRATEGIC GOAL 3 TOTAL RESOURCES



The Department is a future-minded environmental science agency whose mission is to understand and predict changes in the Earth's environment and manage coastal and marine resources to meet the nation's economic, social, and environmental needs. The Department has responsibilities for the environment, ecosystems, safety, and commerce of this 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 satellite imagery to tornado warnings, navigational charts to fish stock assessments, hurricane tracking to El Niño and harmful algal bloom predictions, severe weather forecasts to coastal zone management—the Department's science, service, and stewardship 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; manage and protect fisheries and sensitive marine ecosystems; conduct atmospheric, climate, and ecosystems research; 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.

In FY 2006 the National Oceanic and Atmospheric Administration (NOAA) accomplished some major bureau-wide successes:

National Weather Service (NWS) Response to Hurricane Katrina

The devastation left in Katrina's wake over southeast Louisiana and coastal Mississippi was immense. The storm surge ravaged coastal Mississippi, and several levee breaches occurred in and around New Orleans. The levee breaches and overtopping resulted in floodwaters of 15 to 20 feet covering about 80 percent of the city. The catastrophic damage and loss of life inflicted by this hurricane is staggering, with an estimated 1,353 direct fatalities and 275,000 homes damaged or destroyed. Total economic losses could be greater than \$100 billion. These impacts make Katrina the costliest hurricane in U.S. history and one of the five deadliest hurricanes to ever strike the United States.

A follow-up Service Assessment Team, composed of experts in and outside NWS, found that NWS performed admirably before, during, and after Katrina. The products and services provided by NWS offices were particularly accurate and timely, and they contributed significantly to critical customer decision-making. The hurricane forecast track error was considerably better than average through the five-day forecast period. Lead times on hurricane watches and warnings for Louisiana, Mississippi, Alabama, and the Florida panhandle were eight hours above average. A noteworthy moment for NWS came when the Weather Forecast Office (WFO) in New Orleans/Baton Rouge issued a statement one day prior to Katrina's landfall that emphasized the likely impacts of the hurricane on southeast Louisiana and coastal Mississippi. Due to the unprecedented detail and foreboding nature of the language used, the statement helped reinforce the actions of emergency management officials as they coordinated one of the largest evacuations in U.S. history. The NWS actions leading up to Katrina's landfall and the efforts of the NWS tropical cyclone outreach program over the last two decades contributed to these high evacuation rates and undoubtedly saved many lives.

During extremely difficult working conditions, the ingenuity, dedication, and sheer will of NWS employees enabled the provision of products and services even as infrastructure and back-up systems failed. Incident meteorologists served a vital role in the aftermath of Katrina by establishing portable communications systems and weather observing systems to mitigate critical outages. Most importantly, service backup operations were transparent to most users and partners as high quality products and services were provided by alternate offices.

President Sets Aside Largest Marine Conservation Area on Earth **Northwestern Hawaiian Islands (NWHI) Marine National Monument Encompasses Nearly 140,000 Square Miles**

The Administration created the world's largest marine conservation area off the coast of the Northwestern Hawaiian Islands in order to permanently protect the area's pristine coral reefs and unique marine species. The NWHI Marine National Monument encompasses nearly 140,000 square miles of U.S. waters, including 4,500 square miles of relatively undisturbed coral reef habitat that is home to more than 7,000 species. The monument will be managed by the Department of Interior's (DOI) U.S. Fish and Wildlife Service and NOAA, in close coordination with the State of Hawaii.

"This is a landmark achievement for conservation, protection and enhancement of the Northwestern Hawaiian Islands," said Commerce Secretary Carlos Gutierrez. "Approximately one quarter of the species here are found nowhere else in the world and a marine national monument will provide comprehensive, permanent protection to this region."



New NOAA Environmental Satellite Launched, Reaches Orbit

NOAA and NASA officials confirmed that a new geostationary operational environmental satellite, designed to track hurricanes and other severe weather impacting the nation, successfully reached orbit. The first signal acquisition occurred six hours and 30 minutes after the launch, at the Air Force Tracking Station, Diego Garcia, located in the Indian Ocean.

The NOAA satellite, GOES-13, will assume its place in the NOAA GOES satellite constellation that provides continuous critical data for severe weather forecasts and warnings, and supplies data critical for fast, accurate forecasts and warnings for severe weather, including tornadoes, winter storms and hurricanes. Additionally, after a period of on-orbit storage, it will detect solar storm activity, relay distress signals from emergency beacons, monitor the oceans, and scan the landscape for the latest drought and flood conditions.

This satellite will serve the nation by monitoring conditions that trigger dangerous weather, and it will serve the world by contributing vast amounts of observational data, as part of the U.S. contribution to the Global Earth Observation System of Systems (GEOSS).

NOAA Accepts Delivery of New Fisheries Survey Vessel (FSV) Advanced Capabilities Provide Unique Fisheries Research Platform

NOAA took delivery of HENRY B. BIGELOW, one of a new class of FSVs being built under contract with VT Halter Marine Inc., in Pascagoula, MS. The vessel will support NOAA research efforts in conservation and management of fisheries and marine ecosystems primarily in northeastern U.S. waters, replacing the 45-year-old ALBATROSS IV. The ship will be home ported in New England, although a permanent base has not been named. The ship will be based temporarily at Naval Station Newport, in Newport, RI.

Like its sister ship OSCAR DYSON, BIGELOW's high-tech capabilities make it one of the most advanced fisheries research ships in the world. The advanced capabilities of HENRY B. BIGELOW will enable NOAA to conduct its fisheries research and assessment mission in New England with greater accuracy and cost efficiency.

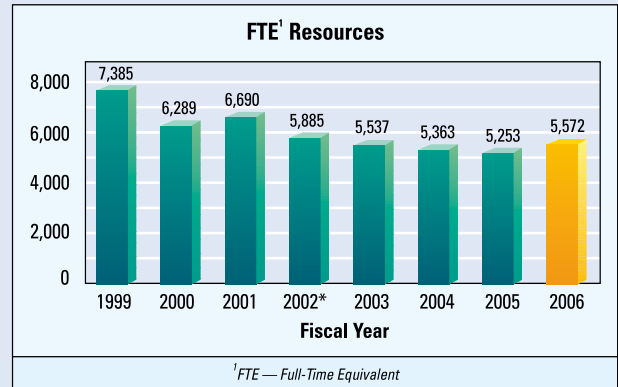
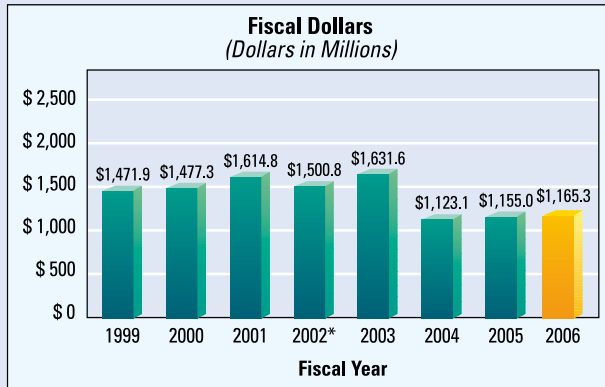
Senator Gregg stated, "The HENRY B. BIGELOW is going to have a tremendous impact on the way scientists and researchers study the health of our marine environment, especially in the Gulf of Maine and the northeast. And it is a fitting tribute to the kids from Winnacunnet that this vessel, bearing the name they chose to honor one of the most respected oceanographers in the northeast, is now going to be used off our shores."

HENRY B. BIGELOW is the second of four 208-foot FSVs to be delivered by VT Halter Marine, with the third ship, PISCES, and the as-yet unnamed fourth ship in various stages of construction. Together, these ships will expand the capabilities of the NOAA fleet greatly by meeting data collection requirements of the National Marine Fisheries Service (NMFS), as well as providing a cutting-edge, low acoustic signature. The FSV will have the ability to perform hydro-acoustic surveys of fish, and also will be able to conduct bottom and mid-water trawls while running physical and biological-oceanographic sampling during a single deployment—a combined capability unavailable in the private sector.

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

STRATEGIC OBJECTIVE 3.1 TOTAL RESOURCES

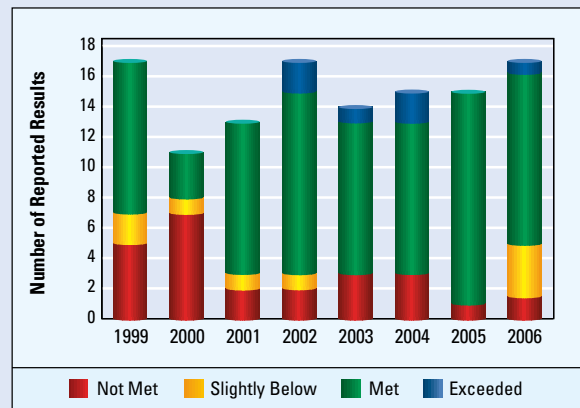


* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.

The Department's role in understanding, observing, forecasting, and warning of weather events is expanding. The Department is strategically positioned to conduct sound, scientific research and provide 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 timescales, 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 3.1 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Serve society's needs for weather and water information (NOAA)	●
Understand climate variability and change to enhance society's ability to plan and respond (NOAA)	●

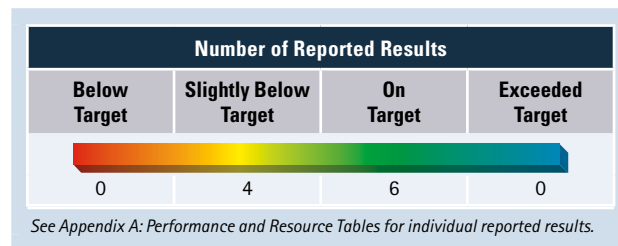
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE



Performance Goal: Serve society's needs for weather and water information (NOAA)

Floods, droughts, hurricanes, tornadoes, tsunamis, and other severe weather events cause \$11 billion in damages each year in the United States. Weather is directly linked to public safety, and nearly one-third of the U.S. economy (\$3 trillion) is sensitive to weather and climate. With so much at stake, NOAA's role in understanding, observing, forecasting, and warning of environmental events is expanding. Private and business sectors are also getting more sophisticated about how to use NOAA's weather, air quality, water, and space weather information to improve operational efficiencies, to manage environmental resources, and to create a better quality of life.

In FY 2006 NOAA continued its leadership in weather and water science and technology by expanding sources of observational data, advancing numerical models, and improving the accuracy of its forecasts and warnings. In addition, NOAA responded to society's evolving needs for forecast services by leveraging its partnerships in the public, private, and academic sector.



Some highlights from FY 2006 include:

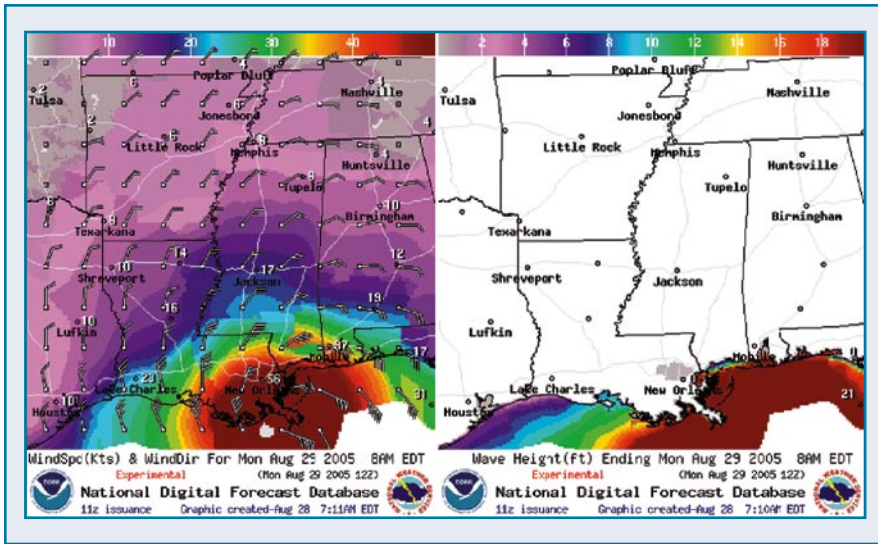
NWS Telecommunication Gateway (NWSTG) Replacement

The most significant accomplishment of the Telecommunications Operations Center (TOC) was reaching Initial Operational Capability for the Replacement Telecommunications Gateway (RTG) system. NWSTG is the primary data communications switching system of the NWS. It is a global distributor of weather messages, and is located in the NWS TOC. This system can route more than 50 routine messages per second, within one minute, 99.9 percent of the time. Additionally, the system can route Watches, Warnings, and other perishable observation messages in 10 seconds, which directly supports dissemination systems supporting disaster management such as the Emergency Managers Weather Information Network, NWS offices, other government agencies, and the public in a timely manner so they can be most useful.

Improved Model Enables Better Precipitation Forecasts

NOAA's Earth System Research Laboratory (ESRL) weather model scientists joined forces with the National Center for Atmospheric Research (NCAR) to develop and test a new national model called Rapid Refresh that is designed to substantially improve NOAA's forecasting skill. The Rapid Refresh is the next-generation version of the 1-h cycle system, to replace the current Rapid Update Cycle (RUC) forecast by 2008. This model will take advantage of the collaboratively developed, state-of-the-art Weather Research and Forecast (WRF) model. Rapid Refresh uses WRF's optimal combination of numerical and physical parameterizations. The emphasis for the enhanced model is on aviation and severe weather applications in one to 12-hour forecasts.

The nation relies on numerical weather models and complex computer programs to process millions of weather observations and produce accurate and timely weather forecasts. Developers must make sure that models are both accurate and fast so that watches and warning can be issued with as much lead time as possible.



National Digital Forecast Database (NDFD) Continues to Improve and Expand

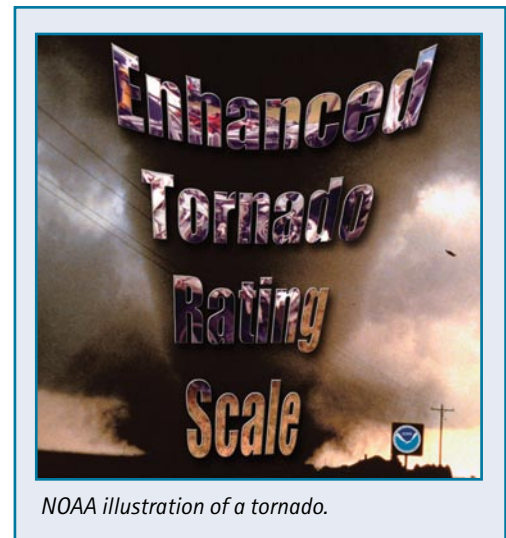
As the foundation of the NWS Digital Services Program, the NDFD consists of gridded forecasts of sensible weather elements (e.g., cloud cover, maximum temperature) in a seamless mosaic from NWS. In FY 2006 NWS upgraded four experimental elements (wind speed, wind direction, apparent temperature, and relative humidity) to operational status for the coterminous United States (CONUS), Puerto Rico/Virgin

Islands, Hawaii, and Guam. Eight of the original 12 elements in NDFD are now operational. Several new experimental elements were added to NDFD this year, including the first set of experimental elements for Alaska: maximum temperature, minimum temperature, 12-hour probability of precipitation, wind direction, wind speed, and significant wave height. Adding these elements for Alaska is a first step in fulfilling a strong demand for high resolution gridded forecasts for Alaska from many national and local customers. Wind gust forecasts for the CONUS, Puerto Rico/Virgin Islands, Hawaii, and Guam; and six tropical cyclone surface wind speed probability elements for the CONUS and adjacent coastal areas were also introduced as new experimental elements in NDFD this year. Finally, changes were implemented to improve accessibility to the data in NDFD. Ongoing customer demand for additional data reflects the significant role the NDFD plays in weather-sensitive decision-making.

NWS Improves Tornado Rating System

NWS announced plans to implement the Enhanced Fujita (EF) Scale to rate tornadoes to replace the original Fujita (F) Scale. The EF Scale will continue to rate tornadoes on a scale from zero to five, but ranges in wind speed will be more accurate with the improved rating scale. NWS has approved the EF Scale and expects it to be fully implemented by February 2007.

The EF Scale takes into account additional variables which will provide a more accurate indication of tornado strength. The EF Scale will provide more detailed guidelines that will allow NWS to more accurately rate tornadoes that strike in the United States. Limitations of the original F Scale may have led to inconsistent ratings, including possible overestimates of associated wind speeds. The EF Scale incorporates more damage indicators and degrees of damage than the original F Scale, allowing more detailed analysis and better correlation between damage and wind speed. The original F Scale historical database will not change. An F5 tornado rated years ago is still an F5, but the wind speed associated with the tornado may have been somewhat less than previously estimated. A correlation between the original F Scale and the EF Scale has been developed. This makes it possible to express ratings in terms of one scale to the other, preserving the historical database.



NOAA illustration of a tornado.

**NOAA Announces Forecasts of Entire Atlantic Basin
New System Gives Unprecedented Forecasts of Earth's Second Largest Ocean**

The NOAA Environmental Modeling Center, Marine Modeling and Analysis Branch, has implemented a new revolutionary Real-Time Ocean Forecast System that will provide mariners with "nowcasts" and five-day forecasts for the entire North Atlantic Ocean. The Real-Time Ocean Forecast System generates applications that can support operations at sea such as search and rescue operations, containment of toxic spills, exploration of natural resources, fishing, recreation and much more.

Expanded ocean forecasting for areas from Europe to the U.S. east coast and from the Caribbean to Canada represents a major step in NOAA's commitment to forecasting the Earth system. These new capabilities provide us with the potential to mitigate impacts from natural hazards and are just one example of the tangible benefits of an integrated observation system. Meteorologists, who focus on predicting the weather over the oceans, note that in the future this system will provide the foundation for the initial and boundary conditions for the ocean component of NOAA's coupled ocean-hurricane prediction model, as well as the high-resolution regional models for environmental and ecosystem management, safety of marine transportation, and coastal flooding.

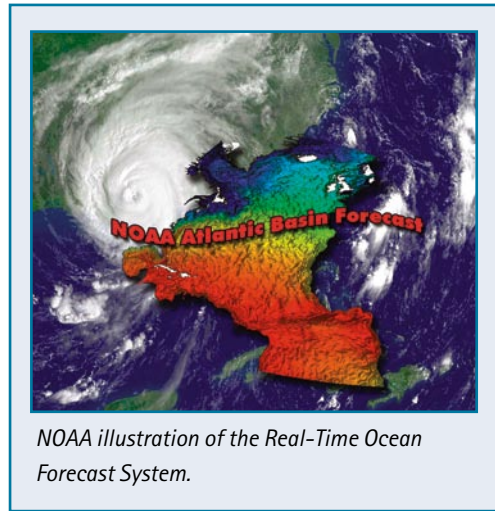
The inclusion of the new ocean prediction system will contribute to NOAA's ongoing effort to improve hurricane track and intensity forecasts throughout the entire Atlantic Ocean basin.

The Real-Time Ocean Forecast System for the Atlantic Ocean produces daily "nowcasts" and five-day forecasts over the Atlantic Ocean domain of 25 degrees south to 70 degrees north and across the basin from west to east, including the Gulf of Mexico, Caribbean Sea, Gulf of Maine, and Gulf of St. Lawrence. The system replaces the regional Ocean Forecast system, which covered a limited part of the U.S. east coast.

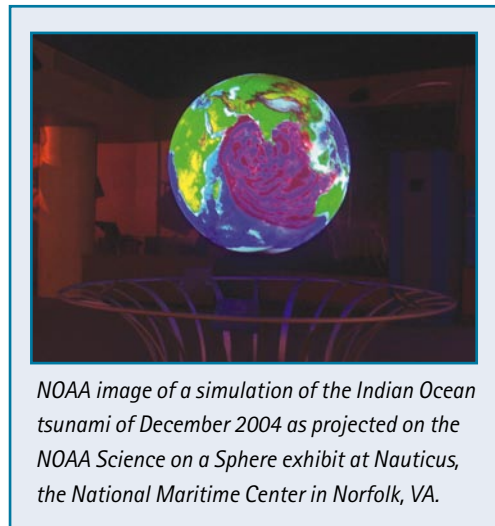
Work on the Real-Time Ocean Forecast System was partially supported through a National Ocean Partnership Project grant. It is the first in a series of the Environmental Modeling Center's real-time, high-resolution ocean forecast system implementations over the next decade. Currently, global and Pacific Ocean (Earth's largest body of water) versions of this system are under development.

**Norfolk, VA First East Coast City Declared
Tsunami Ready**

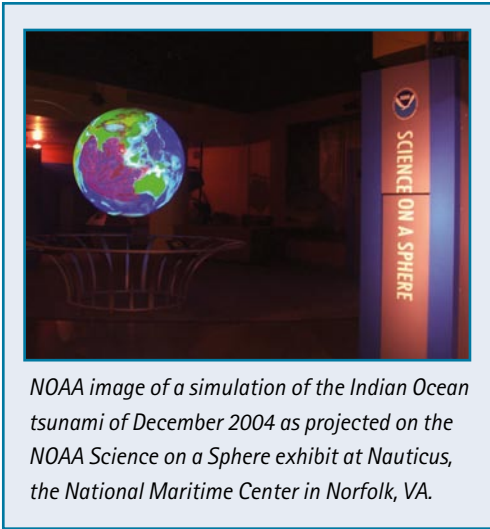
Norfolk became the first major east coast city with a well designed tsunami emergency response plan to alert residents and visitors of tsunami threats, and evacuate areas if necessary. NOAA, the federal agency responsible for tsunami and all severe weather warnings, officially recognized the City of Norfolk as the latest of 26 TsunamiReady communities along U.S. coasts. Norfolk also was recognized as StormReady, becoming one of nearly 1,000



NOAA illustration of the Real-Time Ocean Forecast System.



NOAA image of a simulation of the Indian Ocean tsunami of December 2004 as projected on the NOAA Science on a Sphere exhibit at Nauticus, the National Maritime Center in Norfolk, VA.



NOAA image of a simulation of the Indian Ocean tsunami of December 2004 as projected on the NOAA Science on a Sphere exhibit at Nauticus, the National Maritime Center in Norfolk, VA.

TO BE RECOGNIZED AS TSUNAMIREADY/STORMREADY, A COMMUNITY MUST:

- ◆ Establish a 24-hour warning point and emergency operations center
- ◆ Have multiple ways to receive severe weather warnings and forecasts and to alert the public
- ◆ Create a system that monitors weather conditions locally
- ◆ Promote the importance of public readiness through community seminars
- ◆ Develop a formal hazardous weather plan, which includes training severe weather spotters and holding emergency exercises

communities across the country with a proactive approach to warning and educating the public about tornadoes, flooding and other severe weather.

City officials and emergency managers have worked hard to establish a 24-hour system to receive NOAA warnings and inform Norfolk residents about what actions to take if a tsunami or severe weather is headed their way. NOAA has expanded its tsunami detection and warning capability since the Indian Ocean tsunami, and community preparedness programs like TsunamiReady are key components of this effort. Ultimately it is the public's ability to react to such warnings that completes the chain in an effective tsunami warning process. TsunamiReady helps accomplish this.

Coastal communities like Norfolk contain 53 percent of the nation's population. Protecting the growing population along the coastline from the ravages of natural disasters is a major concern in Virginia. Hurricane Isabel in 2003 was the costliest disaster ever in Virginia, with more than \$1 billion in damages. All coastal communities in the United States are at some risk for a tsunami. NOAA is honored that the City of Norfolk is leading the way in preparedness with the designation of being both TsunamiReady and StormReady.

The City of Norfolk has made tremendous progress on educating its citizens about all natural disasters, from hurricanes to tornadoes and winter storms, to east coast tsunamis. This program will enable the city to apply for additional reductions in the premiums paid into the National Flood Insurance Program, which could result in an additional savings of over \$100,000 for the city and local taxpayers.

Norfolk also became the fifth Hampton Roads community to earn the StormReady designation. TsunamiReady is an outgrowth of the StormReady program created by NWS in 1999 to encourage communities to take a proactive approach to improving local hazardous weather operations and public awareness. The voluntary program provides communities with clear-cut advice through a partnership between local NWS offices and state and local emergency managers.

StormReady and TsunamiReady help us create better prepared communities throughout the country. Through StormReady and TsunamiReady, the City of Norfolk will be better prepared to help protect the lives and property of its citizens and visitors during severe weather events, as well as for the rare, but potentially devastating tsunami.

NOAA Web Portal Makes the Search for Past Weather Data User-Friendly

Finding climate information, such as past weather conditions and temperature and precipitation averages and extremes, can be easily achieved through NOWData (NOAA Online Weather Data)—a tab click away on the newly-standardized climate pages of the 122 local NWS forecast offices.

By visiting NWS's national climate Web portal, users can click a desired location on a national map and be taken directly to the local climate page of the appropriate NWS forecast office. Then, by clicking on the NOWData tab, users can access a wide range of climate products for nearly 3,900 locations. Daily past weather is available for the last two years with climate averages for the standard 30-year period of 1971–2000 and extremes for as long as a station has been taking observations.

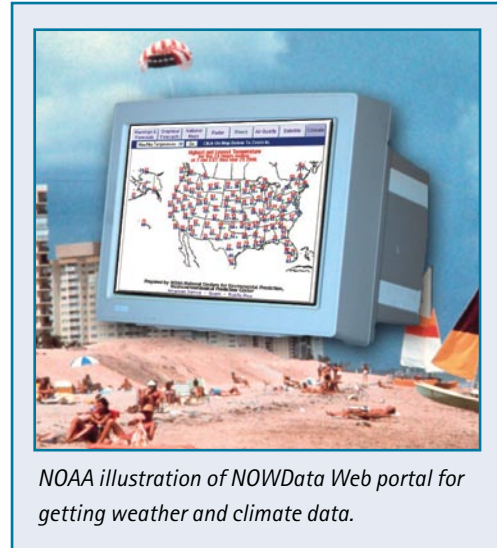
NOWData enhances access to recent past weather information, which is often the focus of questions NWS receives from the public. NOWData stems from the collaboration between the NOAA Office of Climate, Water, & Weather Services, part of NWS, which provides weather and water services to the United States, American Samoa, Guam, and Puerto Rico; the NOAA National Climatic Data Center (NCDC), the official archives of U.S. weather and climate information; and the nation's six Regional Climate Centers that operate the database, which supports NOWData.

NOWData is a potentially vast educational resource for teachers and students undertaking weather and climate-related projects. NOWData is a source of data that is collected by instruments that are components of the GEOS.

Past weather data offered by NWS forecast offices and linked from the NOWData Web site are considered preliminary, and therefore, unofficial. Certified weather data, for uses such as litigation, are available only through the NOAA NCDC.

National Water Level Observation Network (NWLON) Improvements [Tsunami Gauge Network Upgrades]

In FY 2005, in response to the Indian Ocean tsunami, NOAA established a Tsunami Warning Program. The Center for Operational Oceanographic Products and Services' (CO-OPS) role in the Program is Sea Level Monitoring for tsunami detection. NOAA monitors sea height through a network of buoys and tide gauges. This information is critical to understanding the time of arrival and the height the tsunami wave will be when it comes ashore. CO-OPS completed the addition of 16 new NWLON stations this year to fill critical observation gaps in the detection network. These 16 stations were installed in California, Oregon, Washington, Alaska, Puerto Rico, and the Virgin Islands. These and other new stations will bring the NWLON to 200 stations by the end of FY 2006. In addition, NOAA continued the upgrade of the entire NWLON to real-time status by replacing another 50 Data Collection Platforms. This is part of the Administration's Ocean Action Plan and will be completed in FY 2007.



NOAA illustration of NOWData Web portal for getting weather and climate data.

CO-OPS supports the Integrated Ocean Observing System (IOOS) Data Management and Communications Plan

CO-OPS is pleased to announce that an IOOS-oriented Web portal is up and running: <http://tidesandcurrents.noaa.gov/opensdap.html>. In partnership with the National Data Buoy Center (NDBC), CO-OPS created this IOOS Web site to provide access to NDBC and CO-OPS observational oceanographic data. The CO-OPS IOOS team designed the portal by following guidance presented in the Ocean U.S. Data Management and Communications Plan. Users will find improved methods for observational data retrieval, information concerning IOOS meetings, useful IOOS links, and related information.

NOAA Completes Great Lakes Operational Coastal Forecast Systems

NOAA launched three new operational coastal forecast systems for the Great Lakes this year to complete the Great Lakes Operational Forecast System (GLOFS). These new systems cover three Great Lakes (Superior, Huron, and Ontario) and provide lake carriers, mariners, port managers, emergency response teams, and recreational boaters with present and future conditions of water levels, water currents, and water temperatures. The GLOFS also includes the operational systems for Lake Erie and Michigan that were launched in 2005. The National Ocean Services (NOS) keeps the GLOFS operational 24 hours a day, seven days a week.

New Estuarine Reserve Designated, Program Expands

NOAA's Estuarine Reserves Division and the National Estuarine Research Reserve System (NERRS) continued to expand their reach and programs in 2006 with the official designation of the twenty-seventh reserve in the system, Mission-Aransas in Texas. Mission-Aransas and its fellow reserves around the country will be guided over the next five years by a newly adopted strategic plan focusing on coastal and estuarine stewardship grounded in research and education. While celebrating the first 10 years of the system-wide monitoring plan, the reserve system also adopted a new research and monitoring plan to focus and integrate system-wide activities. The NERRS also has conducted a teacher needs assessment that will guide the development of education products based on water quality and weather data generated in the reserve system.

National Currents Program Reinvigorated

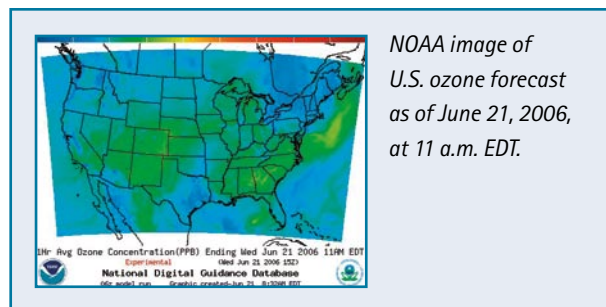
The year 2006 was the first of an expanded National Current Observation Program with current surveys undertaken in southeast Alaska, Penobscot Bay, ME, and Hudson River, NY. The collection of short-term tidal current observations will update old, potentially inaccurate, tidal current predictions and will be used to reintroduce historical products in an updated format. NOAA installed two long-term horizontal-looking current meters in the rivers and connecting channels of the Great Lakes. The current data from each meter will provide speed and direction of flow to assist all vessels to safely navigate these rivers. Data will be disseminated in real-time, accessible by telephone, and through the Great Lakes Online link at <http://tidesandcurrents.noaa.gov/>.

NOAA CoastWatch Program Opens East Coast Node; Chesapeake Bay Office Hosts Enhanced Environmental Satellite Data Capabilities

On June 29, 2006, NOAA officially opened the East Coast Node of NOAA's CoastWatch program, which will broaden the availability of environmental data for the Atlantic Ocean collected by the Agency's geostationary and polar-orbiting satellites. The East Coast Node, part of a network of other CoastWatch offices around the country, will be located at the NOAA Chesapeake Bay Office in Annapolis, MD. The new node will gather data, including sea surface temperature, ocean surface winds, and chlorophyll-a levels, and post the information on the Internet. Scientists, resource managers, and fishermen use these data to forecast atmospheric events, predict harmful algal blooms, and study fish and marine mammal distribution, along the eastern seaboard of the United States.

NOAA Ozone Forecasting Tool Now Covers Western United States

NWS, in partnership with the Environmental Protection Agency (EPA), provides experimental forecast guidance for ground-level ozone for the western half of the contiguous United States—a total of 17 states from the Plains to the Pacific coast. This is in addition to the air quality forecast guidance currently available for the eastern half of the United States. This new forecast guidance will provide accurate projections of ozone levels near the ground, linked to Agency weather forecast models. Weather and air quality go hand-in-hand. Daily weather conditions, such as temperature and wind, play an integral role in creating and trapping harmful ozone where people all work, play and breathe.



NOAA image of U.S. ozone forecast as of June 21, 2006, at 11 a.m. EDT.

Hour-by-hour ozone forecasts, through midnight of the following day, are available online, providing information for the onset, severity, and duration of poor air quality for more than 290 million people from coast to coast. This product also serves as a tool that local and state air quality forecasters can use when creating daily air quality outlooks and issuing poor air alerts.

Air quality forecasts can help Americans reduce their exposure to ozone pollution, which is a special concern for children and people with asthma and other lung diseases. This expanded tool will help improve forecasts for cities across the country.

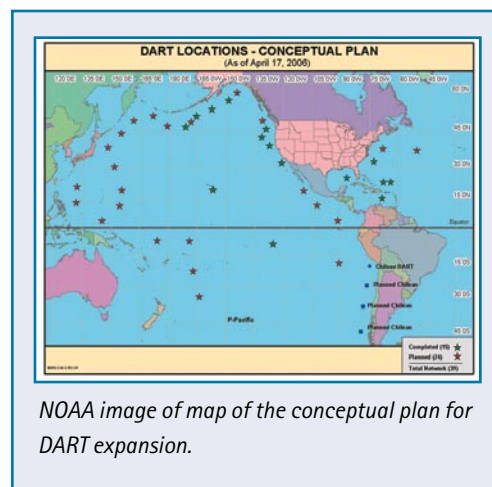
This new experimental guidance expands coverage westward to the Pacific Ocean and will enable additional state and local agencies to issue enhanced and more geographically specific ozone-based air quality warnings to the public. States included in this experimental expansion are Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming, and the remaining western portions of Kansas, Nebraska, North Dakota, Oklahoma, South Dakota, and Texas. The eastern halves of these states were included in last year's expansion into the central United States. Air quality forecast guidance was first implemented into operations for the northeast quadrant of the United States in 2004.

The air quality forecast capability is being built by a team of NOAA and EPA scientists that develop, test, and implement improvements in the science of air quality forecasting for real-time predictions. NWS forecast models are used to drive simulations of atmospheric chemical conditions using pollutant emissions and monitoring data provided by EPA. Twice daily, supercomputers operated by the NOAA National Centers for Environmental Prediction (NCEP) produce ground-level ozone forecasts, which are available on NWS and EPA data servers.

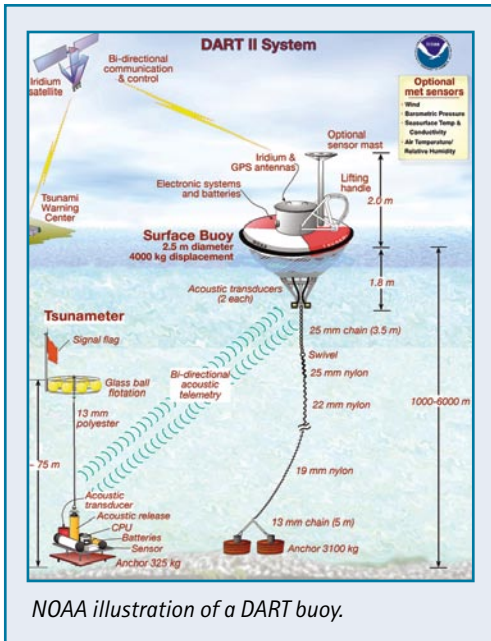
NOAA Launches First Set of Atlantic Basin Tsunami Buoy Stations

NOAA finished installation of five Deep-ocean Assessment and Reporting of Tsunami (DART) buoy stations off the East and Gulf coasts and the Caribbean as part of the expansion of the U.S. tsunami warning system. The latest buoy station, off New Orleans, joins stations off Charleston, SC; Miami, and two off San Juan, Puerto Rico.

Completing a three-week deployment mission aboard the University-National Oceanographic Laboratory System ship SEWARD JOHNSON, the fifth station was deployed.



NOAA image of map of the conceptual plan for DART expansion.



NOAA illustration of a DART buoy.

These buoys are a first line of defense in providing citizens of the Atlantic, Caribbean and Gulf regions with a comprehensive tsunami warning system. The DART stations are an advanced technology that will help to protect densely populated, highly attractive tourist destinations in these regions as well as protect their significant economic resources.

The DART system was designed and built by NOAA to provide real-time tsunami detection as the waves travel across the open ocean. The newly installed stations are a more robust DART-II, equipped with advanced two-way satellite communications that allow forecasters to receive and retrieve critical data. NOAA expects the network to total 39 DART-II buoy stations by 2008 (32 in the Pacific and seven in the Atlantic Basin).

NOAA's tsunami warning centers have expanded their services to provide tsunami watches and warnings to the entire U.S. Atlantic coast, Gulf of Mexico, Puerto Rico, the U.S. Virgin Islands, and eastern Canada. These regions can now receive tsunami warnings and watches through NOAA Weather Radio All Hazards and the Emergency Alert System, just as they would be notified of tornadoes, flooding, or other hazards.

The DART network is one component in a comprehensive system to detect and warn the public of a tsunami threat. NOAA has made important strides in enhancing its communication networks so east coast residents and visitors can receive tsunami watches and warnings, upgrading its network of tide stations, working to staff its tsunami warning centers around the clock, producing forecast models for at-risk communities, transferring technology from research to operations, and providing public education.

Tsunami Warning System Improved

In support of the National Tsunami Warning System, the Pacific Marine Environmental Laboratory deployed two DART-II buoys in Alaska while NOAA's NDBC was recovering from Hurricane Katrina. DART-II technology utilizes the commercial Iridium satellite communications system and acoustic modems to send data between the DART-II system and shore side operators.

In addition to global coverage, lower power requirements, and increased bandwidth for an increased data rate, the improved DART-II buoys offer two-way communication capabilities that are not possible using the GOES satellite system employed in the DART-I system. For Tsunami Warning Center personnel, two-way communication offers the option to interrogate and command a DART-II before a tsunami is detected. This is valuable for observing a tsunami that is below the DART detection threshold. For engineering purposes, two-way communications allows engineers to troubleshoot the system from the lab, and to determine if the system can be repaired remotely. This new capability minimizes system downtime, especially in the harsh winter conditions of the North Pacific; and moreover, saves money by not having to deploy a ship to make this type of repair.



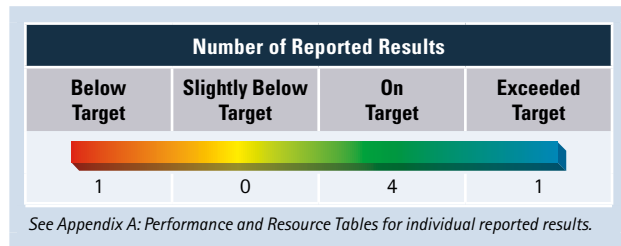
Blacksburg, Virginia, Warning Coordination Meteorologist Mike Emlaw, right, explains NWS performance goals to Pulaski County, Virginia, Emergency Manager Stan Crigger. All NWS office display the Agency's performance measures similarly.



Performance Goal: Understand climate variability and change to enhance society's ability to plan and respond (NOAA)

One of NOAA's mission goals is to understand climate variability and change to enhance society's ability to plan and respond by employing an end-to-end system comprised of integrated environmental observations leading to a scientific understanding of past and present climate and enhanced climate predictive capabilities, and enhanced service delivery methods that continuously assess and respond to stakeholder needs.

Society exists in a highly variable climate system, with conditions changing over the span of seasons, years, decades, or even longer. Seasonal and interannual variations in climate, like El Niño, led to economic impacts on the order of \$25 billion for 1997–1998, with property losses of over \$2.5 billion and crop losses approaching \$2.0 billion. 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 the U.S. agricultural sector alone, better forecasts can be worth more than \$300 million in avoided losses annually.



In FY 2006 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, implementation of the National Integrated Drought Information System (NIDIS), and completion of initial climate scenario runs for the Intergovernmental Panel on Climate Change (IPCC).

Scientists Internationally Honored for Ozone-Depleting Research

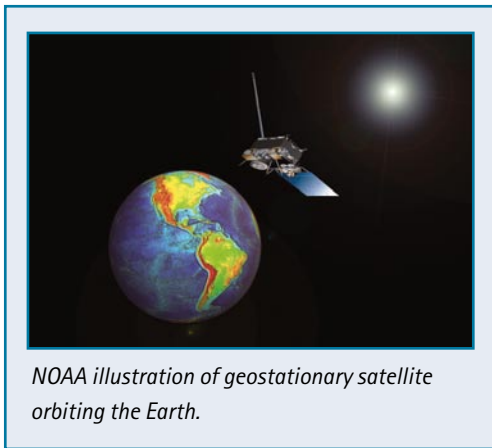
Dan Albritton, Acting ESRL Director (retired) and Susan Solomon of the Chemical Sciences Division (CSD) of NOAA's ESRL, have been recognized with the United Nations Environment Programme/World Meteorological Organization (UNEP/WMO) Vienna Convention Award. The award was presented as part of the celebration of the 20th Anniversary of the Vienna Convention for the Protection of the Ozone Layer. The Vienna Convention Awards were announced September 21, 2005 and were distributed at the Meeting of the Parties to the Montreal Protocol in Dakar, Senegal, in December. Through the Protocol and its subsequent Amendments and Adjustments, the production and use of ozone-depleting substances has plummeted worldwide.

NOAA's Height Modernization Program Improves Gulf Coast Safety and Planning

NOAA invested over \$6.4 million in 2006 to implement Height Modernization in the Gulf states. The goal of the Height Modernization program is to accurately and efficiently determine heights and monitor changes in elevation. Accurate elevations are critical to the rebuilding or lifting of homes, buildings, and levees. This project included obtaining accurate elevation profile data along 846.9 miles of hurricane evacuation routes and along 12.4 miles of hurricane protection levees in southern Louisiana. Critical to the post-hurricane rebuilding effort, NOAA published updated heights for approximately 300 bench marks in Louisiana based on new leveling surveys. NOAA's National Geodetic Survey (NGS), in partnership with the Louisiana Spatial Reference Center (LSRC), also entered into an agreement with FEMA to take responsibility for responding to all elevation concerns in Louisiana and extending the network of accurate reference survey marks in the coastal areas of Louisiana affected by hurricanes Katrina and Rita.

Safe Seas 2006 (SS2006) Emergency Response Exercise

SS2006 was a multi-agency effort lead by NOAA in collaboration with U.S. Coast Guard, California Office of Spill Prevention and Response, Harley Marine Services, and DOI. More than 300 people participated in training, field operations, oceanographic surveys, and incident command post activities. SS2006 exercised oil spill response preparedness in the Gulf of the Farallones and Monterey Bay National Marine Sanctuaries in the waters near San Francisco. The exercise highlighted capabilities to deliver data, observations, forecasts, and expertise towards the goal of protecting life, commerce, and the environment during an emergency. The exercise built on the oil spill preparedness efforts of governments, the private sector, and universities in California. Vessels and aircraft from NOAA, the U.S. Coast Guard, U.S. Air Force Reserve, Marine Spill Response Corporation, Alameda County Sheriff's Department, and Bodega Marine Laboratory participated in the exercise. Additionally, the Central and Northern California Ocean Observing System will activate the new surface current mapping radar in support of exercise data requirements.



NOAA illustration of geostationary satellite orbiting the Earth.

NOAA Plans Shift in Geostationary Satellite Orbit to Improve Weather Forecast Coverage Over South America Continent Will Benefit from Emerging Global Earth Observation Network

In Buenos Aires, NOAA, the Comisión Nacional de Actividades Espaciales (CONAE), and the World Meteorological Organization (WMO) announced news of the repositioning of GOES-10. Shifting the spacecraft from its current position above the equator in the west to a new spot in orbit will greatly improve environmental satellite coverage of the Western hemisphere, especially over South America. The repositioning has already begun and should be completed this winter.

The shift will help protect lives and property in North, Central, and South America by significantly improving satellite detection of such natural hazards as severe storms, floods, drought, landslides, volcanic ash clouds, and wildfires. The shift will further strengthen the WMO's World Weather Watch Global Observing System. It will allow for improved prediction, response, and follow-up, and expanded understanding of how the Earth system works. Nearly half the disasters in South America are caused by flooding. In February 2005, massive flooding and landslides in low-lying coastal areas of Venezuela, Guyana, and Colombia caused nearly 100 deaths and left tens of thousands of South Americans homeless.

"Repositioning NOAA's GOES-10 geostationary satellite will help limit the effects of natural disasters in our region and improve energy and water resource management and over-all economic development, all key elements of the emerging GEOSS, of which Argentina is a member country," said Conrado Franco Varotto, executive and technical director, CONAE, and chair, Committee on Earth Observation Satellites.



GOES-10 first full disk image taken on May 13, 1997 orbiting the Earth.

By linking many thousands of individual pieces of technology as one sustained, comprehensive global system, GEOSS will, over the next decade, integrate 21st century technology, making it more reflective of the planet it observes, predicts, and protects. In addition to Argentina and the United States, 58 other countries, the European Commission, and 43 international organizations are active supporters of GEOSS.

Strengthening satellite detection of severe weather and other natural hazards in the Western hemisphere will be a key element of the new global network. "A benchmark of GEOSS is full and open access and exchange of environmental satellite and other data, and the GOES-10 move enables the United States to improve the quality and quantity of data available to our Latin American partners, especially for near-term forecasting," said retired Air Force Brig. Gen. John J. Kelly, Jr., NOAA deputy undersecretary for oceans and atmosphere, and the U.S. Permanent Representative to WMO.

Commodore Miguel Angel Rabiolo, general director of the Servicio Meteorológico Nacional of Argentina, said, "We are pleased with NOAA's response to the South American hydro-meteorological community's request for a more continuous data stream. The move of GOES-10 will allow us to optimize the availability of satellite information in order to improve weather monitoring and forecasting. Without any doubt, GEOSS, the Earth Observation Partnership of the Americas (EOPA) initiative, and the WMO Space Program play a critical role in the forecasting of severe meteorological events and in mitigating the effects of the natural disasters."

Repositioning the spacecraft is part the EOPA initiative. Additionally, the president of the WMO Regional Association for South America requested that NOAA consider the shift. Through EOPA, NOAA is exploring partnerships with countries and scientific organizations in the Americas and the Caribbean to share Earth observations, develop and strengthen data networks, and enhance delivery of benefits to society. By ensuring that users in the Americas and Caribbean can receive and fully utilize data from current and next generation observing systems, EOPA will help both policymakers and other citizens understand their environment and make informed decisions of economic and other societal importance.

Through the emerging GEOSS, NOAA is working with its federal partners and nearly 60 countries to develop a global monitoring network that is as integrated as the planet it observes.

NOAA Atmospheric Monitoring Facility in Hawaii Marks Milestone **Mauna Loa Turns 50**

The NOAA Mauna Loa Observatory (MLO) in Hawaii marked its 50th anniversary as the premier atmospheric monitoring facility in the world. The facility was dedicated on June 28, 1956, as a site to measure solar radiation and atmospheric trace gases that could change Earth's climate. It later began monitoring air quality and changes in the stratosphere, the latter primarily to track the ozone hole and its recovery. MLO is best known for its record of the continuous rise of carbon dioxide in Earth's atmosphere, measurements originated by the late Charles David Keeling. MLO keeps tabs on more than 50 chemical species in Earth's atmosphere.

MLO data on a host of atmospheric gases and aerosols, solar radiation, and standard meteorological measurements are freely available online, many in real time.

STRATEGIES AND FUTURE PLANS

Weather and Water

The Department utilizes several strategies, identified in the five-year NOAA strategic plan, to improve accuracy and timeliness of weather and



NOAA image of researchers braving bitter-cold temperatures and snow squalls to dedicate the Summit building in December 1951.



NOAA image of the NOAA Mauna Loa Observatory in Hilo, Hawaii.



PERFORMANCE SECTION * STRATEGIC GOAL 3

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.



National Hurricane Center Director Max Mayfield previews Hurricane Michelle's track for (from left) Jim Lushine, Warning Coordination Meteorologist, WFO, Miami; Chuck Lanza, Director, Emergency Management, Miami-Dade County; and an unidentified aide.

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.

NOAA will continue to provide 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.

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 goals. NOAA's mission goals are directly related to the "nine



societal benefit areas" identified by the intergovernmental Global Earth Observatory (GEO) and the U.S. Global Earth Observatory (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 GEOSS.

Climate

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:

- ◆ Improving the number and quality of climate observations and analyses.
- ◆ Quantifying the forces and feedbacks from human-induced changes in atmospheric gases (e.g. greenhouse gases).
- ◆ Advancing climate predictions from sub-seasonal to decadal time scales and beyond.
- ◆ Developing the ability to predict the consequences of climate change on ecosystems.
- ◆ Developing and contributing to routine state-of-the-science assessments of the climate system for informed decision-making.
- ◆ Effectively delivering timely climate services and products to climate-sensitive sectors (e.g. health, safety, energy, and resource management).
- ◆ Supporting educational efforts to create a more climate-literate public.

The Department's Climate Program is aligned with the five goals of the CCSP in an effort to ensure optimal partnerships with other federal agencies and to advance the state of the science, while also enabling society to understand and respond to changing climate conditions. The program is working to improve the linkages among planning, budgeting, and performance management activities. The Climate Goal is also striving to develop more outcome and impact-oriented performance measures representative of the diverse research, development, and operational activities conducted within the Department. As these efforts are realized, the Department's performance measures will be adjusted to evolve with the needs of the program.

CHALLENGES FOR THE FUTURE

The 21st century poses complex challenges for the Department. The Department must further the examination of land-water interfaces from an ecosystem perspective to successfully address ocean and coastal issues. NOAA's strategic plan's emphasis on the nation's needs for expanded commerce and economic development that is safe and environmentally sound directly supports the Department's focus on a healthy and growing economy.

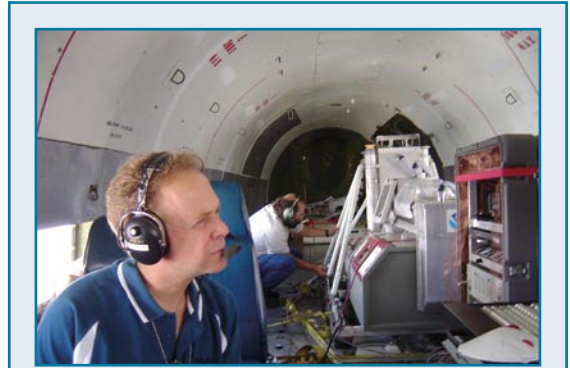
As the new century unfolds, new priorities for NOAA action are emerging in the areas of climate change, freshwater supply, and ecosystem management. In recent years, extreme drought and flooding conditions in large regions of the nation have combined to make improved water resources prediction an urgent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



PERFORMANCE SECTION * STRATEGIC GOAL 3

The climate, weather, and water challenges that face the nation continue to grow as trends such as just in-time production, globalization, and increased travel amplify the impact of climate, weather, and water information services on the economy.

Substantial population and business growth in coastal and arid regions increases the sensitivity to climate, weather, and water conditions as well. This interdependence means climate, weather, and water events in one geographic area can have national and international economic impact.

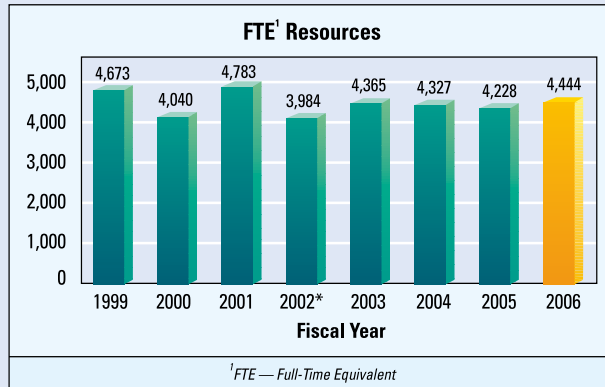
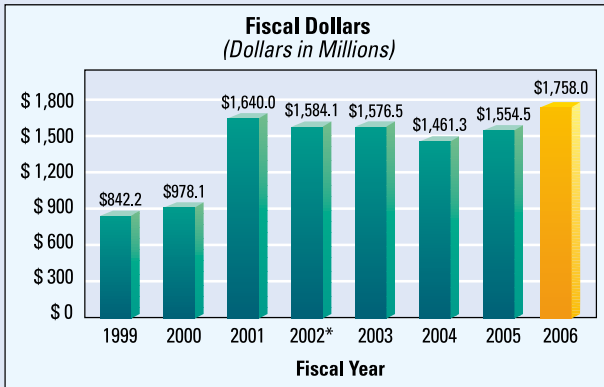


A NOAA scientist studies a real-time display of ozone and aerosol data for the New England Air Quality Study.

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social, and environmental needs

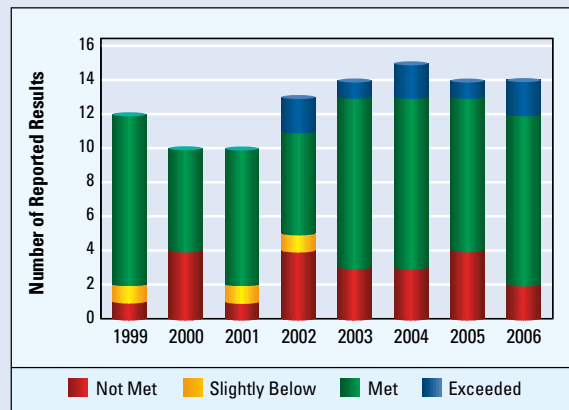
STRATEGIC OBJECTIVE 3.2 TOTAL RESOURCES



* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.

The Department works to protect, restore, and manage ocean and coastal resources. To meet this mandate, the Department maintains a world-class expertise in oceanography, marine ecology, fisheries management, conservation biology, and risk assessment. To achieve balance among ecological, environmental, and social influences, the Department has adopted an ecosystem approach to management—an approach that is deliberate, incremental, and collaborative. Within the Department, NOAA's mission "to protect, restore, and manage fisheries and coastal and ocean resources" is critical to the health of the U.S. economy. To the extent it is possible to balance sustainable economic development and healthy functioning marine ecosystems, the Department seeks to provide an example for the rest of the world in how to protect, restore, and manage resources of the world's oceans and coasts.

STRATEGIC OBJECTIVE 3.2 PERFORMANCE RESULTS



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

PERFORMANCE GOAL	STATUS*
Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)	●
Support the nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)	●
* ● = MET (100%) ● = SIGNIFICANTLY MET (75% - 99%) ● = NOT MET (< 75%) ● = NOT APPLICABLE	

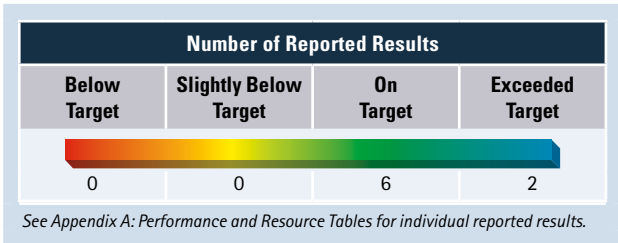


In addition, NOAA's mission to support safe and efficient transportation systems is crucial to the U.S. economy. Department information improves transportation efficiency and safety on roads, rails, and waterways. The Department supports commerce through marine, aviation, and surface weather forecasts; the availability of accurate and advanced Electronic Navigational Charts (ENC); and the delivery of real-time oceanographic information. The Department provides consistent, accurate, and timely positioning information that is critical for air, sea, and surface transportation. The Department responds to hazardous material spills and provides search and rescue location support routinely to save lives and money and to protect the coastal environment. The Department works with port and coastal communities and with federal and state partners to ensure that port operations and development proceed efficiently and in an environmentally sound manner. The Department works with the Federal Aviation Administration (FAA) and the private sector to reduce the negative impacts of weather on aviation without compromising safety. Finally, the Department enforces regulations, reviews applications, and supports U.S. government interests in policy coordination on commercial remote sensing.

Performance Goal: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)

NOAA's mission to conserve, protect, manage, and restore fisheries and coastal and ocean resources is critical to the health of the U.S. economy. 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 economic development and healthy functioning marine ecosystems, and to conserve, protect, restore, and better manage resources.

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. That portion of the U.S. economy that depends directly on the ocean is also large, with 2.3 million people employed and over \$117 billion in value added to the national economy in 2000. Approximately 89 million people vacation and recreate along U.S. coasts 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, 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.



In FY 2006, NOAA provided national and international leadership for the U.S. Ocean Action Plan by participating in the development of the U.S. Ocean Research Priorities Plan and Implementation Strategy and by supporting the establishment of the coordinated Ocean Governance Structure. NOAA continued rebuilding fisheries and reducing capacity to improve food security, increase economic benefits, and improve stability of marine ecosystems. NOAA also promoted greater use of market-based systems for fisheries management and regional collaboration on Oceans, Coasts, and Great Lakes Policy in partnership with leadership of states, local, and tribal leadership.

Some highlights from FY 2006 include:

State, Federal Leaders Release Plan to Strengthen Protection for the Gulf of Mexico Within Three Years **Governors' Action Plan Outlines Projects for a Healthy and Resilient Coast**

Top environmental officials from the five Gulf Coast states and 13 federal agencies unveiled a plan to strengthen environmental protection for the Gulf of Mexico and further the ongoing recovery and rebuilding effort after the devastating effects of the 2005 hurricane season. The Governors' Action Plan for Healthy and Resilient Coasts is a framework and guide for meaningful and sustained progress in the shared stewardship of the Gulf of Mexico by the U.S. Gulf states.

The state-federal alliance outlined 11 actions to improve and protect water quality, restore coastal wetlands and estuarine ecosystems, reduce pollution and nutrient loading, identify Gulf habitats to support coastal management, and expand environmental education. They include:

- ◆ Improving detection and forecasting of harmful algal blooms.
- ◆ Improving government efficiency in water quality monitoring.
- ◆ Increasing the safety of Gulf communities by better understanding the risks of localized sea level rise, storm surge and subsidence.
- ◆ Creating and providing access to interactive habitat maps for priority Gulf of Mexico habitats.
- ◆ Implementing nutrient reduction activities during Gulf recovery and rebuilding to restore key coastal watersheds impaired by excessive nutrient inputs.
- ◆ Galvanizing local communities to protect the Gulf of Mexico through targeted education.

Entangled Humpback Whale Rescued in Hawaiian Waters

Federal and state officials, along with local volunteers, teamed up to free a humpback whale from a life-threatening entanglement. Members of the National Marine Fisheries Service (NMFS) and Hawaiian Islands Humpback Whale National Marine Sanctuary, and Hawaii Department of Land and Natural Resources, along with the community-based Whale Disentanglement Network unraveled lines dragging 25 feet from the whale's mouth and freed the humpback whale, which was located off the north side of the island of Lana'i. The whale was entangled in 5/8 inches and 3/4 inches diameter lines coming from the left side of its mouth. Two large red buoys and a smaller bullet buoy were part of the gear dragging from the whale, threatening the health of the animal.



NOAA image of oil booms being placed in Lake Charles, LA., on September 29, 2005, following Hurricane Rita.

"Our partnership with the Gulf of Mexico Alliance allows us to explore better mechanisms for applying a regional ecosystem approach to management and for using integrated coastal and ocean observations for management purposes. NOAA has committed experts and resources to help the Alliance in four ways. We will expand our real-time harmful algal bloom forecasts to Texas and Mexico, hold Gulf-wide habitat restoration workshops, create a Web-based priority habitat information system, and help the states demonstrate the importance of ensuring the environmental and economic resilience of the Gulf."

- Conrad C. Lautenbacher, Jr.,
Ph.D., Undersecretary of Commerce
for Oceans and Atmosphere and
NOAA Administrator



NOAA image of efforts to disentangle a humpback whale in Hawaiian waters.

The Hawaiian Island Disentanglement Network has experienced and trained personnel that are authorized to safely cut large whales free of gear and marine debris using specially designed tools and techniques. The network in Hawaii is a partnership of federal, state and local members that also includes staff from NOAA Fisheries Pacific Islands Regional Office and the Marine Mammal Health and Stranding Response Program. The disentanglement network operates in other parts of the United States and its regional teams have successfully freed more than 50 large whales over the years along the east coast of the United States and Canada, the Caribbean, Alaska and in Hawaii without a single serious injury.

While cutting an animal free of a life threatening entanglement may save the animal, it is not the long-term answer to the problem. Preventing entanglements is actually the ultimate solution, and cutting whales free and documenting entanglements in the meantime provides valuable information to help us prevent entanglements in the future.

NOAA Implements Harmful Algal Bloom Forecast System for Texas Gulf Coast

A new harmful algal bloom forecast system developed by NOAA is now in place along the Gulf Coast of Texas. The announcement of the ecological forecast program was made at the meeting of the Gulf of Mexico Alliance, a federal-state partnership to address critical coastal issues facing the Gulf states. The system generates forecasts weekly to determine the current and future location and intensity of blooms, and the likely impacts to the environment. "Because these blooms contain neurotoxins, they threaten human and ecosystem health, and can substantially impact coastal economies," said Margaret A. Davidson, director of the NOAA Coastal Services Center and the NOAA delegate to the alliance. "Using a combination of satellite and in-place ocean and coastal observational data for ecological

forecast systems shows the value and need for the development of an IOOS, one that can assist in addressing the threats to our health and our economy caused by harmful algal blooms."

NOAA Announces Expanded Coral Warning System Meets International Partnership Goal of President's Ocean Action Plan

NOAA announced that it will expand regional coverage for the NOAA Coral Reef Watch Satellite Bleaching Alert monitoring system from six Caribbean sites to a total of 24 sites throughout the United States and international Caribbean. This is one of the Administration's Ocean Action Plan initiatives that call for development of new international partnerships to enhance the management of coral reefs. The expansion was made possible through collaborative efforts with NOAA, the World Bank, and the Global Environment Facility.

The alert system is part of a growing number of in-place components of an integrated ocean observing system, which in turn is helping develop a coordinated ocean research plan and advancing international capacity building.

The warning system will give local officials advance warning that a bleaching event is about to occur. With this advance notice, officials can take measures to prevent human activity, such as diving, boating and recreational fishing, from adding to the stress of higher sea temperatures already affecting the coral reefs.

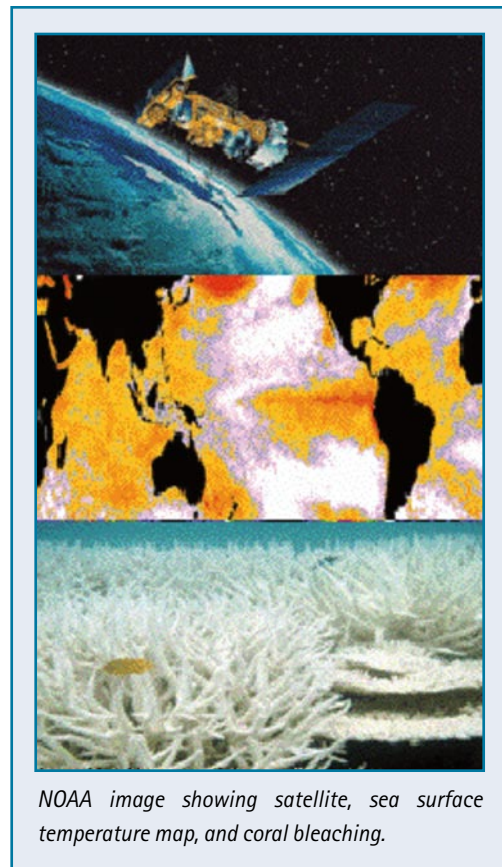
Coral bleaching is associated with a variety of stresses, including increased sea surface temperatures. This causes the coral to expel symbiotic micro-algae living in their tissues — algae that provide corals with food. Losing their algae leaves coral tissues devoid of color, and thus the coral appears to be bleached. Prolonged coral bleaching (more than a week) can lead to coral death and the subsequent loss of coral reef habitats for a range of marine life.

Advance warnings of the oncoming event were first reported in July 2005 by the NOAA Coral Reef Watch Satellite Bleaching Alert system; the first bleaching was seen in late August 2005 in the Florida Keys. The bleaching spread throughout much of the eastern Caribbean, from Texas in the north, to Tobago in the south, and Belize in the west. Initial reports indicated 85 to 95 percent of coral colonies were bleached in some reef areas.

The U.S. Coral Reef Task Force includes 12 federal agencies; the governors of seven states, territories, and commonwealths; and heads of the three Pacific Freely Associated States. The Task Force is co-chaired by the Secretary of Commerce and the Secretary of the Interior.

NOAA Maps, Removes Hundreds of Tons of Marine Debris from Hawaiian Islands

From 2000 to 2006, NOAA's Coral Reef Conservation Program (CRCP) and partners have led efforts to locate and remove over 542 tons of marine debris from the Northwestern Hawaiian Islands (NWHI). These islands, now part of a Marine National Monument, are particularly prone to the accumulation of floating debris due to their central location in the North Pacific gyre. Most of the debris is derelict fishing gear that entangles and kills endangered Hawaiian monk seals, endangered green sea turtles, coral, and other wildlife. Future operations will include the removal of new marine debris accumulations each year. In 2006, CRCP scientists also led efforts to assess the extent and impact of marine debris in the main Hawaiian Islands for the first time. Hot-spot debris areas were located via aerial surveys, and these data used to create maps of debris distribution and abundance. Surveys of Kauai, Molokai, Lanai, Maui, Oahu, and the Big Island of Hawaii are now complete. As in the NWHI, the marine debris problem in the main Hawaiian Islands has proven to be greater than expected, with over 650 debris sites reported. These maps will aid communities and federal, state, and local coastal managers to identify and prioritize clean-up areas and target sites for future monitoring.



NOAA image showing satellite, sea surface temperature map, and coral bleaching.



NOAA Finalizes Coastal Zone Management Act (CZMA) Federal Consistency Rule

In January 2006, NOAA published in the *Federal Register* the Final Rule revising NOAA's CZMA federal consistency regulations. This is a major accomplishment for NOAA as well as DOI. The Final Rule is the result of a three-and-a-half-year effort to respond to the Vice President's Report of the National Energy Policy Development Group, as well as the Energy Policy Act of 2005. The rulemaking process involved a close working partnership with DOI; greatly improving interagency relations; and involving coordination with the Department of Energy (DOE), the Federal Energy Regulatory Commission, the Vice President's Office, the Council on Environmental Quality, and the Office of Management and Budget (OMB). The Final Rule contains improvements to CZMA federal consistency regulations. The revised regulations continue to balance the state-federal-private interests embodied in the CZMA, while providing for more efficient approval of both energy and non-energy projects by providing greater clarity, transparency, and predictability in the regulatory process. The Final Rule fully maintains the authority of coastal states to review proposed federal actions that have reasonably foreseeable effects on a state's coastal uses or resources, as provided for in the CZMA and NOAA's implementing regulations, as revised in 2000.

National Marine Sanctuaries Undergo Management Update

NOAA released the Gray's Reef National Marine Sanctuary Final Management Plan. The plan updates research, monitoring, enforcement, exploration, administration, and education programs that are intended to enhance conservation with compatible public and private uses in Gray's Reef Sanctuary. There are two notable changes—prohibiting anchoring in the sanctuary and revised regulations to allow fishing only with rod and reel, handline, and spearfishing gear without powerheads. The regulations apply to all sanctuary users and were adopted after extensive public input including recommendations from Gray's Reef Sanctuary Advisory Council, other state and federal agencies, and approximately 1,800 public comments. Similarly, NOAA released a draft document for a revised management plan and proposed rule in Channel Islands National Marine Sanctuary to establish no-take and limited take marine zones.

NOAA Releases Report on Status of U.S. Marine Fisheries for 2005

NOAA released a report on the status of U.S. marine fisheries for 2005. The government report shows both progress in rebuilding overfished species and response of fisheries managers to slow fishing rates for species that were found in 2005 to have above-target harvests. Each year, NOAA announces the state of U.S. fisheries to inform Congress and the U.S. public of the Agency's progress in restoring fish stocks to sustainable population levels. The annual report tracks both population levels and harvest rates for species caught in federal marine waters, between three and 200 miles off U.S. coasts. In 2005, NOAA scientists determined population levels for 206 fish stocks and multi-species groupings known as complexes. Of these, 152 (74 percent) were not overfished. NOAA scientists also determined the harvest rates for 237 stocks and found that 192 (81 percent) were not subject to overfishing.

NOAA has implemented plans to rebuild the 54 overfished stocks within the last eight years which, in some cases, is not enough time for them to recover from previous decades of substantial overfishing. Although overfishing still occurs on 45 fish stocks and complexes, the regional fishery management councils have been taking action to scale back the rate of overfishing. In many cases, rebuilding plans phase out overfishing over time to prevent major social and economic impacts to fishing communities, as required by the Magnuson-Stevens Act.

NOAA scientists collect and analyze data to determine population levels and fishing rates for the major species targeted by recreational and commercial fishermen. While NOAA does not evaluate populations of every marine species, the Agency continues

to assess the health of more species each year. In 2005, new assessments helped NOAA determine population levels and/or fishing rates for 20 additional stocks and stock complexes.

When a fish stock is determined to be either overfished or subject to overfishing, the regional fishery management councils must develop a plan to correct the problem. The councils were notified of the four new overfished and seven new overfishing determinations for 2005, and have taken corrective action or are scheduled to take action this summer.

NMFS is dedicated to protecting and preserving the nation's living marine resources and their habitats through scientific research, management and enforcement. NMFS provides effective stewardship of these resources for the benefit of the nation, supporting coastal communities that depend upon them, and helping to provide safe and healthy seafood to consumers and recreational opportunities for the U.S. public.

Protecting Essential Fish Habitat

NOAA made important strides in designating and protecting essential fish habitat by establishing the 279,114 square nautical mile Aleutian Islands Habitat Conservation Area and designating 150,000 square miles of Pacific marine waters from Canada to Mexico as essential fish habitat. The Aleutian Islands Habitat Conservation Area—an area of the Alaskan sea floor approximately the size of Texas and Colorado combined—was closed to bottom-contact fishing gear to protect sensitive habitats, including vulnerable coral gardens first discovered by NOAA scientists in 2002. The essential fish habitat designations in the Pacific, and the accompanying bottom gear restrictions, will serve to replenish stocks of Pacific Coast groundfish.

Habitat Restoration

NOAA's Habitat Program supported the restoration of 7,598 acres of habitat in 2006. A significant portion of this restoration was accomplished through NOAA's Community-based Restoration Program through partnerships with state, local, tribal, and non-governmental organizations (NGO). These partnerships leverage funds, often three to five times the NOAA contribution. Celebrating its 10-year anniversary this year, the Community-based Restoration Program has implemented more than 1,300 coastal restoration projects restoring over 30,000 acres and 900 river miles with the contribution of more than 740,000 hours of community participation. The Agency also was responsible for opening 200 miles of rivers and streams to fish passage in 2006. The bulk of these miles were derived from the Community-based Restoration Program and the Agency's hydropower program.

New Electronic System for Streamlined Fisheries Data Reporting Implemented

The Alaska fishing industry has started to electronically report landings of commercial fish and shellfish using one system shared by several agencies. The new Interagency Electronic Reporting System moves Alaska fisheries reporting into the modern era, leaving behind paper fish tickets and consolidating the reporting requirements of NMFS, the State of Alaska Department of Fish and Game, and the International Pacific Halibut Commission. The new system removes reporting duplications and will make reporting more straight forward for fishermen, processors, and managers.





Limited Access Program Implemented

The American Samoa Longline Limited Access Program was implemented December 1, 2005. In response to a dramatic increase in the number of longliners operating in the waters around American Samoa, NOAA now requires an American Samoa longline permit to catch pelagic fish with longline gear around American Samoa. The program will prevent fishing gear conflicts, maintain average albacore catch rates in the domestic longline fishery at optimum yield, provide for sustained community participation, ensure opportunities for future participation in the fishery by indigenous American Samoans, minimize bycatch, and preclude waste of pelagic management unit species.

Completion of the Consolidated Atlantic Highly Migratory Species Fishery Management Plan

NMFS completed the Consolidated Atlantic Highly Migratory Species Fishery Management plan in 2006. This rulemaking addresses phase 1 of the 5-year essential fish habitat review, workshops, time/area closures, overfishing of finetooth sharks, rebuilding of northern albacore tuna, bluefin tuna effort controls and in-season actions, fishing years, authorized gears, billfish mortality, and some regulatory housekeeping issues.

Longline Catcher Processor Non-Pollock Groundfish Buyback Implemented

NOAA published the final rule for the longline catcher processor non-pollock groundfish buyback in the Federal Register on September 29, 2006. The program would provide a loan of up to \$36 million in exchange for relinquishing non-interim Federal License Limitation Program groundfish licenses endorsed for Bering Sea or Aleutian Islands catcher processor activity, as well as any present or future claims of eligibility for any fishing privilege based on such permit. This project had an extremely ambitious time frame which included completing the rulemaking process in less than six months.

Response to Fishery-Related Impacts of Hurricane Katrina

NOAA mounted a multi-pronged effort to address fishery-related impacts in the Gulf of Mexico. In August 2006, NOAA awarded \$128 million, the largest grant in its history, to the Gulf States Marine Fisheries Commission to reseed and restore oysterbeds and to conduct fisheries monitoring in the Gulf. NOAA also conducted research surveys and monitored the seafood coming from the Gulf to ensure it was safe from PCBs, pesticides, and fossil fuels. Changes in species abundance as a result of the general decrease in fishing effort continue to be tracked monthly and will be used to help managers in the future to determine optimal effort. Marine debris removal efforts focused on protecting fishing grounds. NOAA also completed survey of damage to the industry-related infrastructure in Gulf states.

Advancing Ecosystem Approaches to Management

NOAA scientists are now developing and implementing ecologically broad models to assess living marine resources in the context of the entire ecosystems in which they exist. These ecosystem assessments and forecasts are a key component of reaching NOAA's strategic goal of implementing an ecosystem approach to management. The first of these assessments focused on the Bering Sea, the Gulf of Alaska, and the Gulf of Maine-Georges Bank-Middle Atlantic Bight ecosystems. Future ecosystem assessments will include sub-regions within the California Current, Pacific Islands Complex, South Atlantic, Gulf of Mexico, Caribbean and Antarctic Large Regional Marine Areas.



NOAA also led a collaborative effort to develop *Fisheries Ecosystem Planning for Chesapeake Bay*. Published by the American Fisheries Society in the fall of 2006, it is a guide to ecosystem-based resource management—a conceptual framework that promotes incorporation of established ecosystem principles into both fisheries and nonfisheries management. Revisions to existing Bay-wide fisheries management plans are under way to begin the transition from traditional single species plans, to multispecies plans, and finally true ecosystem-based fisheries management plans.

Protecting Right Whales

NOAA published a proposed rule describing regulations to reduce the risk of collisions between North Atlantic right whales and ocean-going vessels. The rule, negotiated with federal agencies and the shipping industry, proposes a speed restriction of 10 knots or less in three major regions along the U.S. east coast, based on seasonal occurrence of whales in each area, as well as commercial ship traffic patterns and navigational concerns. The right whale population numbers about 300 individuals, making it one of the most critically endangered species in the world. Existing conservation measures have not been sufficient to reduce right whale deaths and serious injuries associated with ship strikes.

Energy Policy Act

NOAA successfully implemented the hydropower provisions of the Energy Policy Act for two high priority and high profile hydropower projects: the Klamath (CA/OR) and Santee Cooper (SC) projects. Fish passage past the Klamath project would restore access to more than 350 miles of historic habitat in the Klamath Basin for salmon, lamprey, and resident trout. Historically, the Klamath Basin has been the third most productive salmon river system on the west coast. Fish passage past the Santee Cooper Project would restore access to over 300 miles of historic habitat in the Santee River Basin for species such as American shad, river herring, striped bass, and the endangered shortnose sturgeon.

New Endangered Species Listing

NOAA listed the southern resident killer whale as an endangered species in November 2005. NOAA has worked to further its understanding of this species distribution, abundance, and fecundity, and the causes for its decline in the Pacific Northwest. Threats to this species include vessel interactions in Puget Sound (whale watching) and a severe decline of salmon, its primary nutritional source.

Monk Seal Protection Efforts

NOAA scientists in the Pacific Islands carried out population surveys and assessments of endangered Hawaiian monk seals in the recently designated Northwestern Hawaiian Islands Marine National Monument. These assessments and other conservation efforts are part of an ongoing effort to prevent extinction of this species. Monk seal numbers have declined to 1,200 individuals, and their numbers are expected to fall to or below 1,000 by 2011. NOAA took twin female monk seal pups into to captivity in early summer 2006 for rehabilitation and future release back to the wild. Twinning in monk seals is rare, and pup survival has been low for more than 10 years. Because Hawaiian monk seals are critically endangered, each individual represents a significant contribution to the population; therefore, these pups, which would have little chance of survival without human intervention, were removed for rehabilitation.



Assessing Excess Fishing Capacity

Excess fishing capacity is a key obstacle to meeting the objectives of sustainable fisheries. In March 2006, NOAA completed the report, *Assessments of Excess Fishing Capacity in Select Federally-Managed Commercial Fisheries*. The report provides assessments of excess fishing capacity for select federally-managed fisheries, and it demonstrates methods for assessing excess fishing capacity that can be used in other fisheries. Overall, the assessments found evidence of significant excess capacity in the majority of fisheries and fleets analyzed.

Rim of the Pacific (RIMPAC) Incidental Take Authorized

NMFS worked closely with the U.S. Navy to issue a Marine Mammal Protection Act (MMPA) incidental take authorization for the RIMPAC training exercises conducted in waters around Hawaii in July of 2006. RIMPAC is a multi-national training exercise, led by the United States, that includes the use of tactical military sonar in anti-submarine warfare. This was the first-ever MMPA incidental take authorization issued to the U.S. Navy for military sonar.

Seismic Surveys Authorized

NMFS worked closely with members of the oil and gas industry to authorize several seismic surveys of potential oil and gas resources on the outer continental shelf in the Alaskan Arctic in FY 2006. These surveys were conducted in the Beaufort and Chuckchi Seas and represent important steps towards future development and production of offshore oil and gas resources in the region.

Performance Goal: Support the nation’s commerce with information for safe, efficient, and environmentally sound transportation (NOAA)

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.

Some highlights from this performance goal in FY 2006 include:

**NOAA Study Shows Value of PORTS® Program to Marine Transportation Industry
Tampa Bay System Is First to Quantify Economic Benefits**

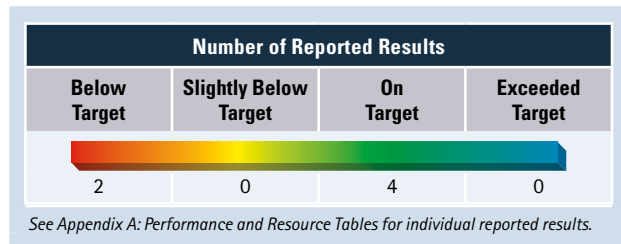
The Tampa Bay economy receives more than \$7 million a year in savings and direct income from the operation of the Physical Oceanographic Real-Time System (PORTS®), according to a new NOAA sponsored study. The report details the first study of the navigational aid, which is in operation at 13 major ports across the United States. Tampa’s PORTS® system provides accurate real-time oceanographic information tailored to the specific needs of the 6,700 commercial vessels transiting Tampa Bay each year.

The PORTS® system is a good example of how research and observing system development expertise can be applied to support safe, efficient, and environmentally sound marine transportation. Tampa Bay PORTS® is an excellent example of NOAA’S creativity and technological expertise. The Tampa Bay maritime users have realized enhanced navigational safety while transiting the long channels of the harbor. This has resulted in more efficient loading logistics, enhanced vessel traffic management, and better protection of the environment and citizens of the Tampa Bay region. It is especially helpful for both planning and maintaining the flow of maritime commerce during periods of disturbed weather conditions.

This study validated what has been reported for anecdotally some time. It quantified the benefits as being far greater than the cost of the system and demonstrates that the system provides valuable support for the safe and efficient maritime commerce necessary for a healthy economy. The benefits are not just good, they are impressive.

The most significant change in the 1990s in maritime shipping operations in the bay occurred when Harbor pilots onboard vessels began using portable computers to access PORTS® in real-time. During this time, groundings decreased by half. With tankers accounting for 2,200 transits per year, the 50 percent reduction in groundings translates into a conservative estimate of \$2.8 million in avoided costs annually. The PORTS® system was installed in Tampa in 1990.

The system provides real-time data available to load ships to drafts 12 inches or more above what had been considered the safe guideline. The additional capacity for the phosphate trade alone in Tampa Bay could equal an increased benefit of \$1.1 million each year.



Even though hazardous chemical spills in Tampa Bay are rare, at a conservative estimate the additional efficiency and accuracy of applying these data would avoid nearly \$1.8 million per year in losses.

PORTS® data are used to enhance area weather and coastal marine forecasts, particularly coastal flooding. Tampa Bay is considered one of the most storm surge threatened areas in the country because of its large coastal population and its geography. Applying PORTS® data risk formulas for forecasts in the area gives it an estimated yearly value of \$2 million.

Recreational boaters, using better real-time information available through PORTS®, may make more excursions, bringing an estimated \$946,000 to the economy each year. Fishermen looking for water temperature and tidal data to improve their catch contribute another estimated \$150,000 per year in port area income.

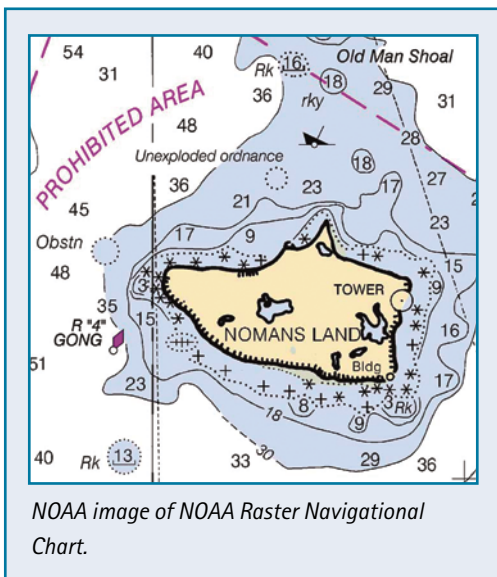
The report was authored by Hauke Kite-Powell, Ph.D., of the Woods Hole Oceanographic Institute Marine Policy Center, who designed the method of identifying as well as collecting and quantifying the data. The Tampa study was the first application of the methodology, which NOAA plans to use in evaluation of PORTS® systems in Houston in 2006 and New York in 2007.

PORTS® systems also operate in San Francisco Bay; Chesapeake Bay, which serves Delaware, Maryland, and Virginia; Narragansett Bay, RI; Soo Locks, MI; Los Angeles/Long Beach, CA; Delaware River and Bay; Tacoma, WA; Port of Anchorage, AK; New Haven, CT, and the Lower Columbia River, bordering Oregon and Washington.

**Mariners Can Chart Courses At No Charge
NOAA Offers Free Navigational Charts on Web**

Mariners can now get free electronic downloads of NOAA Raster Navigational Charts (RNC). A raster chart is a digitally scanned image of a paper nautical chart used by mariners for navigation.

The raster navigational charts contribute to safe, efficient, and environmentally sound marine transportation. By providing these charts for free, NOAA offers easy access to mariners to make navigation safer in U.S. waters.



Before the 1990s, NOAA's paper nautical charts were created and maintained by hand engraving photographic images. NOAA electronically scanned all of its paper charts in the 1990s. Recently, the raster charts were incorporated into international standards for electronic chart systems and are now accepted as meeting international chart regulations for Safety of Life at Sea (SOLAS) vessels. SOLAS is a designation of the International Maritime Organization and usually is reserved for large merchant ships.

NOAA will produce official raster charts and deliver weekly updates with Notice to Mariners—notices containing changes in local navigational information. The NOAA Web site will contain a fully updated raster chart for each chart in NOAA's suite. A cumulative file of updates with Notice to Mariner information for each chart edition will be posted on the Web site.

NOAA will distribute the free raster charts and updates the same way it distributes NOAA ENC's online.

The NOAA Coast Survey anticipates establishing a program where commercial value-added providers may download the raster charts for free, compress, encrypt, and/or package them with additional data or services, and then may sell that product. By adhering to a set of NOAA-specified practices, these raster charts will retain their official status and their original high quality and accuracy. No date has been set by which the value-added redistributors program will be in place.

NOAA also plans to make the raster charts available on the Web site in an easy-to-view format for non-navigational purposes, such as port security and management, marine boundary delineation, coastal zone management, and environmental assessment and spill response.

NOAA Satellites Play Key Role in Rescues in 2006 More Beacons Registered During The Year

As summer weather brings out more boaters, campers, and hikers, NOAA satellites and search and rescue staff are prepared to handle distress signals from emergency locator beacons. NOAA's polar and geostationary satellites, along with Russia's Cospas spacecraft, are part of the sophisticated, international Search and Rescue Satellite-Aided Tracking System, called COSPAS-SARSAT. The SARSAT system uses a network of satellites to quickly detect and locate distress signals from emergency beacons onboard aircraft, boats, and from hand-held personal locator beacons. When a satellite pinpoints a distress location within the United States, or its surrounding waters, the information is relayed to the SARSAT Mission Control Center in Suitland, MD, and sent to a Rescue Coordination Center operated by either the U.S. Air Force (for land rescues), or U.S. Coast Guard (for water rescues).

"This program stands vigilant so that people can responsibly take part in outdoor recreation with less fear of harm, injury or death," said Ajay Mehta, NOAA's SARSAT program manager. "SARSAT is crucial because it can literally be the difference between life and death."

The system uses a constellation of satellites to detect and locate distress signals from emergency beacons onboard aircraft, boats, and from hand-held personal locator beacons. Once the satellites pinpoint the location of the distress within the United States or surrounding waters, the information is relayed to the SARSAT Mission Control Center in Suitland, MD, and sent to a Rescue Coordination Center, operated by either the U.S. Air Force (for land rescues), or U.S. Coast Guard (for water rescues).

"The SARSAT program is doing exactly what it was intended to do—save lives," said retired Navy Vice Admiral Conrad C. Lautenbacher, Ph.D, Undersecretary of Commerce for Oceans and Atmosphere and NOAA administrator. "NOAA satellites and the quick responses of the U.S. Air Force and Coast Guard continue to be the difference between life and death."

Since its creation in 1982, COSPAS-SARSAT has been credited with more than 18,500 rescues worldwide, and 5,107 within the United States and its surrounding waters. Most of the rescues each year happen at sea. Alaska led the nation with 65 rescues in 2005; followed by Florida (49 rescues); and Louisiana, California, and Hawaii rounding out the top five with 13, 12, and 10 saves respectively.

- ◆ On January 15, a 406 MHz distress beacon was detected at a position of 17 57 north, 42 39 west. This position is 1,300 nanometers (nm) east of the Caribbean Islands in the middle of the Atlantic Ocean. The two persons onboard the vessel activated their emergency position indicating radio beacon (EPIRB) after the vessel started taking on water. The two people



NOAA illustration of NOAA satellite used to search and rescue mariners and hikers.



PERFORMANCE SECTION * STRATEGIC GOAL 3

were part of the Woodvale TransAtlantic Rowing Race. The boat named the AMERICAN FIRE capsized in heavy seas. Their lifeboat was lost, but they did manage to climb atop their overturned boat. The 180-foot two-masted sailing vessel, the STAVROS S. NIARCHOS, sailed to the scene and rescued the two people. Two SARSAT rescues.

- ◆ On February 27, at 0133 coordinated universal time (UTC), the COSPAS-SARSAT system detected a 406 MHz distress beacon located 52 nm south of Wainwright, AK. North Slope Borough Search and Rescue dispatched a two-man search team, as the weather was too severe for helicopter launch. The beacon was activated when the snowmobile broke down. The victim was rescued 14 hours later by the rescue team. One SARSAT rescue.
- ◆ On May 20, at 1859 UTC, the COSPAS-SARSAT system detected a 406 MHz distress signal 10 nm south of Pensacola Pass, FL. The crew of the pleasure craft CISCO KID activated their EPIRB when the vessel capsized. Using the point-of-contact information in the registration data, Coast Guard District Eight determined that the vessel was underway. Using the location data provided in the SARSAT alert messages, Coast Guard Station Pensacola launched a 41-foot utility boat which rescued the five people from the vessel's life raft. Five SARSAT rescues.
- ◆ On June 2, the COSPAS-SARSAT system detected a 406 MHz distress beacon on Montaque Island, AK. Coast Guard District 17 launched a HH-60 from Air Station Kodiak. On arrival, the helicopter located a crashed Cessna 182. The helicopter picked up the pilot and his dog and transported them to Valdez. One SARSAT Rescue.
- ◆ On July 19, the COSPAS-SARSAT system detected a 121.5 MHz distress beacon 42 nm northwest of Bettles, AK. This was within the Gates of Arctic National Park. A couple rafting on the Wild River activated their beacon after the raft overturned. The National Park Service arranged for a helicopter to recover the distressed people. Two SARSAT Rescues.
- ◆ On July 24, at 0833 UTC, the COSPAS-SARSAT system detected a 406 MHz distress signal 240 nm south of Adak, AK. Coast Guard District 17 received a request for assistance from the 654-foot Singapore flagged, automobile carrier COUGAR ACE. The vessel was listing approximately 80 degrees to port with 23 persons aboard. Because of several conflicting position reports, the Coast Guard directed the crew of the M/V COUGAR ACE to activate their 406 MHz EPIRB. Once the EPIRB alert position was received the position conflict was resolved. The Coast Guard launched an HH-60 Jayhawk rescue helicopter and crew from Air Station Kodiak. They worked with two Air National Guard Pavehawk helicopters with rescue crews from Kulis Air National Guard Base and successfully hoisted the 23 crewmembers of the COUGAR ACE to safety. Twenty-three SARSAT Rescues.

Older emergency beacons, which operate on the 121.5 and 243 megahertz frequency, will be phased out by early 2009, when 406 megahertz beacons will be the standard. Emergency beacon owners can register their devices online using the National Beacon Registration Database.

NOAA's National Geodetic Survey (NGS) Captures Post-Hurricane Imagery

NOAA provided hurricane damage assessment by responding rapidly to two tropical systems that made landfall along the United States coastline. Following the landfall of Hurricane Rita, NOAA performed aerial surveys that collected over 3,000 high resolution digital images from Galveston, TX, to just west of the Lake Charles, LA. NOAA responded to Hurricane Wilma by collecting approximately 1,600 high resolution digital images, covering selected areas from the Naples, FL vicinity south through the Florida Keys. The high resolution aerial imagery collected during both incident response efforts was disseminated via the Internet to federal, state, and local government agencies, as well as the general public within 24 hours of acquisition. The data was critical to national and local response efforts and to the timely assessment of personal and property damages sought by the general public and insurance industry.

NOAA's National Geodetic Survey (NGS) Contributes to Navigation Safety

NOAA's NGS's Coastal Mapping Program (CMP) evaluated 11 of the 40 Priority Port Areas (27.5 percent) for changes in shoreline and critical port infrastructure. This was done by comparing the latest NOAA ENC and raster chart products to new commercial satellite imagery and aerial photography, as part of the Coast and Shoreline Change Analysis Program (CSCAP). In addition, the CMP delivered updated shoreline and coastal feature data for over 4,000 miles of U.S. shoreline, compiled from aerial and satellite imagery, for application to NOAA nautical charts and to support hydrographic survey operations. Aerial imagery acquisition, data processing, and shoreline compilation were accomplished through a combination of in-house work and external contracts.

NOAA's Aviation Weather Service Aligns Efforts with Next Generation Air Transportation System Vision

This spring, the Joint Planning and Development Office's (JPDO's) Weather Integrated Product Team (WxIPT), led by the Department, released its *Next Generation Air Transportation System (NGATS) Aviation Weather Concept of Operations*. This document draws upon the experience of members of the JPDO's constituent agencies, industry, and academia to present a comprehensive view of the future of aviation weather and its use in the NGATS. The vision of this concept of operations is to integrate weather information into the automated and manual decision-making processes available to the users of the National Airspace System as they plan and execute flights. The Aviation Services Branch of NOAA's NWS is aligning its planning activities with this vision to ensure compatibility with the JPDO effort and the user community's need for aviation weather services. The full document can be found at <http://techhangar.jpdo.aero>.

STRATEGIES AND FUTURE PLANS

Ecosystems

Consistent with the U.S. Ocean Action Plan and U.S. Commission on Ocean Policy Report, NOAA has adopted an ecosystem approach to management that will evolve over time in collaboration with its partners.

- ◆ 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.



Working with shrimp and longline fishermen, NOAA scientists have developed a new, soft Turtle Excluder Device (TED) and a highly effective double-flap hard TED that the shrimp industry has adopted to reduce the incidental capture of endangered and threatened sea turtles.



NOAA surveys 95,000 nautical miles of U.S. coastline to provide an accurate and official delineation of the national shoreline for nautical chart production and coastal resource management.

- ◆ 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. Advancement in NOAA's performance measurement for an ecosystem approach to management is underway for FY 2006.



Commerce and Transportation

NOAA 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 ENC's 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 hazardous material 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.

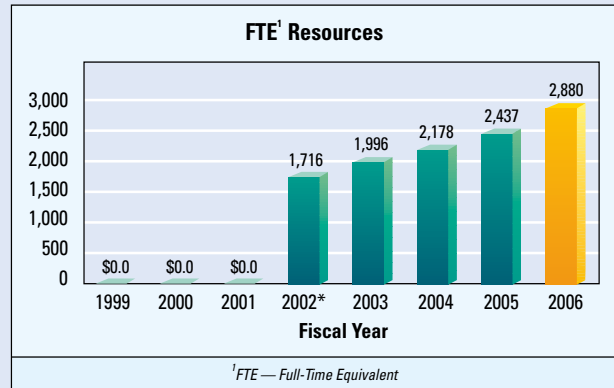
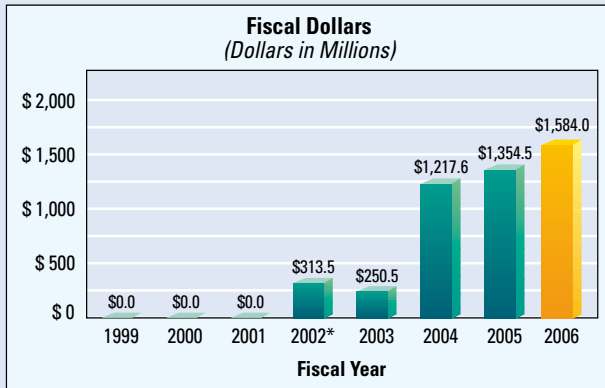
CHALLENGES FOR THE FUTURE

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.

MISSION SUPPORT GOAL

Provide critical support for NOAA's mission

MISSION SUPPORT TOTAL RESOURCES



¹FTE — Full-Time Equivalent

* In FY 2002, NOAA created a Mission Support goal that covered activities spanning both objectives and all four performance goals. The Mission Support goal does not currently have performance measures. Funding and FTE were split off from the other performance goals. Consequently, the funding and FTE for objectives 3.1 and 3.2 began to decline in FY 2002, with those amounts appearing in the Mission Support goal.

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

110 Students Spend Summer with NOAA on Hollings Scholarships

Students from colleges and universities in 36 states and Puerto Rico are spending most of their summer in NOAA laboratories or programs as part of the Hollings Scholarship Program. The scholarship program, named after former Senator Ernest F. Hollings of South Carolina, a strong supporter of science education, began in 2005 with the summer internship assignments starting in the summer of 2006.

The program began May 30, 2006 and ended the first week of August 2006 with a series of workshops in Silver Spring, MD. The 110 students are engaged in a wide variety of projects, including conducting fisheries surveys, engineering remotely operated underwater vehicles, studying the carbon flux in marine waters, forecasting seabreeze and lightning, monitoring tornado processes, analyzing storm data, identifying acoustic signatures of marine mammals, evaluating sea bass habitat, and participating in studies of the Antarctic climate.

These scholarships provide the hands-on training and experience to encourage undergraduates to pursue study in the NOAA fields, such as atmospheric or oceanic science, research, and technology. NOAA is very pleased with the quality and the quantity of scholarship recipients in this first year.



NOAA theme collage.

The NOAA Hollings scholarship program is designed to increase undergraduate training in oceanic and atmospheric science, research, technology, and education and foster multidisciplinary training opportunities; to increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; to recruit and prepare students for public service careers with NOAA and other natural resource and science agencies at the federal, state, and local levels of government; and to recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the United States.

Scholarship students are eligible for up to \$8,000 of academic assistance per year for full-time study during the junior and senior years, a 10-week, paid (\$650/week) internship during the intervening summer, housing subsidy during the internship, round-trip travel to the internship site, and travel expenses to the Hollings scholarship program conference in Silver Spring.

To be eligible, students must be U.S. citizens; a full-time junior in an accredited college or university within the United States or U.S. Territories; hold a cumulative grade point average of 3.0 (based on a 4.0 scale) in all completed undergraduate courses, and major in a discipline area related to oceanic and atmospheric science, research, technology, or education; and supportive of the purposes of NOAA's programs and mission (biological, social, and physical sciences; mathematics; engineering; computer and information sciences; or teacher education).

GSA, NOAA, and OPUS Break Ground for NOAA Center for Weather and Climate Prediction New Facility to be Centerpiece of the University of Maryland's M-Square Research and Technology Park

The General Services Administration (GSA), in partnership with NOAA and Opus East, L.L.C., broke ground for the NOAA Center for Weather and Climate Prediction, the crown jewel in a new 50-acre section of the University of Maryland's M-Square Research and Technology Park. Opus East, L.L.C., of Rockville, MD., working with Hellmuth, Obata + Kassabaum, Inc. (HOK) as the lead design and interior architect, will design, construct, and own the building and lease it to the GSA. Opus arranged a long-term ground lease with the University of Maryland for the development. The 268,762 square-foot office and research complex will become the new headquarters for the NWS National Center for Environmental Prediction (NCEP). Approximately 800 people will work in the facility.

By locating this facility adjacent to the University of Maryland, GSA enhances NOAA's ability to develop closer collaboration between its scientists and forecasters, and the faculty and students at the University of Maryland. This benefits NOAA, the University, and the American people.

Virtually all the meteorological data collected globally will arrive at NOAA's Center for Weather and Climate Prediction. Environmental scientists will analyze this information and generate a wide variety of atmospheric and oceanic forecasts and guidance products using sophisticated numerical weather and climate prediction models.

With the groundbreaking for this new \$125 million facility in College Park, NOAA is continuing to ensure that the nation's top scientists, researchers,



NOAA image of artist's rendering of NOAA Center for Weather and Climate Prediction.



NOAA image of NOAA Administrator Conrad C. Lautenbacher joining assembled dignitaries at the ground breaking of the NOAA Center for Weather and Climate Prediction.









PERFORMANCE SECTION * STRATEGIC GOAL 3

and other professionals have the state-of-the-art facilities and tools to match their talents so that they can continue to perform NOAA's vital mission. "We take great pride in having NOAA located here in Maryland and in the men and women who will work here continuing to contribute to the well being and the protection of our natural resources," said Senator Paul S. Sarbanes.

"This is a significant milestone towards completion of the new NOAA Center for Weather and Climate Prediction, which will be a state-of-the-art advanced weather operations and research facility," said Congressman Steny H. Hoyer. "This critical project will not only vastly improve our nation's weather systems and be much better suited to meet NOAA's needs, but it will also ensure that our region remains an attractive destination and home for the best and brightest minds."

MANAGEMENT INTEGRATION GOAL



PERFORMANCE GOAL	STATUS*
Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)	
Promote improvements to Commerce 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)	
*  = MET (100%)  = SIGNIFICANTLY MET (75% - 99%)  = NOT MET (< 75%)  = NOT APPLICABLE	



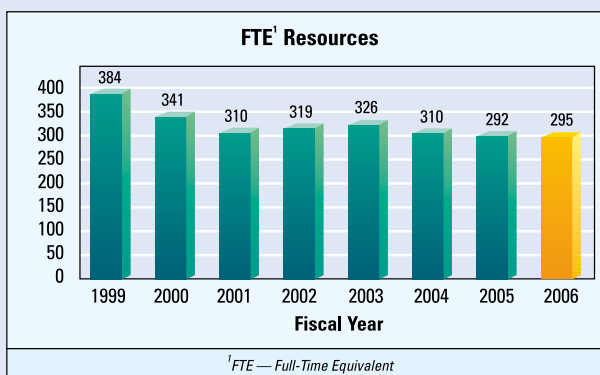
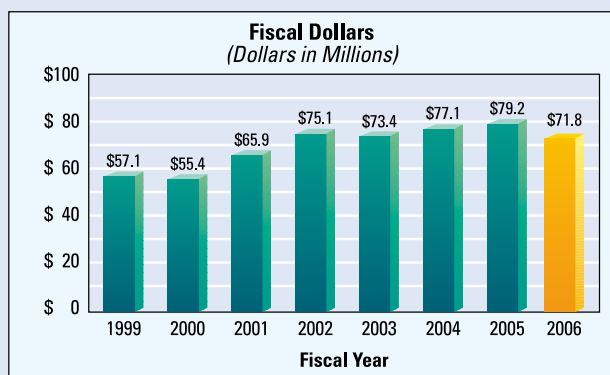
MANAGEMENT INTEGRATION GOAL * PERFORMANCE SECTION



MANAGEMENT INTEGRATION GOAL

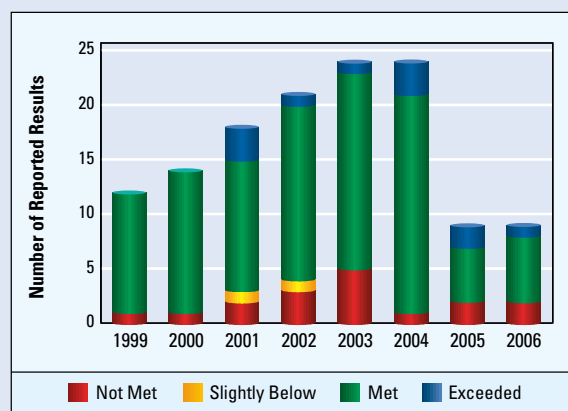
Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL TOTAL RESOURCES



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, Deputy Secretary, Chief Financial Officer and Assistant Secretary for Administration, Chief Information Officer, 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 the Inspector General (OIG) audit and inspection programs help promote consistency and integrity throughout the Department. Most of DM's and 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



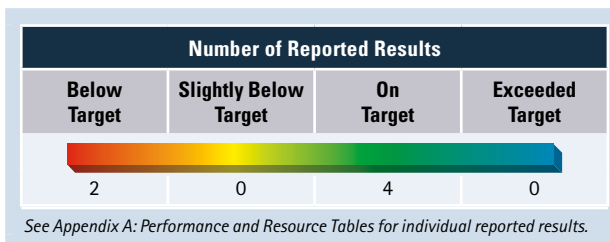
See Appendix A: Performance and Resource Tables for individual reported results.

The Department met partially its strategic management integration goal for FY 2006. Highlights of the Department's accomplishments are provided in the performance goal information that follows.

Performance Goal: Identify and effectively manage human and material resources critical to the success of the Department's strategic goals (DM)

The executive direction and coordination of program activities provided through centralized services contribute to the efficient administration of the Department to ensure that the overall mission is fulfilled.

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, and the implementation of laws and regulations that govern the use of those resources. This performance goal 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.



Among the DM accomplishments in FY 2006 are:

- ◆ Maintained clean audit opinion for the eighth consecutive year.
- ◆ Maintained green progress ratings for all initiatives on the President's Management Scorecard.
- ◆ Achieved a green status rating for the Department's Enterprise Architecture, establishing a blueprint for effective information technology (IT) investments in support of the Department's mission.
- ◆ Minimized cost/schedule overruns and performance shortfalls for IT investments under development to an average of less than 10 percent. This maintains green status for the President's Management Agenda (PMA).
- ◆ Maintained green status in e-government implementation on the President's Management Scorecard.
- ◆ Returned the Department headquarters, the Herbert C. Hoover Building, to full operations within 16 hours during a period of record rainfall and flooding in the District of Columbia.
- ◆ Timely submitted the FY 2006 Federal Activities Inventory Reform (FAIR) Act inventory in order to further job competition between the federal government and the private sector to ensure the most effective use of government funds.
- ◆ Awarded 48 percent of all contracts to small businesses.
- ◆ Improved recruitment strategies through more targeted recruitment activities and assisted managers in making better selections through training and improvements to selection tools.
 - Developed and tested materials for training managers on Office of Personnel Management (OPM) hiring flexibilities
 - Upgraded automated hiring system
 - Conducted workshops for managers on how to make better selections
 - Distributed tool to managers that describes techniques for identifying top talent



MANAGEMENT INTEGRATION GOAL * PERFORMANCE SECTION

- ◆ Implemented a five-tier performance appraisal system in more than half of the Department, and conducted performance management training for managers, supervisors, and staff.
- ◆ Continued to expand the availability of online training courses through the Learning Management System (LMS) as an alternative to classroom training. Installed a 1,600 course electronic training library now available to all Department employees with Internet access.
- ◆ Achieved certification and accreditation of all national critical and mission critical information systems in accordance with the Department's IT security policy.
- ◆ Successfully tested timely resumption of systems critical to the Departmental mission and in support of national essential functions, as part of the government-wide exercise Forward Challenge 06.
- ◆ Prepared Privacy Impact Assessments for all IT systems with personally identifiable information or business identifiable information, and posted them to the Web.
- ◆ Improved safety and security throughout the Department by reducing the security risk:
 - Decrease in vulnerabilities to facilities with continued on-site risk assessments of facilities and recommended countermeasures
 - Development of new self-assessments for Occupant Emergency Plans (OEP) to be introduced in FY 2007, and continued on-site reviews
 - Improved vetting process for employees and contractors resulting, in part, in award of an OMB green "Results" card
- ◆ Exercised the Department and Bureau Continuity of Operations plans as part of the government-wide exercise Forward Challenge 06. The Federal Emergency Management Agency (FEMA)-appointed external evaluator assessed the Departmental exercise "Excellent exercise overall."

The Department uses reviews and reports generated by OIG, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), other congressional organizations, government-wide task forces, and other objective sources to evaluate activities of the Department related to this goal. For example, DM works closely with OMB on implementing the five government-wide management initiatives established in the PMA. The Department is rated quarterly on its success in implementing these initiatives. In addition, many of the laws pertaining to these activities have separate reporting requirements, which highlight both strengths and weaknesses of the Department's administrative functions. The Department uses the results of these efforts to assess achievement of performance targets.

The performance-based contracting measure was not met in FY 2006. Although the government-wide target for this measure is 40 percent, the Department had set a goal of 50 percent because of the importance of performance-based contracting in obtaining higher quality services and developing improved partnerships with its industry partners. However, due to staffing shortages, resources have not been available to assist all bureaus and program offices with a better understanding of performance-based contracting, which might have enabled us to meet this goal. In FY 2007, staff will be realigned to focus on this issue and will develop and commence implementation of a plan of action.



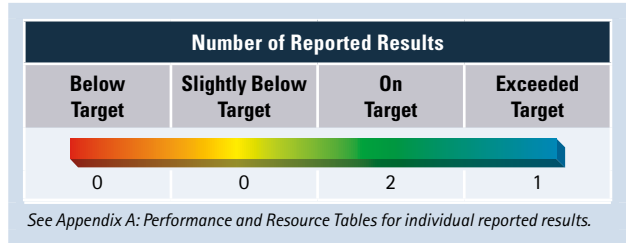
PERFORMANCE SECTION * MANAGEMENT INTEGRATION GOAL

The financial management measure of eliminating any reportable condition within one year also was not met. One of the two reportable conditions from the FY 2005 audit was eliminated; however, although auditors have acknowledged that progress was made towards resolving the consolidated IT Controls reportable condition, it remains for FY 2006.

Performance Goal: Promote improvements to Commerce 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)

Promotes improvements to Departmental programs through audits, inspections, evaluations, and investigations and a variety of activities geared toward averting problems.

Almost all 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.



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.

As the Department works to accomplish its mission, OIG provides a unique, independent voice to the Secretary and other senior Department managers, as well as to Congress, in keeping with its mandate to promote integrity, efficiency, and effectiveness; and prevent and detect waste, fraud, and abuse in Department programs and operations. Moreover, OIG strives to ensure that it:

- ◆ Performs high quality, timely work.
- ◆ Concentrates its efforts on the Department's most critical programs, operations, challenges, and vulnerabilities.
- ◆ Achieves results that allow government funds to be put to better use and address criminal, civil, and other wrongdoing.

OIG performs its activities in accordance with the GAO's Government Auditing Standards and the President's Council on Integrity and Efficiency's (PCIE) Quality Standards for Inspections and Program Evaluations. OIG audit and investigations programs are subject to external peer reviews conducted under PCIE guidelines designed to evaluate their compliance with applicable standards.

STRATEGIES AND FUTURE PLANS

To meet the many management challenges facing the Department, a number of initiatives have been undertaken, some of which are described below.

◆ *Improving Information Security*

The Department will continue to enhance the protection afforded its information systems and data. Every automated system in the Department is subject to certification and accreditation, which includes documenting successful control testing or establishing a specific plan for taking remedial action. The Department's IT and security policies and requirements reflect federal standards, best practices, and state-of-the-art advances in controls, evaluation, accreditation, and contingency planning. By carefully planning how the Department invests 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 IT systems—DM can provide the IT support the Department needs to carry out its missions. To enhance security in the next year, the Department will take steps to implement encryption on devices used for remote computing, require strong passwords and non-use time-outs on personal digital assistants, and strengthen property management procedures and training.¹

◆ *Preparing for Emergencies*

The Department will continue 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 403 of 622 occupied Department facilities. In FY 2006, Bureau managers implemented 370 countermeasures and the Anti-Terrorism Risk Index was reduced by 18.8 percent (risk methodology validated by the American Society for Industrial Security in 2004). A new self-assessment procedure for OEPs was approved and will be implemented in FY 2007. The new procedure will be complemented by continued on-site reviews. The Department continues to improve Continuity of Operations Plans (COOP) preparedness with monthly working group meetings and in-depth reviews of COOP plans resulting in a successful, externally and internally evaluated Forward Challenge 06 exercise.

◆ *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 human resources activities through its demonstration projects which highlight pay for performance. The Department will seek approaches to implementation of changes in human resources management that will help it compete with private sector employers to recruit a diverse, highly specialized, and increasingly technical workforce.

¹ Resources supporting the IT security program consist of the central oversight office and IT security components of each operating unit, funded through general infrastructure accounts and specialized support for major IT investments. The central program office consists of four full-time federal employees supported by four full-time contract personnel.



CHALLENGES FOR THE FUTURE

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.

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 threat of terrorism continues to challenge the Department 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 Performance and Accountability Report summarizes the highlights of the Department's performance during FY 2006, and provides our stakeholders with the information needed to assess our performance relative to our mission and the financial resources entrusted to us. The report 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.

In FY 2006, the Department of Commerce maintained a green status rating on the Financial Performance Scorecard, and achieved green status on the Budget and Performance Integration Scorecard of the President's Management Agenda. The Department remains strongly committed to the President's mandate to improve financial management and to integrate budget and performance. By ensuring both the integrity of our financial operations and the accuracy of our financial data, we can be confident that we are managing our resources well. This is critical to ensuring that American taxpayers know that their dollars are well spent.

Readers of this report will note that the Department continues to make strides in improving management of resources. We are proud of having achieved an unqualified audit opinion on our consolidated financial statements for the eighth consecutive year. During the fiscal year we also strengthened the Department's internal controls program, successfully implementing the requirements of OMB Circular A-123. In addition, we finalized the selection of a location in which to consolidate our financial management servers (hardware and software), implemented the first phases of the migration of the Commerce Business System to Web-based technology, and completed implementation of the Web-based version of the Department's corporate data base. An assessment of the Department's management of property and personally identifiable information, also completed during FY 2006, has identified opportunities for improvement and revised policy. Personal property is the subject of a Department-wide internal control review begun in FY 2006 and continuing into FY 2007.

In FY 2006, we also were able to resolve the reportable condition for construction-in-progress controls. One reportable condition—information technology controls—remains. However, auditors have acknowledged the Department's progress in resolving this issue, and work continues to accomplish resolution in the new fiscal year.

During FY 2007, we will continue to enhance our financial management systems and refine our financial and performance products to address the needs of our stakeholders. We remain committed to maximizing the effectiveness of our programs and their benefit to the American taxpayer.

Otto J. Wolff

Chief Financial Officer

and Assistant Secretary for Administration

FINANCIAL MANAGEMENT AND ANALYSIS



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 opinions, maintains a single integrated financial system, and continued its compliance with the Federal Financial Management Improvement Act (FFMIA). Highlights of accomplishments for fiscal year (FY) 2006 and future initiatives are discussed further below.

I. FINANCIAL MANAGEMENT SYSTEMS

The Department maintains a FFMIA compliant financial management system, the Commerce Business Systems (CBS). CBS replaced non-compliant legacy financial management systems within the Department. Bureaus that were previously on compliant systems continue to use those systems with one bureau converting to CBS in 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 system. A Consolidated Reporting System (CRS) integrates existing management data from financial, human resource, acquisition, and federal assistance enterprise databases and provides senior management with online desktop access to information about bureau programs and resources that is critical to strategic decision-making.

CBS provides reliable and timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS includes a Core Financial System (CFS) interfaced with administrative systems for small purchases, bankcards, grants (Automated Standard Application for Payments [ASAP]), a data warehouse, and time reporting/labor cost distribution module, collectively called Core CBS. An obligation and requisition interface between CBS and the Commerce Standard Acquisition and Reporting System (CSTARS), the Department's acquisition system, was implemented in October 2006. As a result of an ongoing project to upgrade the CBS application software to a Web version, the life expectancy of the system is to 2012 and beyond. The Department has begun the initial planning to move to a Financial Management Line of Business (FMLoB) Shared Service Provider in 2012 as agreed upon with the Office of Management and Budget (OMB).

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 2006, the Department accomplished the following initiatives:

- Implemented an upgraded Corporate Database system which facilitated the Department's ability to produce useful, accurate, and timely financial statements, and provide financial data needed to analyze and understand financial results and performance. The system was successfully in production as of July 1, 2006 for the third quarter FY 2006 financial statement process.



FINANCIAL MANAGEMENT AND ANALYSIS

- Completed the implementation of the standard interface between the CBS and procurement system in production throughout the Department. This interface will pass CSTARs commitments (requisitions) and obligations (awards) to the CBS/CFS for processing.
- Began migrating CBS to the current Web version of its Oracle application software expanding the CBS life expectancy to 2012 and beyond. In addition, best practices identified in the Web Migration Independent Verification and Validation (IV&V) for maintaining CBS software were implemented.
- Began detailed planning for consolidating financial system applications from the existing locations to one data center using a common hardware platform.
- Planned and initiated the implementation of the conversion of the International Trade Administration (ITA) to the CBS/CFS. This effort will expand the benefits of CBS in standardizing financial management activities across the Department.
- Implemented a standard interface between the CBS/CFS and the Department of Defense Electronic Business Program Office's Central Contractor Registration (CCR) system. The interface will populate the CBS vendor database with CCR vendor records database. The CCR vendor records database will be a secure, single repository of vendor data.

In FY 2007 and beyond, the Department will continue its efforts to enhance its financial systems and to move toward a consolidated operating environment. The Department plans to accomplish the following:

- Complete migration of CBS to the current Web version of its application software in FY 2007.
- Begin consolidation of financial system platforms from their existing locations to one data center using a common hardware platform with scheduled completion in FY 2008.
- Continue implementation of the ITA to the CBS/CFS, with a planned conversion and go-live date in FY 2008.
- Initiate planning for the transition to an FMLoB Shared Service Provider by 2012. Staff will continue to participate in FMLoB government-wide working groups aimed at standardizing financial management activities in the federal government. The Department will continue mapping out a timeline that includes the required phases and activities for this transition during FY 2007. In FY 2008, detailed planning will begin to ready the Department for competing the financial management system against identified shared service providers. In FY 2010, the Department will identify a shared service provider then begin implementation/deployment between FY 2010 and FY 2012.

II. 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 or exceeded the accelerated financial statement submission deadlines for FY 2006. These achievements resulted from the Department's commitment to strong management controls and accountability for its resources. One reportable condition for a bureau's control over construction work-in-progress was resolved during FY 2006 and the other reportable condition cited relating to deficiencies in general information technology (IT) controls remained from the prior years. Although the Department did not identify any significant problems with erroneous payments, it recognized the importance of maintaining adequate internal controls. The Performance and Accountability Report (PAR) section, Improper Payments Information Act of 2002 (IPIA), and the Appendix C on the IPIA reporting details describe the Department's implementation efforts of this act along with the results of the Department's reviews.

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

- 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 as to the effectiveness of the internal 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 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.
- Continued business process re-engineering to provide optimal service delivery for Accounts Payable through process and data standardization. A Department-wide working group was established to analyze and make recommendations for optimization using a business process re-engineering case implemented by one bureau during the fiscal year as a starting point.
- Prepared and monitored Corrective Action Plans (CAP) for the reportable condition and management letter comments, and progress was monitored 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 impeded the Department's ability to produce timely and accurate financial statements.
- Held meetings throughout the fiscal year with the Office of the 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 Chief Financial Officer (CFO) with the bureaus' CFOs to discuss financial management issues, including financial statements, OMB Circular 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. This information is also included in the Department's CRS for senior management's review. 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 were also discussed at the bureau CFOs individual monthly meetings.



FINANCIAL MANAGEMENT AND ANALYSIS

- 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 partner's participation, continued improvement is needed in order to reconcile all differences. 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 produces and reports accurate, reliable, and timely financial information.

In FY 2007 and beyond, the Department plans to accomplish the following:

- Continue to enhance the OMB Circular A-123, *Management's Responsibility for Internal Controls*, process and monitor the implementation of the CAP for the 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 and reliable financial information to Department managers and central agencies. This will be achieved through ongoing meetings and workgroups amongst the Department's financial managers and participation in government-wide financial management committees and workgroups.
- Continue to monitor and perform reviews of the Department's progress in preventing improper payments and perform a contract audit recovery review.
- Continue to work with OMB, Treasury Department, and the Government-wide Intragovernmental Subcommittee to improve the intragovernmental reconciliation process.

GRANTS MANAGEMENT

Under the Office of the Chief Financial Officer and Assistant Secretary for Administration (CFO/ASA), the Office of Acquisition Management and Financial Assistance (OAMFA) is responsible for the Department's enterprise-wide grants management policy and oversight.

The Department's focus is to standardize policy and procedures for its grant and cooperative agreement programs, continue to streamline operations while strengthening 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.

The Department is an active participant with the government-wide implementation of Public Law (PL) 106-107 (The Grants Streamlining Initiative) to simplify and automate the grants process, including participation on several related interagency workgroups.

OAMFA coordinates quarterly Departmental Grants Council meetings and works closely with the OIG and 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. An active partner in e-grants initiatives, OAMFA serves on the Grants.gov Executive Board and the Grants Line of Business Taskforce, participating in workgroups and pilot activities. The Department is now fully compliant with Grants.gov, and has revised its Grants and Cooperative Agreements Manual and Standard Grants Terms and Conditions to recognize the emerging growth of electronic government.



FINANCIAL MANAGEMENT AND ANALYSIS

Integral to the Department's effort to move aggressively into the world of e-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's 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. It has demonstrated significant potential for reducing paperwork, increasing accountability, simplifying the application process, and is being considered for enterprise-wide implementation. The Department has taken additional steps to adapt its operational structure and business processes to the streamlined vision of federal grants operation expressed in PL 106-107. The goal is to create a performance-based culture utilizing value-added business processes with maximum use of automation for improved timeliness and quality of service delivery.

OAMFA's responsibility for approval of recipient indirect cost rates continued throughout the fiscal year. Incorporating a significantly higher level of financial review and analysis into the process in FY 2006, OAMFA noted several instances where the new procedures resulted in financial savings to the Department through indirect cost rate adjustments from grantee's rate proposed. As resources permit, OAMFA would like to leverage the results of some indirect cost rate analyses to identify and manage higher risk grantees.

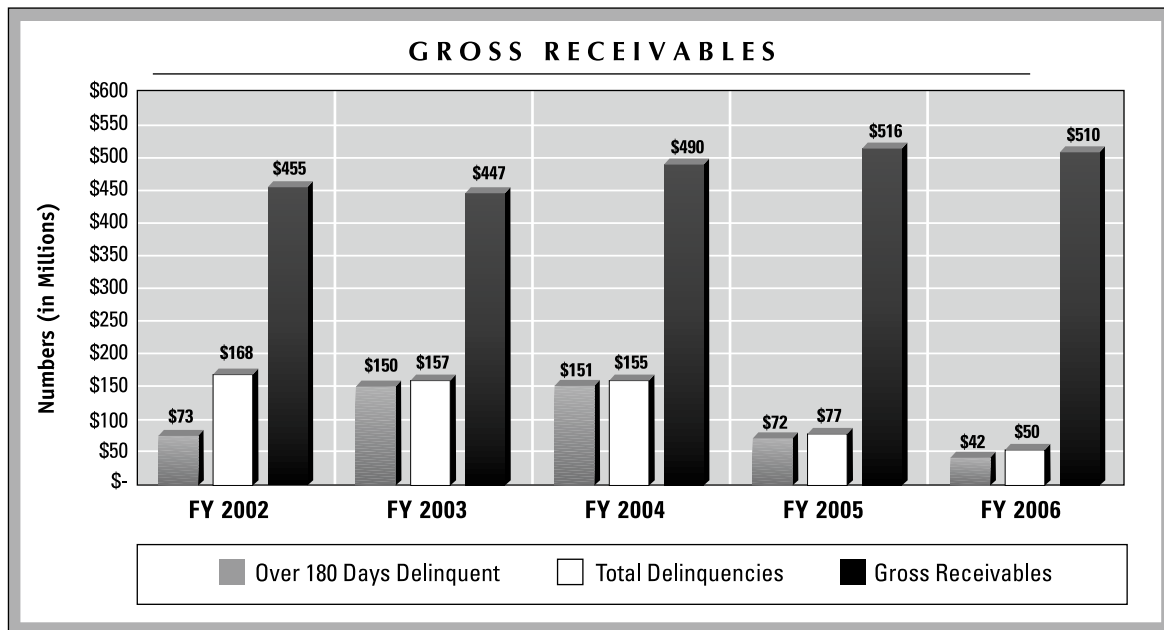
HUMAN CAPITAL

The Department's leadership recognizes 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 FY 2006, the Department offered a two-year career internship program for college level graduates interested in pursuing a career in federal accounting. Candidates participated in finance related training courses and rotational assignments throughout the Department. A second class was selected and will begin their internship program in FY 2007. Department leadership continued its partnership with the National Academy Foundation (NAF) by employing finance interns from local high schools and participating in NAF sponsored events.

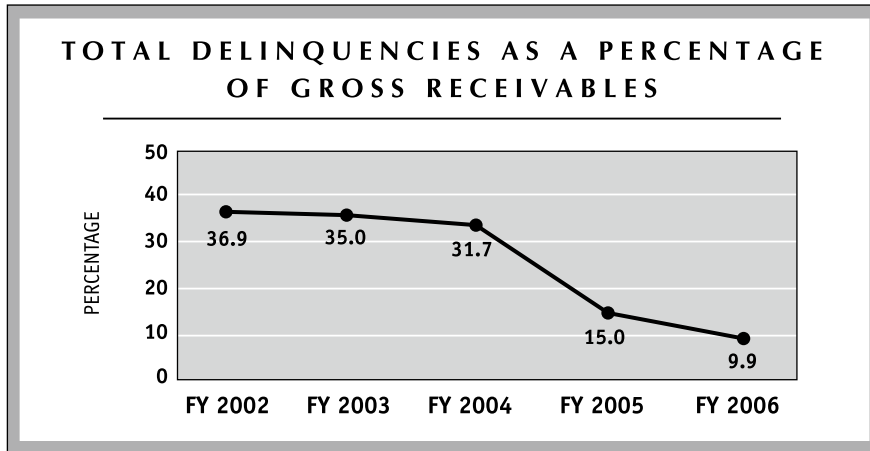
DEBT MANAGEMENT

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.



The Department's gross receivables decreased minimally, from \$516 million at September 30, 2005 to \$510 million at September 30, 2006, 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 decreased significantly from \$72 million at September 30, 2005 to \$42 million at September 30, 2006. This decrease is mainly due to a large collection on a loan receivable, made possible by a liquidation, under bankruptcy, of the borrower's assets. As a result, total delinquencies as a percentage of gross receivables also decreased significantly, from 15.0 percent at September 30, 2005 to 9.9 percent at September 30, 2006.



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 \$11 million in delinquent debt has been referred to Treasury for cross-servicing since FY 2002.

During FY 2001, the issuance of the revised *Federal Claims Collection Standards* and the revised OMB Circular No. 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 notably increased from 93 percent for FY 2005 to 96 percent for FY 2006. 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 2006, on average, to meet OMB's vendor EFT performance goal of 96 percent. The Department's overall EFT percentage remained steady for FY 2006 at 98 percent. The Department believes its continued efforts to implement new or improved business processes will lead to further increases in vendor EFT percentages.

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

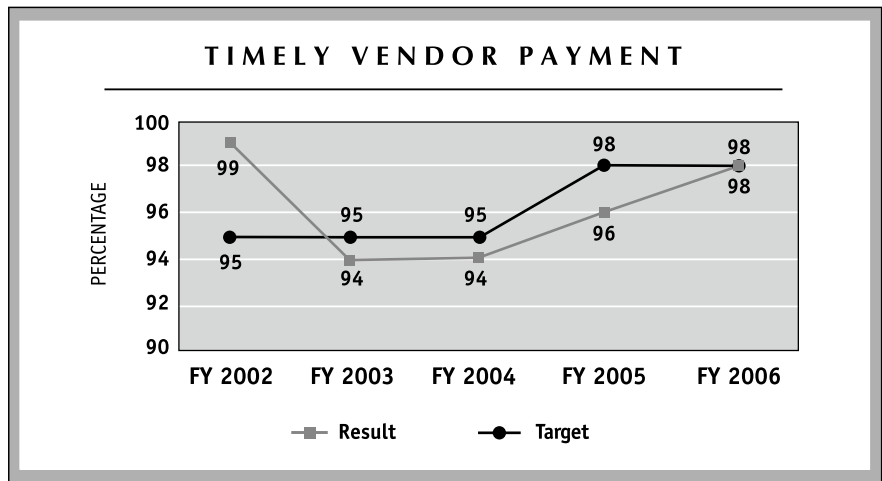
Payment Category	EFT Percentage		Total Volume (Actual Number of Transactions — EFT and Non-EFT)	
	FY 2006	FY 2005	FY 2006	FY 2005
Retirement Benefits	100%	100%	4,529	4,518
Salary	99%	99%	1,255,431	1,166,610
Vendor	96%	93%	364,872	327,525
Overall	98%	98%	1,624,832	1,498,653

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 five fiscal years, in the number of bankcards in use, from 6,405 at September 30, 2001 to 5,965 at September 30, 2006. The Department's emphasis on EFT-compliant payment methods has contributed to an overall increase, over the past five fiscal years, in bankcard purchases, from \$131.6 million at September 30, 2001 to \$158.1 million at September 30, 2006. The Department continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper. As of September 30, 2006, the Department had an overall zero percent bankcard delinquency rate.

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 further improved its prompt payment performance from 96 percent for FY 2005 to 98 percent for FY 2006. Furthermore, the number of invoices with late-payment interest

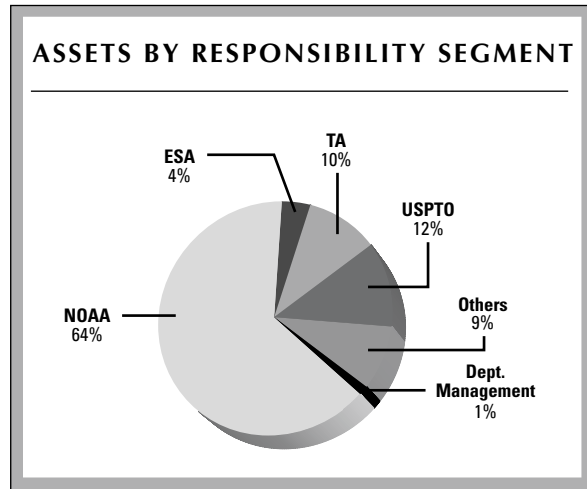
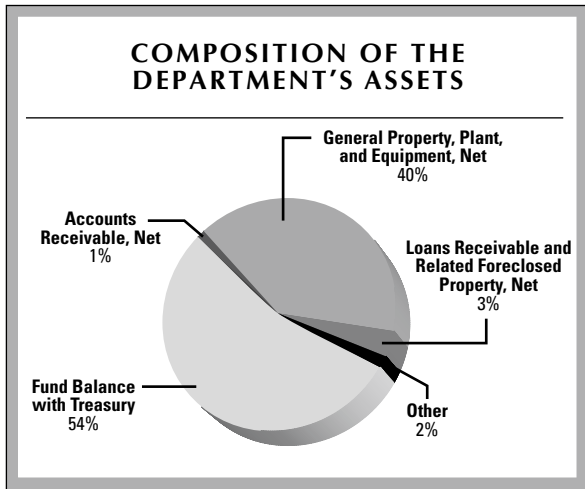
penalties decreased significantly, from 8,974 in FY 2005 to 5,740 in FY 2006. Throughout FY 2006, the Department, on average, met OMB's prompt payment performance goal of 98 percent. The Department continues to focus on improving its prompt payment percentage by working closely with its bureaus to identify opportunities for new or improved business processes.

ANALYSIS OF FY 2006 FINANCIAL CONDITION AND RESULTS

Composition of Assets and Assets by Responsibility Segment

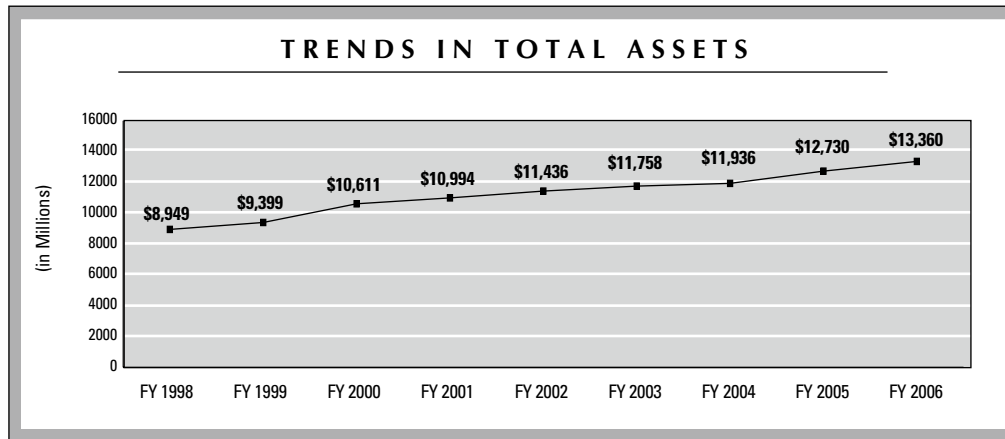
The composition (by percentage) and distribution (by responsibility segment) of the Department's assets remained consistent from FY 2005 to FY 2006.

Total assets amounted to \$13.36 billion at September 30, 2006. Fund Balance with Treasury of \$7.23 billion is the aggregate amount of funds available to make authorized expenditures and pay liabilities. General Property, Plant, and Equipment (General PP&E), Net of Accumulated Depreciation of \$5.30 billion includes \$3.47 billion of Construction-in-progress, primarily of satellites and weather measuring and monitoring systems; \$556 million of satellites and weather systems; \$711 million of structures, facilities, and leasehold improvements; and \$565 million of other General PP&E. Loans Receivable and Related Foreclosed Property, Net of \$468 million primarily relates to the National Oceanic and Atmospheric Administration's (NOAA) direct loan programs. Accounts Receivable, Net of \$146 million resulted primarily when the Department performed reimbursable services or sold goods. Other Assets of \$215 million primarily includes Inventory, Materials, and Supplies, Net of \$96 million, and Advances and Prepayments of \$105 million.



Trends in Assets

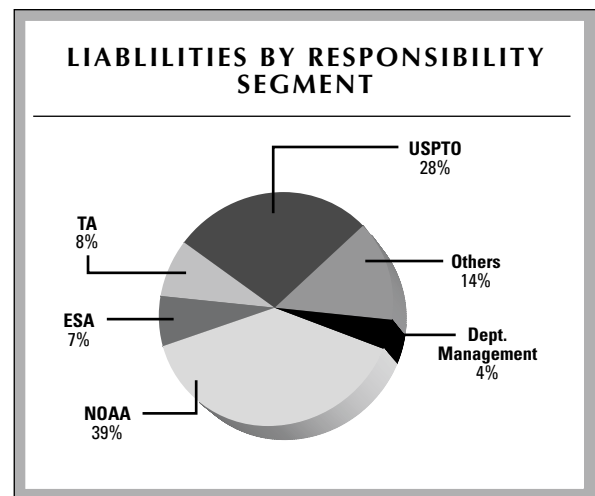
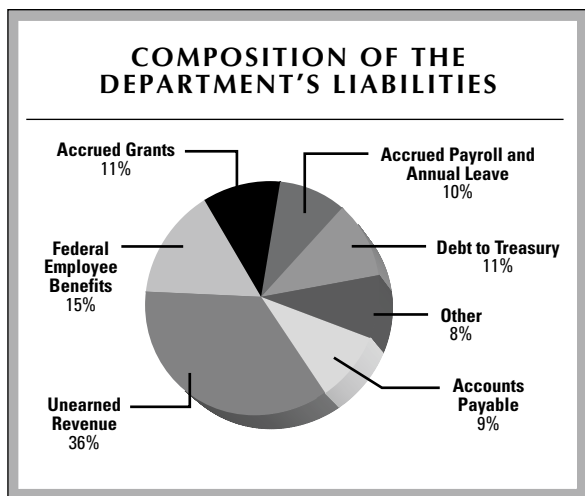
Total Assets increased \$630 million or five percent, from \$12.73 billion at September 30, 2005 to \$13.36 billion at September 30, 2006. Fund Balance with Treasury increased \$191 million or three percent, from \$7.04 billion to \$7.23 billion, which primarily resulted from Appropriations Received, net of reductions, increasing by \$293 million or five percent. General PP&E increased \$371 million or eight percent, from \$4.93 billion to \$5.30 billion, mainly due to an increase in NOAA's Construction-in-progress, primarily for satellites. Loans Receivable and Related Foreclosed Property, Net increased \$50 million or 12 percent, from \$418 million to \$468 million, primarily due to NOAA's Fisheries Finance Traditional Loans.

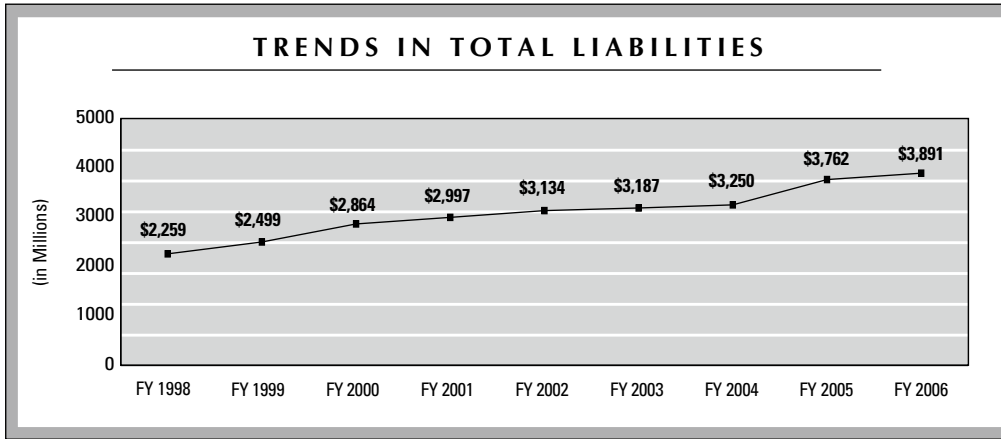


Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities also remained consistent from FY 2005 to FY 2006.

Total liabilities amounted to \$3.89 billion at September 30, 2006. Unearned Revenue of \$1.39 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 of \$590 million is composed of the actuarial present value of projected benefits for the NOAA Corps Retirement System (\$371 million) and the NOAA Corps Post-retirement Health Benefits (\$49 million), and Actuarial Federal Employees Compensation Act (FECA) Liability (\$170 million), which represents the liability for future workers' compensation benefits. Accounts Payable of \$364 million consists primarily of amounts owed for goods, services, or capitalized assets received; progress on contract performance by others; and other expenses due. Accrued Grants of \$421 million, which relates to a diverse array of financial assistance programs and projects, includes the Economic Development Administration's (EDA) accrued grants of \$276 million for their economic development and assistance funding to state and local governments. Debt to Treasury of \$422 million consists of monies borrowed primarily for NOAA's direct loan programs. Accrued Payroll and Annual Leave of \$370 million includes salaries and wages earned by employees, but not disbursed as of September 30. Other Liabilities of \$334 million primarily includes Downward Subsidy Reestimates Payable to Treasury of \$31 million, Loan Guarantee Liabilities of \$74 million, Environmental and Disposal Liabilities of \$75 million, and Resources Payable to Treasury of \$35 million.





Trends in Liabilities

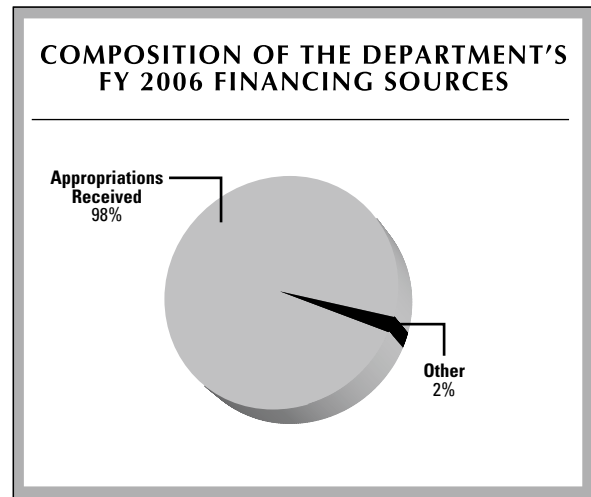
Total Liabilities increased \$129 million or three percent, from \$3.76 billion at September 30, 2005 to \$3.89 billion at September 30, 2006. Unearned Revenue increased \$103 million or eight percent, from \$1.29 billion to \$1.39 billion, primarily due to increased unearned revenue from patent and trademark application and user fees that are pending action. Debt to Treasury increased \$64 million or 18 percent, from \$358 million to \$422 million, mainly due to net borrowings in FY 2006 of \$60 million for NOAA's direct loan programs. Accounts Payable decreased \$36 million or nine percent, from \$400 million to \$364 million, primarily due to NOAA's implementation of Central Contractor Registry in FY 2006.

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. Other typical Financing Sources include net transfers to and from other federal agencies without reimbursement, imputed financing sources from costs absorbed by other federal agencies, and Downward Subsidy Reestimates Payable to Treasury (a negative Financing Source).

The composition (by percentage) of the Department's financing sources remained consistent from FY 2005 to FY 2006.

Total Financing Sources increased \$334 million or five percent, from \$6.59 billion for FY 2005 to \$6.93 billion for FY 2006. Appropriations Received, net of reductions, increased by \$293 million or five percent. Other Financing Sources increased by \$37 million from \$110 million at September 30, 2005 to \$147 million at September 30, 2006.



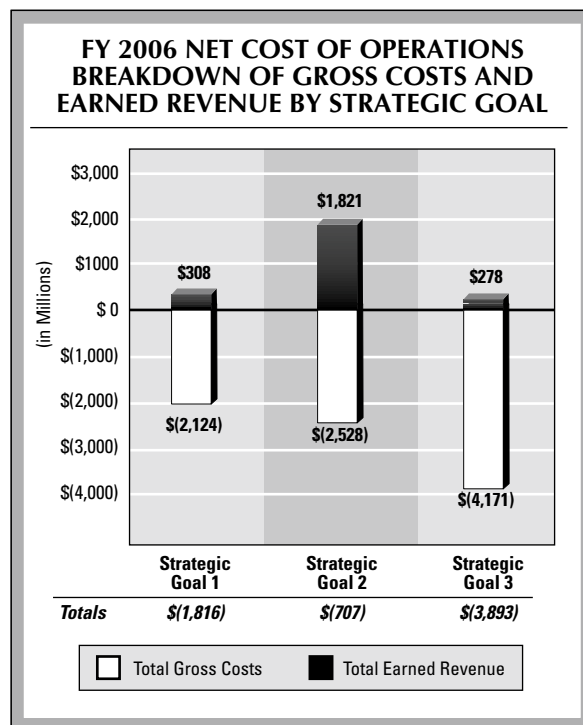
FY 2006 Net Cost of Operations by Strategic Goal

In FY 2006, Net Cost of Operations amounted to \$6.42 billion, which consists of Gross Costs of \$8.83 billion less Earned Revenue of \$2.41 billion.

Strategic Goal 1, Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers, includes Net Program Costs of \$844 million (Gross Costs of \$1.10 billion less Earned Revenue of \$253 million) for 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 \$418 million (Gross Costs of \$431 million less Earned Revenue of \$13 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. Strategic Goal 1 also includes Net Program Costs of \$346 million (Gross Costs of \$362 million less Earned Revenue of \$16 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 closure of military installations and other federal facilities, changing trade patterns, and the depletion of natural resources.

Strategic Goal 2, Foster Science and Technological Leadership by Protecting Intellectual Property (IP), Enhancing Technical Standards, and Advancing Measurement Science, includes Net Program Costs of \$(49) million (Gross Costs of \$1.34 billion less Earned Revenue of \$1.38 billion) for the U.S. Patent and Trademark Office's (USPTO) patents program, 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 \$482 million (Gross Costs of \$593 million less Earned Revenue of \$111 million) for the National Institute of Standards and Technology's (NIST) 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, Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship, includes Net Program Costs of \$1.31 billion (Gross Costs of \$1.43 billion less Earned Revenue of \$122 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.



FINANCIAL MANAGEMENT AND ANALYSIS

PRINCIPAL FINANCIAL STATEMENTS



**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2006 and 2005 (In Thousands)**

	FY 2006	FY 2005
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 7,231,997	\$ 7,041,269
Accounts Receivable (Note 3)	95,745	58,794
Other - Advances and Prepayments	3,969	11,691
Total Intragovernmental	7,331,711	7,111,754
Cash (Note 4)	7,482	9,640
Accounts Receivable, Net (Note 3)	50,161	67,960
Loans Receivable and Related Foreclosed Property, Net (Note 5)	467,985	417,509
Inventory, Materials, and Supplies, Net (Note 6)	95,914	96,645
General Property, Plant, and Equipment, Net (Note 7)	5,299,093	4,927,707
Other (Note 8)	108,072	98,961
TOTAL ASSETS	\$ 13,360,418	\$ 12,730,176
Stewardship, Property, Plant, and Equipment (Note 22)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 74,010	\$ 68,850
Debt to Treasury (Note 10)	422,071	357,581
Other		
Resources Payable to Treasury	35,484	43,864
Unearned Revenue	453,697	429,932
Other (Note 11)	96,391	165,757
Total Intragovernmental	1,081,653	1,065,984
Accounts Payable	290,240	331,107
Loan Guarantee Liabilities	73,675	81,812
Federal Employee Benefits (Note 12)	589,964	569,114
Environmental and Disposal Liabilities (Note 13)	74,880	73,311
Other		
Accrued Payroll and Annual Leave	370,240	351,698
Accrued Grants	420,588	388,679
Capital Lease Liabilities (Note 14)	16,568	18,563
Unearned Revenue	936,587	857,817
Other (Note 11)	36,521	23,904
TOTAL LIABILITIES	\$ 3,890,916	\$ 3,761,989
Commitments and Contingencies (Notes 5, 14, and 16)		
NET POSITION		
Unexpended Appropriations		\$ 4,238,321
Unexpended Appropriations - Earmarked Funds (Note 21)	\$ 27	
Unexpended Appropriations - Other Funds	4,306,394	
Cumulative Results of Operations		4,729,866
Cumulative Results of Operations - Earmarked Funds (Note 21)	620,980	
Cumulative Results of Operations - Other Funds	4,542,101	
TOTAL NET POSITION	\$ 9,469,502	\$ 8,968,187
TOTAL LIABILITIES AND NET POSITION	\$ 13,360,418	\$ 12,730,176

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, 2006 and 2005 (Note 17) (In Thousands)**

	FY 2006	FY 2005
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers		
Gross Costs	\$ 2,124,582	\$ 1,977,218
Less: Earned Revenue	(308,300)	(304,713)
Net Program Costs	1,816,282	1,672,505
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science		
Gross Costs	2,528,674	2,511,999
Less: Earned Revenue	(1,821,454)	(1,580,492)
Net Program Costs	707,220	931,507
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship		
Gross Costs	4,171,133	3,949,089
Less: Earned Revenue	(277,747)	(240,973)
Net Program Costs	3,893,386	3,708,116
NET COST OF OPERATIONS	\$ 6,416,888	\$ 6,312,128

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, 2006 and 2005 (In Thousands)**

	FY 2006		FY 2005	
	Earmarked Funds	All Other Funds	Consolidated Total	Consolidated Total
Cumulative Results Of Operations:				
Beginning Balance	\$ 537,757	\$ 4,192,109	\$ 4,729,866	\$ 4,476,797
Budgetary Financing Sources:				
Appropriations Used	-	6,599,730	6,599,730	6,378,707
Non-exchange Revenue	15,521	-	15,521	5,000
Donations and Forfeitures of Cash and Cash Equivalents	-	515	515	12,127
Transfers In/(Out) Without Reimbursement, Net	19,440	72,184	91,624	88,745
Other Budgetary Financing Sources/(Uses), Net	-	820	820	626
Other Financing Sources (Non-exchange):				
Transfers In/(Out) Without Reimbursement, Net	(350)	2,039	1,689	976
Imputed Financing Sources from Cost Absorbed by Others	1,155	188,023	189,178	199,423
Downward Subsidy Reestimates Payable to Treasury	-	(31,447)	(31,447)	(107,587)
Other Financing Sources/(Uses), Net	7,935	(25,462)	(17,527)	(12,820)
Total Financing Sources	43,701	6,806,402	6,850,103	6,565,197
Net Cost of Operations	39,522	(6,456,410)	(6,416,888)	(6,312,128)
Net Change	83,223	349,992	433,215	253,069
Cumulative Results of Operations	620,980	4,542,101	5,163,081	4,729,866
Unexpended Appropriations:				
Beginning Balance	27	4,238,294	4,238,321	4,209,311
Budgetary Financing Sources:				
Appropriations Received	-	6,771,140	6,771,140	6,484,353
Appropriations Transferred In/(Out), Net	-	22,366	22,366	22,625
Other Adjustments (Note 18)	-	(125,676)	(125,676)	(99,261)
Appropriations Used	-	(6,599,730)	(6,599,730)	(6,378,707)
Total Budgetary Financing Sources	-	68,100	68,100	29,010
Unexpended Appropriations	27	4,306,394	4,306,421	4,238,321
NET POSITION	\$ 621,007	\$ 8,848,495	\$ 9,469,502	\$ 8,968,187

The accompanying notes are an integral part of these statements.

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2006 and 2005 (Note 18) (In Thousands)

	FY 2006		FY 2005	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	\$ 739,626	\$ 153,108	\$ 730,102	\$ 188,495
Adjustments to Unobligated Balance, Brought Forward	(528)	-	(1,223)	-
Recoveries of Prior-years Unpaid Obligations	106,597	5,807	101,506	11,118
Budget Authority				
Appropriations	6,788,085	13	6,496,389	-
Borrowing Authority	-	171,224	-	105,592
Spending Authority From Offsetting Collections				
Earned				
Collected	3,003,538	73,438	2,723,025	167,047
Change in Receivables	14,787	-	(34,695)	-
Change in Unfilled Customer Orders				
Advances Received	126,971	-	217,431	-
Without Advances	46,229	698	20,887	(6,568)
Previously Unavailable	1,627	-	1,362	-
Total Budget Authority	9,981,237	245,373	9,424,399	266,071
Nonexpenditure Transfers, Net	110,129	-	95,239	-
Temporarily Not Available Pursuant to Public Law	-	-	(32,055)	-
Permanently Not Available	(126,837)	(39,530)	(103,860)	(182,249)
TOTAL BUDGETARY RESOURCES	\$ 10,810,224	\$ 364,758	\$ 10,214,108	\$ 283,435
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred				
Direct	\$ 7,119,851	\$ 189,104	\$ 6,764,628	\$ 123,944
Reimbursable	2,890,679	88,927	2,709,854	6,383
Total Obligations Incurred	10,010,530	278,031	9,474,482	130,327
Unobligated Balance				
Apportioned	475,201	993	400,058	518
Exempt From Apportionment	270,977	-	274,378	-
Total Unobligated Balance	746,178	993	674,436	518
Unobligated Balance Not Available	53,516	85,734	65,190	152,590
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 10,810,224	\$ 364,758	\$ 10,214,108	\$ 283,435
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligated Balance, Net, Brought Forward, October 1				
Unpaid Obligations, Brought Forward	\$ 5,502,764	\$ 185,665	\$ 5,255,455	\$ 237,808
Less: Uncollected Customer Payments, Brought Forward	(251,931)	(392)	(265,738)	(6,961)
Total Unpaid Obligated Balance, Net, Brought Forward	5,250,833	185,273	4,989,717	230,847
Adjustments to Unpaid Obligations, Brought Forward	1,773	-	1,172	-
Obligations Incurred	10,010,530	278,031	9,474,482	130,327
Less: Gross Outlays	(9,645,197)	(211,988)	(9,126,840)	(171,351)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(106,597)	(5,807)	(101,506)	(11,118)
Change in Uncollected Customer Payments	(61,016)	(698)	13,808	6,568
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 5,450,326	\$ 244,811	\$ 5,250,833	\$ 185,273
Unpaid Obligated Balance, Net, End of Period				
Unpaid Obligations	\$ 5,763,273	\$ 245,901	\$ 5,502,763	\$ 185,666
Less: Uncollected Customer Payments	(312,947)	(1,090)	(251,930)	(393)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 5,450,326	\$ 244,811	\$ 5,250,833	\$ 185,273
NET OUTLAYS:				
Gross Outlays	\$ 9,645,197	\$ 211,988	\$ 9,126,840	\$ 171,351
Less: Offsetting Collections	(3,130,509)	(73,438)	(2,940,456)	(167,047)
Less: Distributed Offsetting Receipts	(139,872)	-	(17,660)	-
NET OUTLAYS	\$ 6,374,816	\$ 138,550	\$ 6,168,724	\$ 4,304

The accompanying notes are an integral part of these statements.

**United States Department of Commerce Consolidated Statements of Financing
For the Years Ended September 30, 2006 and 2005 (Note 19) (In Thousands)**

	FY 2006	FY 2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 10,288,561	\$ 9,604,809
Less: Spending Authority From Offsetting Collections and Recoveries	(3,379,692)	(3,201,113)
Obligations Net of Offsetting Collections and Recoveries	6,908,869	6,403,696
Less: Distributed Offsetting Receipts	(139,872)	(17,660)
Net Obligations	6,768,997	6,386,036
Other Resources		
Transfers In/(Out) Without Reimbursement, Net	1,689	976
Imputed Financing From Costs Absorbed by Others	189,178	199,423
Downward Subsidy Reestimates Payable to Treasury	(31,447)	(107,587)
Other Financing Sources/(Uses), Net	(17,527)	(12,820)
Net Other Resources Used to Finance Activities	141,893	79,992
Total Resources Used to Finance Activities	6,910,890	6,466,028
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	(344,059)	(117,718)
Resources that Fund Expenses Recognized in Prior Periods	(29,055)	(28,911)
Budgetary Obligation for Downward Subsidy Reestimates Payable to Treasury	(87,264)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting Receipts	139,872	17,660
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	49,353	154,759
Budgetary Financing Sources/(Uses), Net	11,615	(13,855)
Resources that Finance the Acquisition of Assets	(991,262)	(1,053,321)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	173,898	231,750
Transfers In/(Out) Without Reimbursement, Net	(1,689)	(976)
Downward Subsidy Reestimates Payable to Treasury	31,447	107,587
Other Financing Sources/(Uses), Net	17,527	12,820
Other	-	(986)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(1,029,617)	(691,191)
Total Resources Used to Finance Net Cost of Operations	5,881,273	5,774,837
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	6,841	8,365
Increases in NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability	24,100	17,200
Increase (Decrease) in Contingent Liabilities	9,680	(19,403)
Reestimates of Credit Subsidy Expense	(7,308)	(110,845)
Other	6,179	(2,868)
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	39,492	(107,551)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	439,774	514,592
Expenses Related to Resources Recognized in Prior Periods	-	59,065
NOAA Issuances of Materials and Supplies	15,063	61,487
Revaluation of Assets or Liabilities	49,995	2,964
Other	(8,709)	6,734
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	496,123	644,842
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	535,615	537,291
NET COST OF OPERATIONS	\$ 6,416,888	\$ 6,312,128

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 13 bureaus, the Emergency Oil and Gas and Steel Loan Guarantee Programs, the National Intellectual Property Law Enforcement Coordination Council, and Departmental Management.

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

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

- Departmental Management (DM)
 - Franchise Fund
 - Gifts and Bequests (G&B)
 - 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 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.

C *Earmarked Funds*

The Department implemented SFFAS 27, *Identifying and Reporting Earmarked Funds*, in FY 2006, which required separate identification of the earmarked funds on the *Consolidated Balance Sheets (Net Position section)*, *Consolidated Statements of Changes in Net Position*, and further disclosures in a footnote.

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 trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 21, Earmarked Funds.)

In accordance with the SFFAS 27 implementation guidance, earmarked funds are not separately identified in FY 2005.

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* and the *Consolidated Statements of Net Cost*. There are no intra-Departmental eliminations for the *Consolidated Statements of Changes in Net Position* and the *Consolidated Statements of Financing*. 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 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.

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.

1 **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.

1 **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



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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. 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 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.

M *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 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, and Crab Buyback Loans. 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.

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



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(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 economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. 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 \$69.9 million. This estimated 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.

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.

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.

0 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 Costs Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for by funds appropriated to other federal entities. For example, pension benefits for most Department employees are paid for by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. OMB 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 Costs 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.

① 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 Costs 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 (FY 2006 and 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 2006 and FY 2005, 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, 2006, included 291 active duty officers, 319 nondisability retiree annuitants, 19 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 2006, FERS and CSRS covered employees will have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for the year may not exceed the IRS limit of \$15,000. 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 amount limits.



NOTES TO THE FINANCIAL STATEMENTS

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 benefits for covered employees as an Imputed Cost and an Imputed Financing Source From Costs 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 (FGLI) Program: Most Department employees are entitled to participate in the FGLI 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 Costs 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:

	<u>FY 2006</u>	<u>FY 2005</u>
General Funds	\$ 6,161,808	\$ 5,926,327
Revolving Funds	680,172	735,344
Special Fund (Patent and Trademark Surcharge Fund)	233,529	233,529
Other Special Funds	44,806	43,223
Deposit Funds	99,520	88,856
Trust Funds	1,125	1,303
Other Fund Types	11,037	12,687
Total	<u>\$ 7,231,997</u>	<u>\$ 7,041,269</u>

Status of Fund Balance with Treasury is as follows:

	<u>FY 2006</u>	<u>FY 2005</u>
Temporarily Not Available Pursuant to Public Law	\$ 545,582	\$ 547,232
Unobligated Balance		
Available	747,171	674,954
Unavailable	138,860	216,611
Obligated Balance Not Yet Disbursed	5,455,597	5,265,046
Non-budgetary	344,787	337,426
Total	<u>\$ 7,231,997</u>	<u>\$ 7,041,269</u>

See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2006 and FY 2005.

NOTE 3. ACCOUNTS RECEIVABLE, NET

FY 2006			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 95,745	\$ -	\$ 95,745
With the Public	\$ 59,561	\$ (9,400)	\$ 50,161
FY 2005			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 58,794	\$ -	\$ 58,794
With the Public	\$ 82,726	\$ (14,766)	\$ 67,960

NOTE 4. CASH

	FY 2006	FY 2005
Cash Not Yet Deposited with Treasury	\$ 6,990	\$ 8,998
Imprest Funds	412	340
Other Cash	80	302
Total	\$ 7,482	\$ 9,640

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. Other Cash represents monies held in a trust account obtained through the foreclosure of a NOAA direct loan.

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 ¹
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, 2006.

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:

	<u>FY 2006</u>	<u>FY 2005</u>
Direct Loans Obligated Prior to FY 1992	\$ 36,812	\$ 44,619
Direct Loans Obligated After FY 1991	417,202	345,218
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	23
Defaulted Guaranteed Loans from Post-FY 1991 Guarantees	13,967	27,649
Total	<u>\$ 467,985</u>	<u>\$ 417,509</u>

NOTES TO THE FINANCIAL STATEMENTS

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2006				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 21,752	\$ 4,734	\$ (21,060)	\$ 5,426
Drought Loan Portfolio	20,883	257	(211)	20,929
Economic Development Revolving Fund	10,469	93	(105)	10,457
Fisheries Loan Fund	474	40	(514)	-
Total	\$ 53,578	\$ 5,124	\$ (21,890)	\$ 36,812

FY 2005				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 22,145	\$ 7,686	\$ (24,093)	\$ 5,738
Drought Loan Portfolio	26,504	453	(270)	26,687
Economic Development Revolving Fund	12,204	113	(123)	12,194
Fisheries Loan Fund	912	91	(1,003)	-
Total	\$ 61,765	\$ 8,343	\$ (25,489)	\$ 44,619

Direct Loans Obligated After FY 1991 consist of:

FY 2006				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	\$ 57,969	\$ 11	\$ 5,632	\$ 63,612
Crab Buyback Loans	97,162	3,136	27,936	128,234
Fisheries Finance IFQ Loans	16,954	158	2,798	19,910
Fisheries Finance Traditional Loans	133,498	841	21,017	155,356
Fisheries Finance Tuna Fleet Loans	11,204	99	1,443	12,746
Pacific Groundfish Buyback Loans	35,609	1,158	577	37,344
Total	\$ 352,396	\$ 5,403	\$ 59,403	\$ 417,202

FY 2005				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Bering Sea Pollock Fishery Buyback	\$ 61,980	\$ 48	\$ 6,336	\$ 68,364
Crab Buyback Loans	97,399	3,578	18,064	119,041
Fisheries Finance IFQ Loans	15,891	172	2,577	18,640
Fisheries Finance Traditional Loans	76,928	737	9,056	86,721
Fisheries Finance Tuna Fleet Loans	13,889	118	1,617	15,624
Pacific Groundfish Buyback Loans	35,663	1,226	(61)	36,828
Total	\$ 301,750	\$ 5,879	\$ 37,589	\$ 345,218

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

Direct Loan Program	FY 2006	FY 2005
Crab Buyback Loans	\$ -	\$ 97,399
Fisheries Finance IFQ Loans	3,155	3,058
Fisheries Finance Traditional Loans	67,816	31,176
Total	\$ 70,971	\$ 131,633

Subsidy Expense for Direct Loans by Program and Component:

Subsidy Expense for New Disbursements of Direct Loans:

FY 2006

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (641)	\$ 21	\$ (22)	\$ 216	\$ (426)
Fisheries Finance Traditional Loans	(9,761)	613	(466)	3,577	(6,037)
Total	\$ (10,402)	\$ 634	\$ (488)	\$ 3,793	\$ (6,463)

FY 2005

Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Crab Buyback Loans	\$ (22,665)	\$ 18,185	\$ -	\$ -	\$ (4,480)
Fisheries Finance IFQ Loans	(696)	54	(21)	157	(506)
Fisheries Finance Traditional Loans	(4,605)	384	(216)	1,974	(2,463)
Total	\$ (27,966)	\$ 18,623	\$ (237)	\$ 2,131	\$ (7,449)

Modifications and Reestimates:

FY 2006

Direct Loan Program	Total Modifications
Bering Sea Pollock Fishery Buyback	\$ -
Crab Buyback Loans	-
Fisheries Finance IFQ Loans	-
Fisheries Finance Traditional Loans	-
Fisheries Finance Tuna Fleet Loans	-
Pacific Groundfish Buyback Loans	-
Total	\$ -

FY 2006

Interest Rate Reestimates	Technical Reestimates	Total Reestimates
\$ -	\$ 228	\$ 228
-	(6,437)	(6,437)
-	(66)	(66)
(460)	(7,289)	(7,749)
-	(28)	(28)
-	(1,683)	(1,683)
\$ (460)	\$ (15,275)	\$ (15,735)

FY 2005

Direct Loan Program	Total Modifications
Bering Sea Pollock Fishery Buyback	\$ -
Crab Buyback Loans	-
Fisheries Finance IFQ Loans	-
Fisheries Finance Traditional Loans	-
Fisheries Finance Tuna Fleet Loans	-
Pacific Groundfish Buyback Loans	-
Total	\$ -

FY 2005

Interest Rate Reestimates	Technical Reestimates	Total Reestimates
\$ -	\$ 1,396	\$ 1,396
(7,110)	(7,275)	(14,385)
(144)	333	189
(24)	252	228
-	1,677	1,677
-	(616)	(616)
\$ (7,278)	\$ (4,233)	\$ (11,511)

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2006	FY 2005
Bering Sea Pollock Fishery Buyback	\$ 228	\$ 1,396
Crab Buyback Loans	(6,437)	(18,865)
Fisheries Finance IFQ Loans	(492)	(317)
Fisheries Finance Traditional Loans	(13,786)	(2,235)
Fisheries Finance Tuna Fleet Loans	(28)	1,677
Pacific Groundfish Buyback Loans	(1,683)	(616)
Total	\$ (22,198)	\$ (18,960)

Subsidy Rates for Direct Loans by Program and Component:

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

FY 2006					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Bering Sea and Aleutian Islands Non-Pollock Buyback Loan	- %	- %	- %	1.00 %	1.00 %
Fisheries Finance IFQ Loans	(18.88) %	0.37 %	(0.71) %	7.34 %	(11.88) %
Fisheries Finance Traditional Loans	(12.10) %	0.23 %	(0.70) %	4.50 %	(8.07) %
FY 2005					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Federal Gulf of Mexico Reef Fish Buyback Loans	(29.89) %	31.17 %	- %	- %	1.28 %
Fisheries Finance IFQ Loans	(24.91) %	0.48 %	(0.73) %	6.71 %	(18.45) %
Fisheries Finance Traditional Loans	(15.26) %	0.30 %	(0.65) %	1.90 %	(13.71) %

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>FY 2006</u>	<u>FY 2005</u>
Beginning Balance of the Allowance for Subsidy Cost	\$ 37,589	\$ 19,668
Add Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:		
Interest Rate Differential Costs	10,402	27,966
Default Costs (Net of Recoveries)	(634)	(18,623)
Fees and Other Collections	488	237
Other Subsidy Costs	(3,793)	(2,131)
Total of the above Subsidy Expense Components	<u>6,463</u>	<u>7,449</u>
Adjustments:		
Fees Received	(359)	(256)
Subsidy Allowance Amortization	(3,075)	(783)
Other	3,050	-
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	<u>43,668</u>	<u>26,078</u>
Add or Subtract Subsidy Reestimates by Component:		
Interest Rate Reestimates	460	7,278
Technical/Default Reestimates	15,275	4,233
Total of the above Reestimate Components	<u>15,735</u>	<u>11,511</u>
Ending Balance of the Allowance for Subsidy Cost	<u><u>\$ 59,403</u></u>	<u><u>\$ 37,589</u></u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2006					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 12,537	\$ 5	\$ -	\$ (12,538)	\$ 4
FY 2005					
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 17,211	\$ 14	\$ 14	\$ (17,216)	\$ 23

Defaulted Guaranteed Loans from Post-FY 1991 Guarantees:

FY 2006

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
Emergency Steel Loan Guarantee Program	\$ 500	\$ 38	\$ -	\$ 2,218	\$ 2,756
FVOG Program	15,446	1,254	3,031	(8,520)	11,211
Total	\$ 15,946	\$ 1,292	\$ 3,031	\$ (6,302)	\$ 13,967

FY 2005

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
Emergency Steel Loan Guarantee Program	\$ 18,896	\$ 547	\$ -	\$ 1,339	\$ 20,782
FVOG Program	11,599	1,254	2,970	(8,956)	6,867
Total	\$ 30,495	\$ 1,801	\$ 2,970	\$ (7,617)	\$ 27,649

Loan Guarantees:

Guaranteed Loans Outstanding:

Outstanding non-acquired guaranteed loans as of September 30, 2006 and 2005, which are not reflected in the financial statements, are as follows:

Loan Guarantee Program	FY 2006		FY 2005	
	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	\$ 199,900	\$ 175,912	\$ 242,435	\$ 212,817
FVOG Program	17,106	17,106	32,366	32,366
Total	\$ 217,006	\$ 193,018	\$ 274,801	\$ 245,183

NOTES TO THE FINANCIAL STATEMENTS

New Guaranteed Loans Disbursed:

Loan Guarantee Program	FY 2006		FY 2005	
	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	\$ -	\$ -	\$ 24,536	\$ 21,591

Loan Guarantee Liabilities:

Loan Guarantee Program	FY 2006	FY 2005
	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value	Loan Guarantee Liabilities for Post-FY 1991 Guarantees, Present Value
Emergency Oil and Gas Loan Guarantee Program	\$ 245	\$ 294
Emergency Steel Loan Guarantee Program	67,652	78,347
FVOG Program	5,778	3,171
Total	\$ 73,675	\$ 81,812

Subsidy Expense for Loan Guarantees by Program and Component:

Subsidy Expense for New Loan Guarantees Disbursed:

FY 2006

As there were no new loan guarantees disbursed in FY 2006, there is not any related subsidy expense.

FY 2005

Loan Guarantee Program	Interest Supplements	Defaults	Fees and Other Collections	Total
Emergency Steel Loan Guarantee Program	\$ -	\$ 7,368	\$ (123)	\$ 7,245

Modifications and Reestimates:

FY 2006		FY 2006		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (64)	\$ (64)
Emergency Steel Loan Guarantee Program	(12)	-	(13,598)	(13,598)
FVOG Program	-	-	2,332	2,332
Total	\$ (12)	\$ -	\$ (11,330)	\$ (11,330)

FY 2005		FY 2005		
Loan Guarantee Program	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Emergency Oil and Gas Loan Guarantee Program	\$ -	\$ -	\$ (814)	\$ (814)
Emergency Steel Loan Guarantee Program	1,348	-	(87,264)	(87,264)
FVOG Program	-	-	523	523
Total	\$ 1,348	\$ -	\$ (87,555) ¹	\$ (87,555)

¹ Of this amount, \$(84.8) million represents downward subsidy reestimates for defaulted guaranteed loan receivables, and \$(2.8) million is the total downward subsidy reestimates for loan guarantee liabilities.

Total Loan Guarantee Subsidy Expense:

Loan Guarantee Program	FY 2006	FY 2005
Emergency Oil and Gas Loan Guarantee Program	\$ (64)	\$ (814)
Emergency Steel Loan Guarantee Program	(13,610)	(78,671)
FVOG Program	2,332	523
Total	\$ (11,342)	\$ (78,962)

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 2006 and FY 2005.

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

	FY 2006	FY 2005
Beginning Balance of Loan Guarantee Liabilities	\$ 81,812	\$ 73,645
Add Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:		
Default Costs (Net of Recoveries)	-	7,368
Fees and Other Collections	-	(123)
Total of the above Subsidy Expense Components	-	7,245
Adjustments:		
Loan Guarantee Modifications	(12)	1,348
Fees Received	204	198
Interest Accumulation on the Liabilities Balance	3,103	1,004
Other	1	1,127
Ending Balance of Loan Guarantee Liabilities Before Reestimates	85,108	84,567
Add or Subtract Subsidy Reestimates by Component:		
Technical/Default Reestimates	(11,433)	(2,755)
Total of the above Reestimate Components	(11,433)	(2,755)
Ending Balance of Loan Guarantee Liabilities	\$ 73,675	\$ 81,812

Administrative Expenses:

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

Direct Loan Program	FY 2006	FY 2005
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 1,248	\$ 892
NOAA Direct Loan Programs	3,159	2,863
Total	\$ 4,407	\$ 3,755
Loan Guarantee Program	FY 2006	FY 2005
Emergency Oil and Gas Loan Guarantee Program	\$ (13)	\$ 23
Emergency Steel Loan Guarantee Program	119	253
FVOG Program	389	318
Total	\$ 495	\$ 594

NOTE 6. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2006	FY 2005
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	First-in, first-out	\$ 19,805	\$ 22,853
Other	Various	1,022	1,060
Allowance for Excess, Obsolete, and Unserviceable Items		(314)	(317)
Total Inventory, Net		20,513	23,596
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	\$ 50,722	\$ 48,992
NOAA's National Reconditioning Center	Weighted-average	43,649	39,529
Other	Various	2,157	2,135
Allowance for Excess, Obsolete, and Unserviceable Items		(21,127)	(17,607)
Total Materials and Supplies, Net		75,401	73,049
Total		\$ 95,914	\$ 96,645

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 2006				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,349	\$ -	\$ 16,349
Land Improvements	30-40	2,996	(918)	2,078
Structures, Facilities, and Leasehold Improvements	2-60	1,071,948	(361,191)	710,757
Satellites/Weather Systems Personal Property	3-20	4,090,252	(3,534,582)	555,670
Other Personal Property	2-30	1,572,122	(1,037,072)	535,050
Assets Under Capital Lease	3-40	32,831	(21,637)	11,194
Construction-in-progress	N/A	3,467,995	-	3,467,995
Total		\$ 10,254,493	\$ (4,955,400)	\$ 5,299,093

FY 2005				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 15,508	\$ -	\$ 15,508
Land Improvements	30-40	2,996	(826)	2,170
Structures, Facilities, and Leasehold Improvements	2-60	1,041,761	(330,970)	710,791
Satellites/Weather Systems Personal Property	3-20	4,170,070	(3,327,652)	842,418
Other Personal Property	2-30	1,449,996	(934,413)	515,583
Assets Under Capital Lease	3-40	56,258	(42,922)	13,336
Construction-in-progress	N/A	2,827,901	-	2,827,901
Total		\$ 9,564,490	\$ (4,636,783)	\$ 4,927,707

NOTE 8. OTHER ASSETS

	<u>FY 2006</u>	<u>FY 2005</u>
With the Public		
Advances and Prepayments	\$ 100,966	\$ 90,297
Notes Receivable	1,843	3,203
Bibliographic Database	5,259	5,423
Other	4	38
Total	<u>\$ 108,072</u>	<u>\$ 98,961</u>

As of September 30, 2006 there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. On September 30, 2005 there were two Notes Receivable with maturity dates ranging from October 2006 to July 2024 and interest rates ranging from 7.0 to 7.25 percent. The balances include accrued interest. These notes are 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 \$50.9 million and \$48.6 million, less accumulated amortization of \$45.6 million and \$43.2 million, for September 30, 2006 and 2005, respectively.

NOTE 9. NON-ENTITY ASSETS

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

	<u>FY 2006</u>	<u>FY 2005</u>
Intragovernmental		
Fund Balance with Treasury	\$ 105,524	\$ 96,699
Total Intragovernmental	<u>105,524</u>	<u>96,699</u>
With the Public		
Cash	571	787
Accounts Receivable, Net	5,216	1,751
Loans Receivable and Related Foreclosed Property, Net - Drought Loan Portfolio	20,929	26,687
Total	<u>\$ 132,240</u>	<u>\$ 125,924</u>

NOTE 10. DEBT TO TREASURY

Loan Program	FY 2006		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 346,575	\$ 59,993	\$ 406,568
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	-	3,231	3,231
FVOG Program	11,006	1,266	12,272
Total	\$ 357,581	\$ 64,490	\$ 422,071

Maturity dates range from September 2007 to September 2034, and interest rates range from 3.26 to 7.17 percent.

Loan Program	FY 2005		
	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 233,482	\$ 113,093	\$ 346,575
Loan Guarantee Program			
Emergency Steel Loan Guarantee Program	29,199	(29,199)	-
FVOG Program	11,745	(739)	11,006
Total	\$ 274,426	\$ 83,155	\$ 357,581

Maturity dates range from September 2010 to September 2034, and interest rates range from 3.65 to 7.26 percent.

NOTE 11. OTHER LIABILITIES

	FY 2006			FY 2005
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 22,891	\$ 10,855	\$ 33,746	\$ 31,324
Accrued Benefits	24,064	-	24,064	23,428
Custodial Activity	4,086	-	4,086	892
Downward Subsidy Reestimates Payable to Treasury	31,447	-	31,447	107,587
Other	682	2,366	3,048	2,526
Total	\$ 83,170	\$ 13,221	\$ 96,391	\$ 165,757
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 893	\$ 8,543	\$ 9,436	\$ 9,453
Contingent Liabilities	13,063	-	13,063	3,383
Employment-related	2,450	-	2,450	2,745
Other	11,451	121	11,572	8,323
Total	\$ 27,857	\$ 8,664	\$ 36,521	\$ 23,904

The Current Portion represents liabilities expected to be paid by September 30, 2007, while the Non-current Portion represents liabilities expected to be paid after September 30, 2007.

NOTE 12. FEDERAL EMPLOYEE BENEFITS

These liabilities consist of:

	<u>FY 2006</u>	<u>FY 2005</u>
Actuarial FECA Liability	\$ 170,164	\$ 173,414
NOAA Corps Retirement System Liability	370,600	350,300
NOAA Corps Post-retirement Health Benefits Liability	49,200	45,400
Total	<u>\$ 589,964</u>	<u>\$ 569,114</u>

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:

	<u>FY 2006</u>	<u>FY 2005</u>
Year 1	5.17%	4.528%
Year 2 and Thereafter	5.31%	5.020%

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 2006		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2007	3.50%	4.00%
2008	3.13%	4.01%
2009	2.40%	4.01%
2010	2.40%	4.03%
2011	2.43%	4.09%

FY 2005		
<u>Fiscal Year</u>	<u>Cost of Living Allowance</u>	<u>Consumer Price Index - Medical</u>
2006	3.33%	4.09%
2007	2.93%	4.01%
2008 and Thereafter	2.40%	4.01%

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 actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

	<u>FY 2006</u>	<u>FY 2005</u>
Investment Earnings on Federal Securities	6.25%	6.25%
Annual Basic Pay 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:

	<u>FY 2006</u>	<u>FY 2005</u>
Normal Cost	\$ 6,000	\$ 5,600
Interest on the Unfunded Liability	21,400	20,500
Actuarial (Gains) Losses, Net	10,300	4,900
Total Pension Costs	<u>\$ 37,700</u>	<u>\$ 31,000</u>

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 economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive these liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities reports for FY 2006 and FY 2005.

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

	<u>FY 2006</u>	<u>FY 2005</u>
Normal Cost	\$ 2,800	\$ 2,900
Interest on the Unfunded Liability	2,700	2,700
Actuarial (Gains) Losses, Net	1,300	(1,700)
Total Post-retirement Health Benefits Costs	<u>\$ 6,800</u>	<u>\$ 3,900</u>

NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2006	FY 2005
Pribilof Island Cleanup	\$ 24,322	\$ 26,994
Nuclear Reactor	47,439	43,359
Other	3,119	2,958
Total	<u>\$ 74,880</u>	<u>\$ 73,311</u>

NOTE 14. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2006	FY 2005
Structures, Facilities, and Leasehold Improvements	\$ 29,463	\$ 52,722
Equipment	3,368	3,536
Less: Accumulated Depreciation	(21,637)	(42,922)
Net Assets Under Capital Leases	<u>\$ 11,194</u>	<u>\$ 13,336</u>

Capital Lease Liabilities are primarily related to NIST and NOAA. In 1996, NIST entered into a capital lease for an office building in Gaithersburg, MD. 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.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2006			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2007	\$ 4,218	\$ 1,899	\$ 6,117
2008	3,926	1,928	5,854
2009	3,958	1,920	5,878
2010	3,989	12	4,001
2011	4,024	12	4,036
Thereafter	23,516	-	23,516
Total Future Lease Payments	43,631	5,771	49,402
Less: Imputed Interest	(19,736)	(440)	(20,176)
Less: Executory Cost	(7,800)	(4,858)	(12,658)
Net Capital Lease Liabilities	<u>\$ 16,095</u>	<u>\$ 473</u>	<u>\$ 16,568</u>

FY 2005			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2006	\$ 5,026	\$ 2,297	\$ 7,323
2007	4,130	1,859	5,989
2008	3,840	1,888	5,728
2009	3,870	1,903	5,773
2010	3,916	-	3,916
Thereafter	27,145	-	27,145
Total Future Lease Payments	47,927	7,947	55,874
Less: Imputed Interest	(22,064)	(648)	(22,712)
Less: Executory Cost	(7,957)	(6,642)	(14,599)
Net Capital Lease Liabilities	<u>\$ 17,906</u>	<u>\$ 657</u>	<u>\$ 18,563</u>

NOTES TO THE FINANCIAL STATEMENTS

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 federal-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-federal 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 2007 through FY 2011; and (2) future payments due under noncancellable operating leases (non-GSA real property and personal property) are as follows:

FY 2006			
Fiscal Year	General PP&E Category		
	GSA Real Property	Non-GSA Real Property	Personal Property
2007	\$ 227,067	\$ 19,257	\$ 6,227
2008	235,773	16,671	6,414
2009	214,548	15,652	6,607
2010	189,066	14,822	6,805
2011	191,594	14,863	7,009
Thereafter	¹	133,326	-
Total Future Lease Payments		<u>\$ 214,591</u>	<u>\$ 33,062</u>

¹ Not estimated.

NOTE 15. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	<u>FY 2006</u>	<u>FY 2005</u>
Intragovernmental		
Accrued FECA Liability	\$ 30,954	\$ 28,485
Other	2,501	4,110
Total Intragovernmental	33,455	32,595
Accrued Payroll	23,584	21,359
Accrued Annual Leave	201,612	194,771
Federal Employee Benefits	589,964	569,114
Environmental and Disposal Liabilities	74,880	73,311
Contingent Liabilities	13,063	3,383
Capital Lease Liabilities	-	694
Unearned Revenue	762,463	692,922
ITA Foreign Service Nationals' Voluntary Separation Pay	9,436	9,453
Other	1,137	3,725
Total	<u>\$ 1,709,594</u>	<u>\$ 1,601,327</u>

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 is shown below.

Major Long-term Commitments:

Description	FY 2006						
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Thereafter	Total
Geostationary Operational							
Environmental Satellites	\$ 439,600	\$ 532,100	\$ 539,600	\$ 570,500	\$ 542,400	\$ 3,497,300	\$ 6,121,500
Convergence Satellites	337,900	343,900	297,200	373,900	405,900	746,500	2,505,300
Polar Operational							
Environmental Satellites	89,900	62,300	41,900	43,600	31,400	189,300	458,400
Other Weather Service	101,828	108,819	105,229	72,266	67,933	424,780	880,855
Other	4,613	1,357	-	-	-	-	5,970
Total	<u>\$ 973,841</u>	<u>\$ 1,048,476</u>	<u>\$ 983,929</u>	<u>\$ 1,060,266</u>	<u>\$ 1,047,633</u>	<u>\$ 4,857,880</u>	<u>\$ 9,972,025</u>

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 \$13.1 million and \$3.4 million as of September 30, 2006 and 2005, respectively. Accordingly, \$13.0 million and \$3.4 million of contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of September 30, 2006 and 2005, 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 Costs 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 \$502.1 million as of September 30, 2006. 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 \$129.7 million as of September 30, 2006. 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, 2006 and 2005, with outstanding principal balances totaling \$17.1 million and \$32.4 million, respectively. A loan guarantee liability of \$5.8 million and \$3.2 million is recorded for the outstanding guarantees at September 30, 2006 and 2005, respectively.

Emergency Steel Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2006, and two outstanding non-acquired guaranteed loans as of September 30, 2005, with the guaranteed portion of outstanding principal balance(s) totaling \$175.9 million and \$212.8 million as of September 30, 2006 and 2005, respectively. The Department's guarantee percentage is 88 percent for this loan as of September 30, 2006, and ranged from 85 to 88 percent as of September 30, 2005. A loan guarantee liability of \$67.7 million and \$78.3 million is recorded for the outstanding guarantee(s) at September 30, 2006 and 2005, respectively.

Related to an outstanding non-acquired guaranteed loan as of September 30, 2005, the Department additionally guaranteed two Letters of Credit totaling \$10.6 million. The Department's guarantee percentages for these Letters of Credit were 90 percent and 95 percent. The guaranteed portion of these Letters of Credit totaled \$10.0 million at September 30, 2005.

Emergency Oil and Gas Loan Guarantee Program: This program has one outstanding non-acquired guaranteed loan as of September 30, 2006 and 2005, with a guaranteed portion of outstanding principal balance of zero. The Department's guarantee percentage is 85 percent for this loan. A loan guarantee liability of \$245 thousand and \$294 thousand is recorded for the outstanding guarantee at September 30, 2006 and 2005, respectively. The loan guarantee liability at September 30, 2006 relates to an outstanding revolving loan for which no draws have been made as of September 30, 2006.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST

FY 2006 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 309,474	\$ -	\$ 193,841	\$ 71,902	\$ 575,217	\$ (77,055)	\$ 498,162
Gross Costs With the Public	-	-	877,343	-	698,860	50,217	1,626,420	-	1,626,420
Total Gross Costs	-	-	1,186,817	-	892,701	122,119	2,201,637	(77,055)	2,124,582
Intragovernmental Earned Revenue	-	-	(239,522)	-	(29,555)	(91,988)	(361,065)	77,055	(284,010)
Earned Revenue From the Public	-	-	(17,234)	-	(7,053)	(3)	(24,290)	-	(24,290)
Total Earned Revenue	-	-	(256,756)	-	(36,608)	(91,991)	(385,355)	77,055	(308,300)
Net Program Costs	-	-	930,061	-	856,093	30,128	1,816,282	-	1,816,282
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	305,019	-	128,200	16,243	71,898	521,360	(85,282)	436,078
Gross Costs With the Public	-	1,209,150	-	775,724	57,502	50,220	2,092,596	-	2,092,596
Total Gross Costs	-	1,514,169	-	903,924	73,745	122,118	2,613,956	(85,282)	2,528,674
Intragovernmental Earned Revenue	-	(7,121)	-	(131,797)	(30,851)	(91,988)	(261,757)	85,282	(176,475)
Earned Revenue From the Public	-	(1,587,316)	-	(57,593)	(67)	(3)	(1,644,979)	-	(1,644,979)
Total Earned Revenue	-	(1,594,437)	-	(189,390)	(30,918)	(91,991)	(1,906,736)	85,282	(1,821,454)
Net Program Costs	-	(80,268)	-	714,534	42,827	30,127	707,220	-	707,220
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	743,847	-	-	-	-	71,922	815,769	(77,511)	738,258
Gross Costs With the Public	3,382,642	-	-	-	(1)	50,234	3,432,875	-	3,432,875
Total Gross Costs	4,126,489	-	-	-	(1)	122,156	4,248,644	(77,511)	4,171,133
Intragovernmental Earned Revenue	(187,050)	-	-	-	-	(92,015)	(279,065)	77,511	(201,554)
Earned Revenue From the Public	(76,190)	-	-	-	-	(3)	(76,193)	-	(76,193)
Total Earned Revenue	(263,240)	-	-	-	-	(92,018)	(355,258)	77,511	(277,747)
Net Program Costs	3,863,249	-	-	-	(1)	30,138	3,893,386	-	3,893,386
NET COST OF OPERATIONS	\$ 3,863,249	\$ (80,268)	\$ 930,061	\$ 714,534	\$ 898,919	\$ 90,393	\$ 6,416,888	\$ -	\$ 6,416,888

FY 2005 Consolidating Statement of Net Cost:

	NOAA	USPTO	ESA	TA	Others	Departmental Management	Combining Total	Intra-Departmental Eliminations	Consolidating Total
COSTS:									
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers									
Intragovernmental Gross Costs	\$ -	\$ -	\$ 271,559	\$ -	\$ 183,969	\$ 66,318	\$ 521,846	\$ (71,469)	\$ 450,377
Gross Costs With the Public	-	-	800,819	-	680,127	45,895	1,526,841	-	1,526,841
Total Gross Costs	-	-	1,072,378	-	864,096	112,213	2,048,687	(71,469)	1,977,218
Intragovernmental Earned Revenue	-	-	(225,164)	-	(31,029)	(84,996)	(341,189)	71,469	(269,720)
Earned Revenue From the Public	-	-	(26,178)	-	(8,808)	(7)	(34,993)	-	(34,993)
Total Earned Revenue	-	-	(251,342)	-	(39,837)	(85,003)	(376,182)	71,469	(304,713)
Net Program Costs	-	-	821,036	-	824,259	27,210	1,672,505	-	1,672,505
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science									
Intragovernmental Gross Costs	-	298,150	-	126,865	16,492	66,318	507,825	(78,055)	429,770
Gross Costs With the Public	-	1,125,878	-	838,815	71,641	45,895	2,082,229	-	2,082,229
Total Gross Costs	-	1,424,028	-	965,680	88,133	112,213	2,590,054	(78,055)	2,511,999
Intragovernmental Earned Revenue	-	(6,108)	-	(117,400)	(24,429)	(84,996)	(232,933)	78,055	(154,878)
Earned Revenue From the Public	-	(1,366,699)	-	(59,032)	124	(7)	(1,425,614)	-	(1,425,614)
Total Earned Revenue	-	(1,372,807)	-	(176,432)	(24,305)	(85,003)	(1,658,547)	78,055	(1,580,492)
Net Program Costs	-	51,221	-	789,248	63,828	27,210	931,507	-	931,507
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship									
Intragovernmental Gross Costs	737,983	-	-	-	-	66,340	804,323	(75,383)	728,940
Gross Costs With the Public	3,174,241	-	-	-	-	45,908	3,220,149	-	3,220,149
Total Gross Costs	3,912,224	-	-	-	-	112,248	4,024,472	(75,383)	3,949,089
Intragovernmental Earned Revenue	(174,801)	-	-	-	-	(85,022)	(259,823)	75,383	(184,440)
Earned Revenue From the Public	(56,526)	-	-	-	-	(7)	(56,533)	-	(56,533)
Total Earned Revenue	(231,327)	-	-	-	-	(85,029)	(316,356)	75,383	(240,973)
Net Program Costs	3,680,897	-	-	-	-	27,219	3,708,116	-	3,708,116
NET COST OF OPERATIONS	\$ 3,680,897	\$ 51,221	\$ 821,036	\$ 789,248	\$ 888,087	\$ 81,639	\$ 6,312,128	\$ -	\$ 6,312,128

NOTES TO THE FINANCIAL STATEMENTS

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 2006 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Gross Costs	\$ -	\$ 156,060	\$ -	\$ -	\$ -	\$ 156,060
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	156,060	-	-	-	156,060
<i>Other Programs</i>						
Gross Costs	-	941,013	-	-	1,027,509	1,968,522
Less: Earned Revenue	-	(252,986)	-	-	(55,314)	(308,300)
Net Program Costs	-	688,027	-	-	972,195	1,660,222
Net Program Costs for Strategic Goal 1	-	844,087	-	-	972,195	1,816,282
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Gross Costs	-	-	593,630	-	-	593,630
Less: Earned Revenue	-	-	(111,338)	-	-	(111,338)
Net Program Costs	-	-	482,292	-	-	482,292
<i>Patents</i>						
Gross Costs	-	-	-	1,335,632	-	1,335,632
Less: Earned Revenue	-	-	-	(1,384,274)	-	(1,384,274)
Net Program Costs	-	-	-	(48,642)	-	(48,642)
<i>Trademarks</i>						
Gross Costs	-	-	-	178,537	-	178,537
Less: Earned Revenue	-	-	-	(210,163)	-	(210,163)
Net Program Costs	-	-	-	(31,626)	-	(31,626)
<i>Other Programs</i>						
Gross Costs	-	-	279,316	-	141,559	420,875
Less: Earned Revenue	-	-	(52,387)	-	(63,292)	(115,679)
Net Program Costs	-	-	226,929	-	78,267	305,196
Net Program Costs for Strategic Goal 2	-	-	709,221	(80,268)	78,267	707,220
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
<i>Ecosystems</i>						
Gross Costs	1,428,984	-	-	-	-	1,428,984
Less: Earned Revenue	(121,513)	-	-	-	-	(121,513)
Net Program Costs	1,307,471	-	-	-	-	1,307,471
<i>Other Programs</i>						
Gross Costs	2,697,503	-	-	-	44,646	2,742,149
Less: Earned Revenue	(141,726)	-	-	-	(14,508)	(156,234)
Net Program Costs	2,555,777	-	-	-	30,138	2,585,915
Net Program Costs for Strategic Goal 3	3,863,248	-	-	-	30,138	3,893,386
NET COST OF OPERATIONS	\$ 3,863,248	\$ 844,087	\$ 709,221	\$ (80,268)	\$ 1,080,600	\$ 6,416,888

FY 2005 Statement of Net Cost by Major Program (Combining Basis):

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
<i>Decennial and Periodic Censuses</i>						
Intragovernmental Gross Costs	\$ -	\$ 6,557	\$ -	\$ -	\$ -	\$ 6,557
Gross Costs With the Public	-	64,559	-	-	-	64,559
Total Gross Costs	-	71,116	-	-	-	71,116
Intragovernmental Earned Revenue	-	-	-	-	-	-
Earned Revenue From the Public	-	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	71,116	-	-	-	71,116
<i>Other Programs</i>						
Intragovernmental Gross Costs	-	236,260	-	-	279,029	515,289
Gross Costs With the Public	-	680,402	-	-	781,880	1,462,282
Total Gross Costs	-	916,662	-	-	1,060,909	1,977,571
Intragovernmental Earned Revenue	-	(222,927)	-	-	(118,262)	(341,189)
Earned Revenue From the Public	-	(24,893)	-	-	(10,100)	(34,993)
Total Earned Revenue	-	(247,820)	-	-	(128,362)	(376,182)
Net Program Costs	-	668,842	-	-	932,547	1,601,389
Net Costs for Strategic Goal 1	-	739,958	-	-	932,547	1,672,505
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
<i>Measurement and Standards Laboratories</i>						
Intragovernmental Gross Costs	-	-	75,975	-	-	75,975
Gross Costs With the Public	-	-	531,084	-	-	531,084
Total Gross Costs	-	-	607,059	-	-	607,059
Intragovernmental Earned Revenue	-	-	(67,374)	-	-	(67,374)
Earned Revenue From the Public	-	-	(31,009)	-	-	(31,009)
Total Earned Revenue	-	-	(98,383)	-	-	(98,383)
Net Program Costs	-	-	508,676	-	-	508,676
<i>Patents</i>						
Intragovernmental Gross Costs	-	-	-	262,368	-	262,368
Gross Costs With the Public	-	-	-	990,759	-	990,759
Total Gross Costs	-	-	-	1,253,127	-	1,253,127
Intragovernmental Earned Revenue	-	-	-	(5,869)	-	(5,869)
Earned Revenue From the Public	-	-	-	(1,191,911)	-	(1,191,911)
Total Earned Revenue	-	-	-	(1,197,780)	-	(1,197,780)
Net Program Costs	-	-	-	55,347	-	55,347
<i>Trademarks</i>						
Intragovernmental Gross Costs	-	-	-	35,782	-	35,782
Gross Costs With the Public	-	-	-	135,119	-	135,119
Total Gross Costs	-	-	-	170,901	-	170,901
Intragovernmental Earned Revenue	-	-	-	(239)	-	(239)
Earned Revenue From the Public	-	-	-	(174,788)	-	(174,788)
Total Earned Revenue	-	-	-	(175,027)	-	(175,027)
Net Program Costs	-	-	-	(4,126)	-	(4,126)

NOTES TO THE FINANCIAL STATEMENTS

FY 2005 Statement of Net Cost by Major Program (Combining Basis) - Continued:

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Other Programs						
Intragovernmental Gross Costs	-	-	40,811	-	92,889	133,700
Gross Costs With the Public	-	-	285,294	-	139,973	425,267
Total Gross Costs	-	-	326,105	-	232,862	558,967
Intragovernmental Earned Revenue	-	-	(36,192)	-	(123,259)	(159,451)
Earned Revenue From the Public	-	-	(16,657)	-	(11,249)	(27,906)
Total Earned Revenue	-	-	(52,849)	-	(134,508)	(187,357)
Net Program Costs	-	-	273,256	-	98,354	371,610
Net Cost for Strategic Goal 2	-	-	781,932	51,221	98,354	931,507
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Ecosystems						
Intragovernmental Gross Costs	85,601	-	-	-	-	85,601
Gross Costs With the Public	1,286,903	-	-	-	-	1,286,903
Total Gross Costs	1,372,504	-	-	-	-	1,372,504
Intragovernmental Earned Revenue	(37,343)	-	-	-	-	(37,343)
Earned Revenue From the Public	(48,177)	-	-	-	-	(48,177)
Total Earned Revenue	(85,520)	-	-	-	-	(85,520)
Net Program Costs	1,286,984	-	-	-	-	1,286,984
Other Programs						
Intragovernmental Gross Costs	652,382	-	-	-	66,340	718,722
Gross Costs With the Public	1,887,338	-	-	-	45,908	1,933,246
Total Gross Costs	2,539,720	-	-	-	112,248	2,651,968
Intragovernmental Earned Revenue	(137,458)	-	-	-	(85,022)	(222,480)
Earned Revenue From the Public	(8,349)	-	-	-	(7)	(8,356)
Total Earned Revenue	(145,807)	-	-	-	(85,029)	(230,836)
Net Program Costs	2,393,913	-	-	-	27,219	2,421,132
Net Cost for Strategic Goal 3	3,680,897	-	-	-	27,219	3,708,116
NET COST OF OPERATIONS	\$ 3,680,897	\$ 739,958	\$ 781,932	\$ 51,221	\$ 1,058,120	\$ 6,312,128

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:

	<u>FY 2006</u>	<u>FY 2005</u>
Budget Authority, Appropriations (SBR)	\$ 6,788,098	\$ 6,496,389
Less:		
Other Special Receipts for NOAA and DM/G&B, Classified as Exchange Revenue	(17,048)	(11,579)
Other	90	(457)
Budgetary Financing Sources, Appropriations Received (SCNP)	<u>\$ 6,771,140</u>	<u>\$ 6,484,353</u>

Total borrowing authority available for NOAA's loan programs amounted to \$239.6 million and \$172.4 million at September 30, 2006 and 2005, 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-five 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 109-108 and Public Law 109-148 amounted to \$116.1 million for FY 2006, while reductions for FY 2005 under Public Law 108-447 amounted to \$122.3 million. These reductions are included in the SBR Budgetary Resources line as follows: Permanently Not Available (\$116.1 million and \$90.3 million for the years ended September 30, 2006 and 2005, respectively), and Temporarily Not Available Pursuant to Public Law (\$0.0 million and \$32.0 million for the years ended September 30, 2006 and 2005, respectively). These reductions are also part of the amounts reported on the line Other Adjustments in the Budgetary Financing Sources section of the SCNP.



NOTES TO THE FINANCIAL STATEMENTS

Legal arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2006 and FY 2005 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 includes \$516.5 million of USPTO offsetting collections exceeding prior years' appropriations, as of September 30, 2006 and 2005. 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 revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues 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, 2006 and 2005, \$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, 2006 and 2005 includes \$30.7 million 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 *Statement of Budgetary Resources* for the year ended September 30, 2005 and the actual amounts reported in the 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 2006		
	Direct	Reimbursable	Total
Category A	\$ 2,303,837	\$ 2,043,598	\$ 4,347,435
Category B	4,814,049	204,337	5,018,386
Exempt from Apportionment	191,069	731,671	922,740
Total	<u>\$ 7,308,955</u>	<u>\$ 2,979,606</u>	<u>\$ 10,288,561</u>

	FY 2005		
	Direct	Reimbursable	Total
Category A	\$ 2,206,582	\$ 1,895,420	\$ 4,102,002
Category B	4,532,932	87,929	4,620,861
Exempt from Apportionment	149,058	732,888	881,946
Total	<u>\$ 6,888,572</u>	<u>\$ 2,716,237</u>	<u>\$ 9,604,809</u>

Undelivered Orders:

Undelivered orders were \$5.2 billion and \$4.9 billion at September 30, 2006 and 2005, respectively.

NOTE 19. CONSOLIDATED STATEMENTS OF FINANCING

The Consolidated Statement of Financing 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.

NOTE 20. 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, 2006, the Department had custodial nonexchange revenue of \$14.6 million; custodial nonexchange revenue of \$4.1 million was payable to Treasury at September 30, 2006. For the period ended September 30, 2005, the Department had custodial nonexchange revenue of \$9.0 million; custodial nonexchange revenue of \$892 thousand was payable to Treasury.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. 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, 2006 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
ASSETS						
Fund Balance with Treasury	\$ 1,310,612	\$ 29,083	\$ 21,917	\$ 28,438	\$ 44,805	\$ 1,434,855
Cash	6,248	80	-	-	-	6,328
Accounts Receivable, Net	1,752	-	1,772	20	5	3,549
Loans Receivable and Related Foreclosed Property, Net	-	5,426	-	-	-	5,426
Inventory, Materials, and Supplies, Net	-	-	200	-	-	200
General Property, Plant, and Equipment, Net	164,538	-	252	-	-	164,790
Other	4,315	-	5,635	-	480	10,430
TOTAL ASSETS	\$1,487,465	\$ 34,589	\$ 29,776	\$ 28,458	\$ 45,290	\$1,625,578
LIABILITIES						
Accounts Payable	\$ 101,902	\$ 12	\$ 7,841	\$ 736	\$ 45	\$ 110,536
Federal Employee Benefits	7,471	-	572	-	-	8,043
Other						-
Accrued Payroll and Annual Leave	95,194	-	1,273	38	80	96,585
Accrued Grants	-	-	-	-	744	744
Unearned Revenue	774,425	-	3,508	-	-	777,933
Other	10,474	-	198	58	-	10,730
TOTAL LIABILITIES	\$ 989,466	\$ 12	\$ 13,392	\$ 832	\$ 869	\$1,004,571
NET POSITION						
Unexpended Appropriations	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ 27
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
TOTAL NET POSITION	\$ 497,999	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 621,007
TOTAL LIABILITIES AND NET POSITION	\$1,487,465	\$ 34,589	\$ 29,776	\$ 28,458	\$ 45,290	\$1,625,578

**United States Department of Commerce Consolidated Statement of Net Cost
For the Year Ended September 30, 2006 (In Thousands)**

	USPTO Earmarked Funds	Coastal Zone Management Fund	NTIS Revolving Fund	Damage Assessment and Restoration Revolving Fund	Other Earmarked Funds	Total Earmarked Funds
Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers						
Gross Costs	\$ -	\$ -	\$ -	\$ -	\$ 10,664	\$ 10,664
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	-	-	-	10,664	10,664
Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science						
Gross Costs	1,514,169	-	26,419	-	-	1,540,588
Less: Earned Revenue	(1,594,437)	-	(25,554)	-	-	(1,619,991)
Net Program Costs	(80,268)	-	865	-	-	(79,403)
Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship						
Gross Costs	-	139	-	8,674	21,360	30,173
Less: Earned Revenue	-	(956)	-	-	-	(956)
Net Program Costs	-	(817)	-	8,674	21,360	29,217
NET COST OF OPERATIONS	\$ (80,268)	\$ (817)	\$ 865	\$ 8,674	\$ 32,024	\$ (39,522)

NOTES TO THE FINANCIAL STATEMENTS

**United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2006 (In Thousands)**

	USPTO Earmarked Funds	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	\$ 417,804	\$ 36,760	\$ 16,094	\$ 24,136	\$ 42,963	\$ 537,757
Budgetary Financing Sources:						
Non-exchange Revenue	-	-	-	7,590	7,931	15,521
Transfers In/(Out) Without Reimbursement, Net	(100)	(3,000)	-	4,924	17,616	19,440
Other Financing Sources (Non-exchange):						
Transfers In/(Out) Without Reimbursement, Net	-	-	-	(350)	-	(350)
Imputed Financing Sources from Cost Absorbed by Others	-	-	1,155	-	-	1,155
Other Financing Sources/(Uses), Net	-	-	-	-	7,935	7,935
Total Financing Sources	(100)	(3,000)	1,155	12,164	33,482	43,701
Net Cost of Operations	80,268	817	(865)	(8,674)	(32,024)	39,522
Net Change	80,168	(2,183)	290	3,490	1,458	83,223
Cumulative Results of Operations	497,972	34,577	16,384	27,626	44,421	620,980
Unexpended Appropriations:						
Beginning Balance	27	-	-	-	-	27
Budgetary Financing Sources						
Unexpended Appropriations	27	-	-	-	-	27
NET POSITION	\$ 497,999	\$ 34,577	\$ 16,384	\$ 27,626	\$ 44,421	\$ 621,007

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*. 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, 2006, \$233.5 million is held in this fund.

Coastal Zone Management Fund is primarily used for the following: 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 assist other agencies with their information programs. Activities funded by 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.

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 damage assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, Indian, or foreign trustee for natural resource damage is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706. Natural Resources.

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 traditionally capitalized 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 is the only entity within the Department that has Stewardship PP&E.

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

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

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.

Northwestern Hawaiian Islands (NWHI) National Marine Monument: The majority of all coral reef habitats located in U.S. waters surround NWHI. The NWHI Marine National Monument, located off the coast of NWHI, encompasses nearly 140,000 square miles of U.S. waters, including 4,500 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: This conservation area in Alaska 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.

Additional information on the above Stewardship PP&E is presented in the Required Supplementary Information section. Written policies to guide the acquisition, maintenance, use, and disposal of the above stewardship responsibilities are currently being developed.



NOTES TO THE FINANCIAL STATEMENTS

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.

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, gyro compasses, brass citations, flags, pennants, chronometers, ship's seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items which 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 three 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 awarded in September 2005 and is ongoing with an expected completion date of November 2006. Phase III-C, renovation of Building 303 and site work, was awarded in August 2006 and is ongoing with an expected completion date of March 2007. The overall renovation for the Galveston Laboratory is 75 percent complete as of September 30, 2006.



NOTES TO THE FINANCIAL STATEMENTS

National Marine Fisheries Service (NMFS) Aquarium: In Woods Hole, MA, this aquarium was established in 1885 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 one dozen free standing aquaria and touch tanks holding more than 140 species of fish and invertebrates. The tanks range in size from 75 to 2,800 gallons. A 10,000 gallon outdoor habitat holds resident harbor seals. The general condition of the aquarium is good. 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): In Muskegon, MI, 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, the GLERL carries out research and provides scientific products, expertise, and services required for effective management and protection of Great Lakes and coastal ecosystems. The GLERL 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 Shenehon, 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, the GLERL is considered a multi-use heritage asset.

Collection-type Heritage Assets: The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. More information regarding NOAA's collection-type heritage assets is presented in the Required Supplementary Information section.



NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATING BALANCE SHEET





CONSOLIDATING BALANCE SHEET

**United States Department of Commerce Consolidating Balance Sheet
As of September 30, 2006 (In Thousands)**

	Intra- Departmental Eliminations	BIS	Census Bureau	DM/G&B	DM/S&E	DM/WCF	EDA	ELGP	ESA/BEA	Franchise Fund	ITA	MBDA	NIFC	NIST	NOAA	NTIA	NTIS	OIG	TA	USPTO	
ASSETS																					
Intragovernmental:																					
Fund Balance with Treasury	\$	\$ 28,694	\$ 410,148	\$ 384	\$ 90,884	\$ 34,891	\$ 796,807	\$ 133,325	\$ 15,130	\$ 3,468	\$ 127,786	\$ 10,469	\$ 820	\$ 735,465	\$ 3,308,453	\$ 97,563	\$ 30,518	\$ 2,098	\$ 3,323	\$ 1,401,771	
Accounts Receivable	(3,304)	786	9,896	1	4,518	477	1,895	31	509	1,216	584	77,997	1,336	2							
Other - Advances and Prepayments	(102,231)	1,624	8,562	-	3,992	4,450	642	-	2,090	343	8,666	344	-	15,472	56,166	911	280	742	310	1,606	
Total Intragovernmental	(105,535)	31,104	428,606	385	99,394	39,818	799,144	133,325	17,251	4,320	137,668	10,814	820	751,521	3,442,616	98,474	32,134	2,842	3,633	1,403,377	
Cash	-	7,482	-	-	-	-	-	-	-	-	172	1	2	6,437	33,945	167	436	1	-	6,790	
Accounts Receivable, Net	-	50,161	-	13	11	101	-	-	5	436	87	4	2	-	-	-	-	-	-	2,882	
Loans Receivable and Related Foreclosed Property, Net	-	467,985	-	-	-	-	31,385	2,756	-	-	-	-	-	-	433,844	-	-	-	-	-	
Inventory, Materials, and Supplies, Net	-	95,914	-	759	-	12	-	-	-	-	-	-	-	21,689	73,244	-	200	-	-	-	
General Property, Plant, and Equipment, Net	-	5,299,093	-	458	84,558	8,296	793	8,012	146	898	6,950	235	-	588,249	4,468,906	6,799	252	-	-	164,538	
Other	(1)	108,072	(1)	3	13	2	1,138	(1)	-	1	2,291	-	-	26	96,535	-	5,355	1	-	2,709	
TOTAL ASSETS	\$(105,535)	\$35,712	\$515,842	\$ 8,684	\$100,213	\$47,855	\$831,771	\$136,080	\$17,402	\$ 5,219	\$147,168	\$11,054	\$ 822	\$1,337,932	\$8,539,580	\$105,440	\$38,406	\$ 2,844	\$ 3,633	\$1,580,296	
LIABILITIES																					
Intragovernmental:																					
Accounts Payable	\$	74,010	\$ (3,304)	\$ 1,252	\$ 4,998	\$ -	\$ 91	\$ 9	\$ 221	\$ 61	\$ 3,655	\$ 36	\$ -	\$ 707	\$ 49,436	\$ 74	\$ 6,363	\$ 10	\$ 155	\$ 9,799	
Debt to Treasury	422,071	-	-	-	-	-	-	3,232	-	-	-	(1)	-	-	418,840	-	-	-	-	-	
Other	-	35,484	-	-	-	-	33,638	-	-	-	-	-	-	-	1,846	-	-	-	-	-	
Resources Payable to Treasury	-	463,697	-	-	-	-	85,330	-	157	1,751	375	11	-	143,594	87,229	24,425	7,386	30	195	4,498	
Unearned Revenue	-	96,391	-	588	1,048	1,015	14,103	-	394	12	2,955	590	4	3,700	39,217	543	198	475	11	10,103	
Total Intragovernmental	(105,535)	15,976	107,491	-	71,963	35,285	120,074	17,344	772	1,824	6,985	636	4	148,001	596,568	25,042	13,947	515	361	24,400	
Accounts Payable	-	290,240	-	481	45,972	40	7,395	3,032	1,098	743	6,269	1,528	20	10,553	117,724	634	1,478	579	60	92,103	
Loan Guarantee Liabilities	-	73,675	-	-	-	-	67,897	-	-	-	-	-	-	-	5,778	-	-	-	-	-	
Federal Employee Benefits	-	589,964	-	1,924	65,088	-	1,395	3,116	94	93	8,869	2,575	-	10,313	483,658	1,501	572	1,833	-	7,471	
Environmental and Disposal Liabilities	-	74,880	-	-	-	-	-	-	-	-	-	-	-	47,439	27,441	-	-	-	-	-	
Other	-	4,119	-	53,382	-	3,721	7,074	2,410	5,751	330	24,307	933	28	30,623	135,892	3,271	1,273	1,698	230	95,194	
Accrued Payroll and Annual Leave	-	420,588	-	-	-	-	275,700	-	-	-	10,455	1,732	-	30,149	74,336	28,161	-	-	55	-	
Capital Lease Liabilities	-	16,568	-	-	-	-	-	-	-	-	-	-	-	258	16,310	-	-	-	-	-	
Unearned Revenue	-	916,587	-	1,107	6,406	-	7	-	676	-	6,762	(1)	-	12,090	41,976	53	4,752	-	-	862,759	
Other	-	36,521	-	49	1,343	(1)	9,730	2,142	1	1	9,896	2	(1)	369	12,499	119	-	2	-	370	
TOTAL LIABILITIES	\$(105,535)	\$23,656	\$279,662	\$ 39	\$ 94,164	\$60,649	\$400,115	\$85,354	\$ 8,392	\$2,991	\$73,543	\$ 7,405	\$ 51	\$ 289,795	\$1,512,182	\$58,781	\$22,022	\$ 4,627	\$ 706	\$1,082,297	
NET POSITION																					
Unexpended Appropriations	\$	27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unexpended Appropriations - Earmarked Funds	-	4,306,394	-	15,913	127,140	-	434,989	51,166	11,744	-	100,703	7,109	771	478,062	3,013,908	43,408	-	1,673	2,998	-	
Cumulative Results of Operations	-	620,980	-	(3,857)	109,020	8,645	(10,761)	(2,794)	(2,734)	2,228	(27,078)	(3,440)	-	570,075	3,906,866	3,251	-	(3,456)	-	497,972	
Cumulative Results of Operations - Earmarked Funds	-	4,942,101	-	-	-	-	-	(440)	(2,734)	2,228	(27,078)	(3,440)	-	570,075	3,906,866	3,251	-	(3,456)	-	497,972	
Cumulative Results of Operations - Other Funds	-	(3,857)	109,020	8,645	(10,761)	(2,794)	(3,333)	(440)	(2,734)	2,228	(27,078)	(3,440)	-	570,075	3,906,866	3,251	-	(3,456)	-	497,972	
TOTAL NET POSITION	\$	9,469,502	\$	\$12,056	\$236,160	\$ 8,645	\$ 6,049	\$(2,794)	\$ 9,010	\$ 2,228	\$73,625	\$ 3,649	\$ 771	\$1,048,137	\$7,027,398	\$46,659	\$(1,783)	\$ 2,927	\$ 2,927	\$497,999	
TOTAL LIABILITIES AND NET POSITION	\$(105,535)	\$13,360,418	\$(105,535)	\$35,712	\$515,842	\$ 8,684	\$100,213	\$47,855	\$17,402	\$ 5,219	\$147,168	\$11,054	\$ 822	\$1,337,932	\$8,539,580	\$105,440	\$38,406	\$ 2,844	\$ 3,633	\$1,580,296	

See accompanying independent auditors' report.



CONSOLIDATING BALANCE SHEET

REQUIRED
SUPPLEMENTARY
INFORMATION

(UNAUDITED)



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. 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 95 percent of the Department's General PP&E, Net balance as of September 30, 2006.

National Oceanic and Atmospheric Administration (NOAA):

The 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 to determine its current condition and to estimate costs to correct any deficiencies.

The following shows NOAA's deferred maintenance for projects with estimated costs greater than \$50 thousand, as of September 30, 2006:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Buildings and Structures	4	\$ 7,900 to \$ 9,700
Heritage Assets	4, 1	11,760 to 14,370
Total		\$ 19,660 to \$ 24,070

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 fair, 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, 2006:

(In Thousands)

PP&E Category	Asset Condition	Estimated Cost to Return to Acceptable Condition
Mechanical and Electrical Devices	5	\$ 371,200 to \$ 411,600
Buildings (Internal Structures)	4	58,300 to 75,000
Buildings (External Structures)	4	42,500 to 51,200
Total		\$ 472,000 to \$ 537,800

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:

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, 2006, 13 National Marine Sanctuaries, which include near-shore coral reefs and open ocean, have been designated, covering a total area of 19 thousand square miles. 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. 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.

Northwestern Hawaiian Islands (NWHI) Marine National Monument: The majority of all coral reef habitats located in U.S. waters surround the 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 largest marine conservation area off the coast of the northern Hawaiian Islands. This conservation area, designated the Northwestern Hawaiian Islands Marine National Monument, encompasses nearly 140,000 square miles of U.S. waters, including 4,500 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.

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.

C Collection-type Heritage Assets

The NOAA's collection-type heritage assets are comprised primarily of books, publications, manuscripts, records, and nautical chart plates. The table below summarizes NOAA's collection-type heritage assets balance as of September 30, 2006. The 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, which make up the majority of NOAA's collection-type heritage assets, are in 4 – poor condition, and 5 – very poor condition.

Collection-type Heritage Assets					
Entity	Description of Assets	Quantity of Items Held September 30, 2005	FY 2006 Additions	FY 2006 Withdrawals	Quantity of Items Held September 30, 2006
National Environmental Satellite, Data and Information Service Library	Publications, books, manuscripts, photographs, and maps	150,593	132	–	150,725
Others	Artifacts, artwork, books, films, instruments, maps, and records	112,619	442	539	112,522
Total		263,212	574	539	263,247

Note: Effective June 30, 2006, all heritage asset items are being reported individually rather than as collections in order to ensure a higher level of asset accountability. Therefore, the September 30, 2005 heritage assets balance has been restated. Prior to restatement, the balance at September 30, 2005 was 153,977 items held.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

United States Department of Commerce Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2006 (In Thousands)

	Combining Total	NOAA Operations, Research, and Facilities	USPTO Salaries and Expenses	NOAA Procurement, Acquisition, and Construction	NIST Industrial Technology Services	ITA Operations and Administration	Census Bureau Periodic Censuses and Programs	EDA Grant Fund	Other Programs
BUDGETARY RESOURCES:									
Unobligated Balance, Brought Forward, October 1	\$ 892,734	\$ 119,243	\$ 5,729	\$ 99,037	\$ 30,642	\$ 11,622	\$ 6,743	\$ 10,757	\$ 608,961
Adjustments to Unobligated Balance, Brought Forward	(528)	-	-	-	(103)	-	-	-	(425)
Recoveries of Prior-years Unpaid Obligations	112,404	24,294	9,149	5,392	7,376	16,391	2,968	20,960	25,874
Budget Authority	6,788,098	2,918,092	-	1,193,678	186,000	398,925	614,208	253,985	1,223,211
Appropriations	171,224	-	-	-	-	-	-	-	171,224
Borrowing Authority	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections Earned	-	-	-	-	-	-	-	-	-
Collected	3,076,976	231,091	1,595,965	1,071	361	14,215	1,344	16,481	1,216,448
Change in Receivables	14,787	8,908	(116)	-	-	(860)	(800)	-	7,655
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-
Advances Received	126,971	18,057	69,531	-	-	78	-	4,948	34,357
Without Advances	46,927	62,702	-	-	-	1,284	-	-	(17,059)
Previously Unavailable	1,627	-	-	-	-	-	-	-	1,627
Total Budget Authority	10,226,610	3,238,850	1,665,379	1,194,749	186,361	413,642	614,752	275,414	2,637,463
Nonexpenditure Transfers, Net	110,129	112,074	(100)	(32,608)	(4,605)	4,605	-	(700)	26,858
Permanently Not Available	(166,367)	(49,963)	-	(21,731)	(10,317)	(6,039)	(7,843)	(3,244)	(61,230)
TOTAL BUDGETARY RESOURCES	\$ 11,174,982	\$ 3,444,498	\$ 1,680,157	\$ 1,238,839	\$ 213,959	\$ 440,221	\$ 616,620	\$ 303,187	\$ 3,237,501
STATUS OF BUDGETARY RESOURCES:									
Obligations Incurred									
Direct	\$ 7,308,955	\$ 3,037,824	\$ -	\$ 1,173,117	\$ 183,879	\$ 414,783	\$ 610,018	\$ 270,623	\$ 1,618,711
Reimbursable	2,979,606	209,061	1,674,441	-	-	14,426	-	18,705	1,062,973
Total Obligations Incurred	10,288,561	3,246,885	1,674,441	1,173,117	183,879	429,209	610,018	289,328	2,681,684
Unobligated Balance	476,194	179,155	5,660	65,539	26,143	7,248	4,226	13,828	174,395
Appropriated	-	-	-	-	-	-	-	-	-
Exempt From Apportionment	270,977	-	-	-	-	-	-	-	270,977
Total Unobligated Balance	747,171	179,155	5,660	65,539	26,143	7,248	4,226	13,828	445,372
Unobligated Balance Not Available	139,250	18,458	56	183	3,937	3,764	2,376	31	110,445
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 11,174,982	\$ 3,444,498	\$ 1,680,157	\$ 1,238,839	\$ 213,959	\$ 440,221	\$ 616,620	\$ 303,187	\$ 3,237,501
CHANGE IN UNPAID OBLIGATED BALANCE, NET:									
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 5,688,429	\$ 1,886,853	\$ 402,212	\$ 868,395	\$ 219,480	\$ 117,986	\$ 151,398	\$ 811,137	\$ 1,230,968
Unpaid Obligations, Brought Forward	(252,323)	(169,802)	927	-	-	(3,789)	(800)	-	(78,859)
Less: Uncollected Customer Payments, Brought Forward	-	-	-	-	-	-	-	-	-
Total Unpaid Obligated Balance, Net, Brought Forward	5,436,106	1,717,051	403,139	868,395	219,480	114,197	150,598	811,137	1,152,109
Adjustments to Unpaid Obligations, Brought Forward	1,773	-	-	-	103	-	-	-	1,670
Obligations Incurred	10,288,561	3,246,885	1,674,441	1,173,117	183,879	429,209	610,018	289,328	2,681,684
Less: Gross Outlays	(9,857,185)	(3,128,888)	(1,513,677)	(1,122,291)	(241,808)	(421,072)	(602,440)	(305,485)	(2,521,524)
Less: Actual Recoveries of Prior-years Unpaid Obligations	(112,404)	(24,294)	(9,149)	(5,392)	(7,376)	(16,391)	(2,968)	(20,960)	(25,874)
Change in Uncollected Customer Payments	(61,714)	(71,610)	116	-	-	(424)	800	-	9,404
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 5,695,137	\$ 1,739,144	\$ 554,870	\$ 913,829	\$ 154,278	\$ 105,519	\$ 156,008	\$ 774,020	\$ 1,297,469
Unpaid Obligated Balance, Net, End of Period									
Unpaid Obligations	\$ 6,009,174	\$ 1,980,556	\$ 553,827	\$ 913,829	\$ 154,278	\$ 109,732	\$ 156,008	\$ 774,020	\$ 1,366,924
Less: Uncollected Customer Payments	(314,037)	(241,412)	1,043	-	-	(4,213)	-	-	(69,455)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 5,695,137	\$ 1,739,144	\$ 554,870	\$ 913,829	\$ 154,278	\$ 105,519	\$ 156,008	\$ 774,020	\$ 1,297,469
NET OUTLAYS:									
Gross Outlays	\$ 9,857,185	\$ 3,128,888	\$ 1,513,677	\$ 1,122,291	\$ 241,808	\$ 421,072	\$ 602,440	\$ 305,485	\$ 2,521,524
Less: Offsetting Collections	(3,203,947)	(249,148)	(1,665,496)	(1,071)	(361)	(14,293)	(1,344)	(21,429)	(1,250,805)
Less: Distributed Offsetting Receipts	(139,872)	-	-	-	-	-	-	-	(139,872)
NET OUTLAYS	\$ 6,513,366	\$ 2,879,740	\$ (151,819)	\$ 1,121,220	\$ 241,447	\$ 406,779	\$ 601,096	\$ 284,056	\$ 1,130,847

REQUIRED
SUPPLEMENTARY
STEWARDSHIP
INFORMATION

(UNAUDITED)



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, 2006, encompassed approximately 1.3 million acres of estuarine waters, wetlands, and uplands. The newest reserve, Mission-Aransas, TX, was designated on May 3, 2006. 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 133 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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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.

The NOAA's investments in non-federal physical property for FY 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
National Estuarine Research Reserves	\$ 27.5	\$ 24.0	\$ 0.5	\$ 15.4	\$ 6.8	\$ 74.2
Coastal and Estuarine Land Conservation Program	14.0	3.6	21.8	15.5	18.5	73.4
Total	\$ 41.5	\$ 27.6	\$ 22.3	\$ 30.9	\$ 25.3	\$ 147.6

Economic Development Administration (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 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Public Works	\$ 182.5	\$ 232.8	\$ 194.8	\$ 220.1	\$ 180.1	\$ 1010.3
Economic and Defense Adjustments	109.0	88.7	75.3	75.4	53.1	401.5
Disaster Recovery	36.7	22.5	18.5	10.1	24.2	112.0
Total	\$ 328.2	\$ 344.0	\$ 288.6	\$ 305.6	\$ 257.4	\$ 1523.8



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

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. In FY 2006, 47 Graduate Research Fellowships have been awarded.

Educational Partnership Program: This program provides formal education and internship training opportunities for students attending minority-serving institutions. These funds also support field research and conference attendance where students present their research findings. 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. There were 15 students that started the program in FY 2006.

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 101 students starting the program in 2006, and the first scholarship recipients are expected to complete the program in May 2007.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following table summarizes NOAA's investments in human capital for FY 2002 through FY 2006:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
National Sea Grant College Program	\$ 0.8	\$ 0.7	\$ 0.6	\$ 0.7	\$ 0.7	\$ 3.5
National Estuarine Research Reserve Program	0.8	0.1	0.8	0.9	0.9	3.5
Educational Partnership Program	N/A ¹	N/A	N/A	7.0	13.9	20.9
Ernest F. Hollings Undergraduate Scholarship Program	N/A	N/A	N/A	0.3	3.8	4.1
Total	\$ 1.6	\$ 0.8	\$ 1.4	\$ 8.9	\$ 19.3	\$ 32.0

¹ Not applicable

The following table further summarizes NOAA's human capital investments for FY 2004 to FY 2006 by performance goal:

(In Millions)

Performance Goal	FY 2004	FY 2005	FY 2006
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to Management	\$ 1.4	\$ 8.9	\$ 19.3

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.

National Institute of Standards and Technology (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. NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other infrastructural technologies and services required by U.S. industry to compete in the twenty-first 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.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Advanced Technology Program (ATP): ATP is a cost-shared funding program for businesses that was intended to develop new technologies for commercial use. Phase-out of the program was initiated in FY 2006. Although ATP did not issue any new awards in FY 2006 the long-term nature of ATP-funded project results will continue to be realized. In FY 2006, NIST began an effort to ensure that the results of the funded research are available to the private sector for future technology development and commercialization after the program is concluded.

The following table summarizes NIST's R&D investments for FY 2002 through FY 2006 by R&D Category:

(In Millions)

R&D Category	NIST Laboratories					Advanced Technology Program					Total				
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Basic Research	\$ 63.5	\$ 74.2	\$ 65.0	\$ 66.6	\$ 85.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63.5	\$ 74.2	\$ 65.0	\$ 66.6	\$ 85.2
Applied Research	288.8	307.9	319.7	325.6	345.8	76.6	86.8	96.9	96.1	58.0	365.4	394.7	416.6	421.7	403.8
Development	19.1	19.4	13.7	14.3	16.7	76.6	86.9	96.9	96.0	58.0	95.7	106.3	110.6	110.3	74.7
Total	\$ 371.4	\$ 401.5	\$ 398.4	\$ 406.5	\$ 447.7	\$ 153.2	\$ 173.7	\$ 193.8	\$ 192.1	\$ 116.0	\$ 524.6	\$ 575.2	\$ 592.2	\$ 598.6	\$ 563.7

The following tables further summarize NIST's R&D investments for FY 2006 and FY 2005 by performance goal:

(In Millions)

FY 2006				
Performance Goal	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	\$ 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 Goal	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



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

NOAA:

The NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the U.S.'s understanding of and ability to predict environmental phenomena. The scope of research includes:

- Improving predictions and warnings associated with the weather, on time scales ranging from minutes to weeks
- Improving predictions of climate, on time scales ranging from months to centuries
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems

The 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.

The 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, Office of Global Programs, 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. 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. The 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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

research and marine mammal assessment programs. The 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 2002 through FY 2006 were as follows:

(In Millions)

Program	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Environmental and Climate	\$ 289.9	\$ 351.4	\$ 317.9	\$ 307.8	\$ 324.2	\$ 1,591.2
Fisheries	121.7	156.4	70.6	53.5	56.3	458.5
Marine Operations and Maintenance and Aircraft Services	19.3	90.4	51.7	57.5	50.7	269.6
Weather Service	11.0	20.4	17.6	26.9	15.1	91.0
Other	132.4	83.3	116.5	124.9	124.1	581.2
Total	\$ 574.3	\$ 701.9	\$ 574.3	\$ 570.6	\$ 570.4	\$ 2,991.5

The following table summarizes NOAA's R&D investments for FY 2002 through FY 2006 by R&D category:

(In Millions)

R&D Category	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Total
Applied Research	\$ 546.0	\$ 680.8	\$ 546.7	\$ 514.8	\$ 523.1	\$ 2,811.4
Development	28.3	21.1	27.6	55.8	47.3	180.1
Total	\$ 574.3	\$ 701.9	\$ 574.3	\$ 570.6	\$ 570.4	\$ 2,991.5



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

The following tables further summarize NOAA's R&D investments for FY 2006 and FY 2005 by performance goal:

(In Millions)

FY 2006			
Performance Goal	Applied Research	Development	Total
Protect, Restore, and Manage the Use of Coastal and Ocean Resources Through an Ecosystem Approach to 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 Goal	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

**INDEPENDENT
AUDITORS'
REPORT**

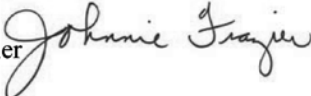




UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
 Washington, D.C. 20230

November 9, 2006

MEMORANDUM FOR: Carlos M. Gutierrez
 Secretary of Commerce

FROM: Johnnie E. Frazier 

SUBJECT: *Department of Commerce's FY 2006 Consolidated Financial Statements, Audit Report No. FSD-18004-7-0002*

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the Department of Commerce's FY2006 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. We commend the Department for the noteworthy accomplishment of once again attaining an unqualified opinion—the eighth consecutive year—and for meeting the fiscal year 2006 accelerated reporting deadline.

My office contracted with the independent public accounting firm of KPMG LLP (KPMG) to perform the audit of the Department's financial statements for the year ended September 30, 2006. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 06-03, *Audit Requirements for Federal Financial Statements*.

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 was one reportable condition related to weaknesses in controls over the Department's financial management systems (but not considered a material weakness in internal control as defined on page 3 of 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; and
- there was one instance in which the Department did not comply with other laws and regulations (the Anti-Deficiency Act).

My office defined the audit's scope and oversaw its 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





INDEPENDENT AUDITORS' REPORT

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 and regulations. KPMG is solely responsible for the attached audit report dated November 8, 2006, and the conclusions expressed in the report.

We are pleased that the Department made some improvements in general information technology controls during FY 2006. These successes are evidence of the Department's continued commitment to sound financial management and reliable financial/performance information. This also demonstrates the efforts of the Department's financial managers and staff to improve internal controls and eliminate specific deficiencies previously identified in audits by KPMG and our office.

In accordance with Department Administrative Order (DAO) 213-5, we ask that an audit action plan be submitted for our review and concurrence within 60 days of the date of this memorandum. To streamline the process, we suggest that you provide an action plan as part of the response to the separate, limited-distribution IT general controls report (FSD-18004-7-0001). The plan should address each of the report's recommendations and be formatted as specified in exhibit 7 of the DAO or as agreed upon with my office. It should give specific details and dates for how and when each recommendation will be implemented; and if there are any that you choose not to implement, it must provide the rationale and/or legal basis behind the decision.

If you wish to discuss the contents of this report, please call me on (202) 482-4661, or Elizabeth Barlow, Deputy Inspector General, on (202) 482-3516. 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

Barry C. West
Chief Information Officer



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, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the 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 2006 audit, we also considered the Department's internal controls over financial reporting, Required Supplementary Stewardship Information (RSSI), and performance measures, 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, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2006, the Department adopted new reporting requirements for earmarked funds.

Our consideration of internal controls over financial reporting, RSSI, and performance measures resulted in the identification of one reportable condition related to the weaknesses in the Department's general information technology controls. However, we do not consider this reportable condition to be a material weakness.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed one matter of noncompliance 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. 06-03, *Audit Requirements for Federal Financial Statements*.

The following sections discuss our opinion on the Department's consolidated financial statements; our consideration of the Department's internal controls over financial



reporting, RSSI, and performance measures; 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, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Department changed its method of reporting earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 27, *Identifying and Reporting Earmarked Funds*.

The information in the Management Discussion and Analysis, RSSI, 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 and OMB Circular No. A-136, *Financial Reporting Requirements*. 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, 2006 consolidating balance sheet is presented for purposes of additional analysis of the consolidated balance sheet rather than to present the financial position of the Department's bureaus individually. The September 30, 2006 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, 2006 consolidated balance sheet taken as a whole. The information in the FY 2006 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 internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions by management in the consolidated financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the consolidated financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

In our fiscal year 2006 audit, we noted one matter relating to the Department's financial management systems, summarized below and in more detail in Exhibit I that we consider to be a reportable condition. However, this reportable condition is not believed to be a material weakness.

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.

A summary of the status of the Department's prior year reportable conditions is included as Exhibit II.

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.

Internal Controls over Required Supplementary Stewardship Information and Performance Measures

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to



a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the RSSI or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the RSSI and the design and operation of internal control over the existence and completeness assertions related to key performance measures would not necessarily disclose all matters involving the internal control and its operation related to RSSI or the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to RSSI that we considered to be material weaknesses as defined above.

In our fiscal year 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.

Compliance and Other Matters

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance with the Anti-Deficiency Act (ADA) that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03, and are described below.

Anti-Deficiency Act. As reported in the prior year, we were informed by the National Oceanic and Atmospheric Administration (NOAA) that during fiscal year 2005, the Department's Office of General Counsel (OGC) identified a license that contained an indemnification clause. NOAA reviewed other real property arrangements (such as leases and licenses), to ensure that those agreements did not contain indemnification clauses. NOAA found that 80 of 2,130 real property agreements, with the earliest signed in 1923, included indemnification clauses or provisions involving an indeterminate liability, or both. The 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. Each individual who signed those agreements and who is still a NOAA employee has been given administrative discipline under the Department of Commerce *Table of Offenses and Penalties*. The Secretary reported these violations to the President, the President of the Senate, the



Speaker of the House of Representatives, and the Comptroller General as required by 31 U.S.C. section 1351 on October 14, 2005. One additional lease was subsequently identified, bringing the total of licenses and lease agreements with this issue to 82. As of November 8, 2006, the date of our fiscal year 2006 Independent Auditors' Report, 75 agreements have been amended, terminated or expired, thereby eliminating future ADA concerns, and corrective actions are underway on the remaining 7 agreements. Six of the remaining agreements are being renegotiated to remove the clauses, and plans are being made to relocate the equipment covered by the remaining lease to another site in fiscal year 2007, because the lessor did not agree to make the necessary amendment.

As reported in the prior year, OGC informed us that during fiscal year 2005, Economic and Statistics Administration (ESA) identified a one-year agreement between ESA and a foreign government that contained an indemnification clause. As a result of this discovery, ESA conducted an investigation and located six previously executed one-year agreements for subscription services with the same party containing the same indemnification clause, bringing the total number of agreements with these clauses to 7. ESA concluded its investigation in fiscal year 2005 and issued the final report on October 21, 2005. Subsequently, OGC determined that the indemnification clauses were *prima facie* violations of the ADA because those clauses constituted open-ended obligations of the Government. All of these agreements have now expired and no liability claims were filed under the agreements. The Secretary reported these violations to the President, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General as required by 31 U.S.C. section 1351 on June 9, 2006.

The results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of FFMIA disclosed no instances in which the Department's financial management systems did not substantially comply with the three requirements discussed in the Responsibilities section of this report.

* * * * *

Responsibilities

Management's Responsibilities. The United States Code, Title 31, Sections 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of



operations. To meet these reporting requirements, the Department prepares and submits financial statements in accordance with OMB Circular No. A-136.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management Discussion and Analysis (including the performance measures), Required Supplementary Information, and RSSI;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to the Department, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2006 and 2005 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. 06-03. Those standards and OMB Bulletin No. 06-03 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 2006 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 06-03. 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 provide an opinion on the Department's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered the Department's internal control over the RSSI by obtaining an understanding of the Department's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over RSSI in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the RSSI and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis and Performance sections, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Department's fiscal year 2006 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. 06-03, including certain provisions referred to in 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.

Under OMB Bulletin No. 06-03 and FFMIA, we are required to report whether the Department's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.



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To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

Restricted Use

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 8, 2006



U.S. Department of Commerce
Independent Auditors' Report
Exhibit I – Reportable Condition

Financial Management Systems Need Improvement (*Repeat Condition Since 1998*)

For many years, the U.S. Department of Commerce (Department) Office of Inspector General (OIG), U.S. Government Accountability Office (GAO), and departmental self-assessments have identified weaknesses in the Department's information technology (IT) and financial systems controls. Our fiscal year 2006 assessment of the Department's general IT and financial systems controls, performed in support of the fiscal year 2006 consolidated financial statement audit, found that although the Department needs to make further progress with its general IT control environment, progress has been made in addressing many prior weaknesses. For example, during FY 2006 Commerce took several positive steps with its IT control processes, not only to improve controls and processes, but also to help address previously reported IT control weaknesses, including an IT security material weakness reported under the *Federal Managers' Financial Integrity Act* (FMFIA).

As in FY 2005, Commerce continued to focus on improving the Department's information security certification and accreditation program, which is a key information security management and technical control process. Additionally, in June 2006, operating units were required to comply with the requirements of the Department's revised *DOC IT Security Policy and Minimum Implementation Standards*. The guidance significantly updated DOC mandatory minimally acceptable implementation standards for the implementation of effective IT security programs at all bureaus and operating units. The policy incorporates, by reference, the most current Public Laws, Federal and Departmental regulations affecting security of Federal information systems. It also includes recommended management practices of the Federal government and private industry.

Despite these improvements, we continued to identify weaknesses in general IT controls that we consider to be a reportable condition as defined by the American Institute of Certified Public Accountants. As part of the Department's fiscal year 2006 FMFIA evaluation, the Department also determined (and the OIG also confirmed) that a material weakness, related to IT information security, exists.

Effective general IT controls add assurance that data used to prepare and report financial information and statements is complete, reliable, and has integrity. Our fiscal year 2006 IT assessment was focused on the general IT 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 general IT 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

U.S. Department of Commerce
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Exhibit I – Reportable Condition, Continued

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, our audit identified that entity-wide security can still be improved at three bureaus, primarily in the areas of: (1) updating risk assessments, (2) establishing security controls for interconnected systems, and (3) updating system security plans.

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.

- **Security 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 2006, we noted that access controls should be improved at six of the Department's bureaus, primarily in the areas of: (1) management of user accounts, (2) logical controls for network access, (3) requirements for obtaining signed user Rules of Behavior, (4) data center access, (4) monitoring of user actions through the use of audit trails, and (5) technical controls for system devices to protect against vulnerabilities associated with malicious threats and attacks. We recognize that the Department and its bureaus have some compensating controls in place to help reduce



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Exhibit I – Reportable Condition, Continued

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 2006, we noted that application software development and change controls should be improved at two bureaus, primarily in the areas: (1) user access to test and production environments, and (2) segregation of system modification responsibilities and duties.

- **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 2006, we noted that system software controls should be improved at two bureaus in the area of testing and approving system patches prior to implementation.

- **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 involves 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 2006, we noted a weakness related to segregation of duties that affected the implementation of system software modifications at one bureau.



INDEPENDENT AUDITORS' REPORT

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Exhibit I – Reportable Condition, Continued

However, this weakness has been reported in the FISCAM review area of application software development and change control.

- **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 2006, we noted that service continuity controls should be improved at five bureaus, primarily in the areas of: (1) contingency plan updates to include appropriate controls and reflect current processing environments, (2) testing disaster recovery and continuity plans, and (3) procuring an alternate processing site.

Recommendations

Specific recommendations are included in a separate limited distribution IT general controls report, issued as part of the fiscal year 2006 consolidated financial statement audit. The Department should monitor bureau actions to ensure effective implementation of our recommendations.

Management's Response

Management agreed with our 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.



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 Independent Auditors' Report
 Exhibit II – Status of Prior Year Reportable Conditions

Reported Issue	Prior Year Recommendation	Fiscal Year 2006 Status
<i>Financial Management Systems Need Improvement</i>		
Weaknesses in general controls were identified in five of the six FISCAM review areas.	The Department should monitor bureau actions to ensure effective implementation of our recommendations.	Reportable Condition (see comments in Exhibit I).
<i>Accounting for NIST Construction-In-Progress Needs Improvement</i>		
Weaknesses in accounting for construction-in-progress (CIP) at the National Institute of Standards and Technology (NIST).	NIST Chief Financial Officer (CFO) should establish and enforce routine controls to ensure that completed construction projects are removed timely from CIP and only capitalizable costs are added to NIST's CIP balance.	Completed.



INDEPENDENT AUDITORS' REPORT

APPENDICES



PERFORMANCE AND RESOURCE TABLES

To make the report more useful, this FY 2006 Performance and Accountability Report (PAR) reports on targets and measures from the FY 2007 Annual Performance Plan (APP), which more accurately reflects updated targets of each performance measure. Individual bureau-specific APPs can be found on the Department of Commerce 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 Goal.

The system of reporting does not currently allow the Department to report on resources at the performance measure level but it is Commerce's hope to develop this capability in the future. It is important to note that if a performance measure has been exceeded (more than 125 percent of target), a blue circle will appear. If a performance measure has been met (100 percent - 125 percent of target), a green circle will appear. A measure that was slightly below target (95 percent - 99 percent of the target) appears as yellow, while a measure that was definitely not met appears as red. No targets that were ever in the form of text (e.g., a series of milestones met) would ever be considered exceeded since they can't be quantified.

The information in the tables will follow the following format:

- ◆ Strategic Goal and Resources
- ◆ Objective and Resources
- ◆ Performance Goal and Resources
- ◆ Performance Measure

Note: Unless otherwise noted, measures that do not have targets, are new, or are baseline are not included in any count in this document. Resources for each performance goal are estimates and may be updated in the budget for FY 2008.

Target and performance data are tracked back to FY 1999 where available. If a measure was developed after FY 1999, actual performance data is shown back to the year that the measure first appeared.

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC GOAL 1 TOTAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$2,548.8	\$5,454.7	\$1,912.7	\$1,704.1	\$1,746.2	\$1,854.0	\$1,888.5	\$1,936.0
FTE ¹	24,186	89,978	13,827	11,827	11,306	11,819	11,877	12,017

¹ FTE – Full-Time Equivalent

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

OBJECTIVE 1.1 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$703.7	\$690.8	\$756.9	\$677.5	\$662.2	\$681.4	\$605.8	\$584.0
FTE ¹	2315	2338	2240	1,990	2,288	2,272	1909	1,754

¹ FTE – Full-Time Equivalent

Performance Goal: Increase private investment and job creation in economically distressed communities (EDA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding ²	\$313	\$312	\$362.3	\$296.6	\$258.3	\$252.4	\$213.9	\$198.5
FTE ¹	170	174	165	155	149	134	134	114

¹ FTE – Full-Time Equivalent
² 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.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 9 year totals ¹			
Year	Status	Actual	Target
FY 2006	●	\$2,331.1	\$1,162.0

¹ EDA tracks the results of its investments and jobs created / retained at 3, 6 and 9 year periods. The FY 2006 actual is as a result of investments made in FY 1997. 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.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 6 year totals ¹			
Year	Status	Actual	Target
FY 2006	●	\$1,059.0	\$1,020.0
Year	Status	Historical Results	
FY 2005	●	\$1,781.0	
FY 2004	●	\$1,740.0	
FY 2003	●	\$2,475.0	

¹ This is the 6 year result measure. FY 2006 actuals are the result of investments made in FY 2000. FY 2005 actuals as a result of investments made in FY 1999 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Private investment leveraged - 3 year totals ¹			
Year	Status	Actual	Target
FY 2006	●	\$1,669.0	\$320.0
Year	Status	Historical Results	
FY 2005	●	\$1,791.0	
FY 2004	●	\$947.0	
FY 2003	●	\$1,251.0	
FY 2002	●	\$640.0	
FY 2001	●	\$971.0	
FY 2000	●	\$199.0	

¹ This is the 3 year result measure. FY 2006 actuals are the result of investments made in FY 2003. FY 2005 actuals as a result of investments made in FY 2002 and so on.

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 9 year totals ¹			
Year	Status	Actual	Target
FY 2006	●	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 2006 actual is as a result of investments made in FY 1997. 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 2006	●	42,958	28,200
Year	Status	Historical Results	
FY 2005	●	47,374	
FY 2004	●	68,109	
FY 2003	●	47,607	

¹ This is the 6 year result measure. FY 2006 actuals are the result of investments made in FY 2000. FY 2005 actuals as a result of investments made in FY 1999 and so on.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Jobs created/retained - 3 year totals ¹			
Year	Status	Actual	Target
FY 2006	●	11,833	9,170
Year	Status	Historical Results	
FY 2005	●	19,672	
FY 2004	●	21,901	
FY 2003	●	39,841	
FY 2002	●	29,912	
FY 2001	●	12,898	
FY 2000	●	12,056	

¹ This is the 3 year result measure. FY 2006 actuals are the result of investments made in FY 2003. FY 2005 actuals as a result of investments made in FY 2002 and so on.

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding ²	\$78.0	\$74.0	\$76.7	\$68.8	\$67.3	\$71.9	\$71.3	\$67.0
FTE ¹	92	94	89	84	80	72	73	50

¹ FTE – Full-Time Equivalent

² 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 and Indian tribes implementing economic development projects from the comprehensive economic development strategy that lead to private investment and jobs			
Year	Status	Actual	Target
FY 2006	●	96%	95%
Year	Status	Historical Results	
FY 2005	●	97%	
FY 2004	●	95%	
FY 2003	●	98.7%	
FY 2002		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of sub-state jurisdiction members actively participating in the economic development district program			
Year	Status	Actual	Target
FY 2006	●	90%	89-93%
Year	Status	Historical Results	
FY 2005	●	91%	
FY 2004	●	90.1%	
FY 2003	●	96.7%	
FY 2002	●	95.3%	
FY 2001	●	92%	
FY 2000	●	91%	
FY 1999		New—no target to measure against	

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 2006	●	76%	75%
Year	Status	Historical Results	
FY 2005	●	79%	
FY 2004	●	78.4%	
FY 2003	●	78.1%	
FY 2002		New—no target to measure against	

EDA PERFORMANCE MEASURE			
MEASURE: Percentage of those actions taken by University Center clients that achieved the expected results			
Year	Status	Actual	Target
FY 2006	●	82%	80%
Year	Status	Historical Results	
FY 2005	●	87%	
FY 2004	●	88%	
FY 2003	●	86%	
FY 2002		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2006	●	90%	90%
Year	Status	Historical Results	
FY 2005	●	99%	
FY 2004	●	90%	
FY 2003	●	92%	
FY 2002		New—no target to measure against	

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 2006	●	96%	95%
Year	Status	Historical Results	
FY 2005	●	97%	
FY 2004	●	98%	
FY 2003	●	98%	
FY 2002		New—no target to measure against	

Performance Goal: Enhance U.S. competitiveness in domestic and international markets (ITA)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual ²	FY 2003 Actual ²	FY 2004 Actual ²	FY 2005 Actual	FY 2006 Actual
Total Funding	\$155.0	\$151.0	\$161.0	\$208.5	\$210.7	\$206.3	\$52.5	\$49.7
FTE ¹	1,071	1,079	1,038	1,236	1,064	1,250	255	259

¹ FTE – Full-Time Equivalent
² In FY 2005 ITA reorganized its performance structure, reducing the number of goals from four to two goals for this objective. FYs 2002-2004 actuals shown here reflect the level for the strengthen U.S. industries goal and the two discontinued goals.

ITA PERFORMANCE MEASURE			
MEASURE: Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis			
Year	Status	Actual	Target
FY 2006	●	\$287M	\$350M
<i>Performance was not met, because:</i> The annual cost savings metric was not achieved due to the postponed release of an EPA rule related to one of the MAS studies. The rule was scheduled for release in September and was delayed due to prolonged internal EPA clearance and review. This may put ITA above target for this metric in FY 2007.			
<i>Strategies for Improvement:</i> ITA’s MAS program will work closely with agencies to predict rule release dates more accurately to minimize this type of potential externality.			
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

* Prior to FY 2006, this goal was known as “Strengthen U.S. industries.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Percent reduction in per unit cost of data distribution			
Year	Status	Actual	Target
FY 2006	●	12%	10%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percent of agreement milestones completed			
Year	Status	Actual	Target
FY 2006	●	100%	70%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percent of industry-specific trade barrier milestones completed			
Year	Status	Actual	Target
FY 2006	●	81%	85%

Performance was not met, because:

This measure was first reported in FY 2006, however, MAS had prior year information. MAS exceeded 80 percent in FY 2004 and FY 2005. Based on this strong performance MAS set a target of 85 percent in FY 2006. While MAS did not reach its new target, the achievement of 81 percent of industry-specific trade barrier milestones completed exceeds targets of the previous two years.

Strategies for Improvement:

ITA will determine if external factors impact a percentage range of milestones each quarter and assess if 85 percent is a realistic target based on actual baseline trends in FY 2007.

Year	Status	Historical Results	
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Exports generated annually from public/private partnerships			
Year	Status	Actual	Target
FY 2006	●	\$446M	\$267M
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$129	\$124	\$129.0	\$75.3	\$97.2	\$121.9	\$238.6	\$238.9
FTE ¹	886	890	858	423	903	724	1,352	123.7

¹ FTE – Full-Time Equivalent

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of undertaken advocacy cases completed successfully			
Year	Status	Actual	Target
FY 2006	●	8.6%	12.0%
<i>Performance was not met, because:</i> For FY 2006, the Advocacy Center’s percentage of cases successfully completed is artificially low because of an unusually large number of cases carried over from FY 2005. This impacts the calculation of the performance metric by maintaining a larger denominator since the total number of cases is usually higher.			
<i>Strategies for Improvement:</i> ITA will examine this measure and determine what actions can be taken to address maintaining a similar number of open advocacy cases from year to year, thus ensuring minimal variation in the annual success rate.			
Year	Status	Historical Results	
FY 2005	●	12%	
FY 2004	●	13%	
FY 2003	●	10%	
FY 2002	●	11.8%	
FY 2001		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-market (NTM) export successes ¹			
Year	Status	Actual	Target
FY 2006	●	4,110	4,760
<i>Performance was not met, because:</i> New-to-market (NTM) Export Success (ES) metrics fell short in FY 2006 due to reduced staffing in the domestic field and the application of more stringent controls such as tightening the ES reporting requirements in response to OIG findings.			
<i>Strategies for Improvement:</i> New-to-export (NTE) and NTM successes require a high degree of personalized service. One way to make up for the lack of federal resources is to partner with private sector service providers that can reach potential exporters. ITA will continue to broaden and deepen strategic partnerships and as these partnerships mature, ITA should begin to see more demand for ITA services and more export successes.			
Year	Status	Historical Results	
FY 2005	●	4,888	
FY 2004	●	4,759	
FY 2003	●	6,278	
FY 2002	●	5,740	
FY 2001	●	5,386	
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was “Number of U.S. exporters entering a new market.”

* Prior to FY 2006, this goal was known as “Expand U.S. exporter base.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Number of increase-to-market (ITM) export successes			
Year	Status	Actual	Target
FY 2006	●	7,258	5,925
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Number of new-to-export (NTE) successes ¹			
Year	Status	Actual	Target
FY 2006	●	551	700

Performance was not met, because:

NTE Export Success (ES) metrics fell short in FY 2006 due to reduced staffing in the domestic field and the application of more stringent controls such as tightening the ES reporting requirements in response to OIG findings.

Strategies for Improvement:

NTE and NTM successes require a high degree of personalized service. One way to make up for the lack of federal resources is to partner with private sector service providers that can reach potential exporters. ITA will continue to broaden and deepen strategic partnerships and as these partnerships mature, ITA should begin to see more demand for ITA services and more export successes.

Year	Status	Historical Results	
FY 2005	●	620	
FY 2004	●	704	
FY 2003	●	896	
FY 2002	●	699	
FY 2001	●	742	
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was "Number of U.S. firms exporting for the first time."

ITA PERFORMANCE MEASURE			
MEASURE: Number of export successes made as a result of ITA involvement ¹			
Year	Status	Actual	Target
FY 2006	●	11,919	11,385
Year	Status	Historical Results	
FY 2005	●	12,518	
FY 2004	●	11,382	
FY 2003	●	14,090	
FY 2002	●	12,178	
FY 2001	●	11,160	
FY 2000		New—no target to measure against	

¹ From FY 2000 - FY 2005, this measure was "Number of export transactions made as a result of ITA involvement."

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of Commercial Service fee funded programs			
Year	Status	Actual	Target
FY 2006	●	3.0%	3.0%
Year	Status	Historical Results	
FY 2005	●	2.0%	
FY 2004	●	2.0%	
FY 2003		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Dollar value of advocacy cases completed successfully			
Year	Status	Actual	Target
FY 2006	●	\$33.2B	\$5.0B
<i>Performance was exceeded because:</i> The Advocacy Center closed four large cases during the second quarter for Boeing (planes) and GE (engines) with Air India. These four cases, closed at the same time with an estimated \$8.25 billion in U.S. export content. The total for these four successes are high compared to most advocacy successes; although, aerospace cases tend to result in high dollar value successes. Please note: It is challenging to predict when cases will close, as there is no way of predicting whether this level of success will be repeated in the future.			
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$28.7	\$29.8	\$27.9	\$28.3	\$29.0	\$28.9	\$29.5	\$29.9
FTE ¹	96	101	90	92	92	92	95	94

¹ FTE – Full-Time Equivalent

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of contract awards obtained			
Year	Status	Actual	Target
FY 2006	●	\$1.1	\$0.85
Year	Status	Historical Results	
FY 2005	●	\$0.9	
FY 2004	●	\$0.95	
FY 2003	●	\$0.7	
FY 2002	●	\$1.3	
FY 2001	●	\$1.6	
FY 2000	●	\$1.2	
FY 1999	●	\$0.6	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

MBDA PERFORMANCE MEASURE			
MEASURE: Dollar value of financial awards obtained			
Year	Status	Actual	Target
FY 2006	●	\$0.41	\$0.45
<i>Performance was not met, because:</i> At the Department's request, MBDA's focus in 2006 was on obtaining contract opportunities for MBEs in support of the Gulf Coast Relief and Recovery.			
<i>Strategies for Improvement:</i> The new MBEC / NABEC programs will focus on access to capital in 2007.			
Year	Status	Historical Results	
FY 2005	●	\$0.5	
FY 2004	●	\$0.6	
FY 2003	●	\$0.4	
FY 2002	●	\$0.4	
FY 2001	●	\$0.6	
FY 2000	●	\$0.2	
FY 1999	●	\$0.7	

MBDA PERFORMANCE MEASURE			
MEASURE: Number of new job opportunities created			
Year	Status	Actual	Target
FY 2006	●	4,000	1,800
Year	Status	Historical Results	
FY 2005	●	2,000	
FY 2004		New—no target to measure against	

MBDA PERFORMANCE MEASURE			
MEASURE: Percent increase in client gross receipts			
Year	Status	Actual	Target
FY 2006	●	7.5%	5%
Year	Status	Historical Results	
FY 2005	●	15%	
FY 2004		New—no target to measure against	

MBDA PERFORMANCE MEASURE			
MEASURE: Number of national and regional strategic partnerships ¹			
Year	Status	Actual	Target
FY 2006	●	235	200
Year	Status	Historical Results	
FY 2005	●	220	
FY 2004	●	210	
FY 2003	●	8	
FY 2002	●	6	
FY 2001		New—no target to measure against	

¹ From FY 2002 - FY 2003, this measure did not include regional partnerships.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

OBJECTIVE 1.2 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$114.0	\$119.9	\$130.9	\$160.4	\$162.5	\$163.4	\$187.7	\$187.1
FTE ¹	749	773	733	929	795	984	992	942

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: Identify and resolve unfair trade practices (ITA)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$55.0	\$59.0	\$68.0	\$92.8	\$85.8	\$89.5	\$110.7	\$104.9
FTE ¹	372	375	360	571	341	576	630	589

¹ FTE – Full-Time Equivalent

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of AD/CVD proceedings completed within statutory deadlines			
Year	Status	Actual	Target
FY 2006	●	100%	100%
Year	Status	Historical Results	
FY 2005	●	100%	
FY 2004	●	100%	
FY 2003	●	100%	
FY 2002	●	100%	
FY 2001		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Number of market access and trade compliance cases initiated			
Year	Status	Actual	Target
FY 2006	●	178	150
Year	Status	Historical Results	
FY 2005	●	160	
FY 2004	●	161	
FY 2003	●	144	
FY 2002		New—no target to measure against	

* From FY 2002 - FY 2005, this goal was known as "Ensure fair competition in international trade."

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases initiated for on behalf of small and medium-sized businesses ¹			
Year	Status	Actual	Target
FY 2006 ¹	●	28.1%	30%
<i>Performance was not met, because:</i> This was a new metric. ITA's initial target may require adjustment as baseline data becomes available.			
¹ This is a new measure as of FY 2006, so there are no historical results to present.			

ITA PERFORMANCE MEASURE			
MEASURE: Number of market access and compliance cases resolved			
Year	Status	Actual	Target
FY 2006	●	140	80
Year	Status	Historical Results	
FY 2005	●	85	
FY 2004	●	116	
FY 2003	●	158	
FY 2002		New—no target to measure against	

ITA PERFORMANCE MEASURE			
MEASURE: Percentage of market access and compliance cases resolved			
Year	Status	Actual	Target
FY 2006	●	46% / quarter	20% / quarter
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$29.6	\$26.5	\$24.0	\$27.6	\$29.8	\$25.8	\$23.8	\$33.4
FTE ¹	185	184	164	156	190	163	148	153
¹ FTE – Full-Time Equivalent								

BIS PERFORMANCE MEASURE			
MEASURE: Percent of licenses requiring interagency referral referred within 9 days			
Year	Status	Actual	Target
FY 2006	●	98%	95%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

* From FY 2002 - FY 2005, this goal was known as "Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system." The two measures under the goal "Eliminate illicit activity outside the global export control and treaty compliance system" also apply to this goal.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

BIS PERFORMANCE MEASURE			
MEASURE: Median processing time for new regime regulations (months)			
Year	Status	Actual	Target
FY 2006	●	2.5	3.0
Year	Status	Historical Results	
FY 2005	●	1.0	
FY 2004	●	2.0	
FY 2003	●	7.0	
FY 2002		New—no target to measure against	

BIS PERFORMANCE MEASURE			
MEASURE: Percent of attendees rating seminars highly			
Year	Status	Actual	Target
FY 2006	●	90%	85%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

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 2006	●	100%	100%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

PERFORMANCE GOAL: Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$25.2	\$25.9	\$27.1	\$30.0	\$35.0	\$33.4	\$36.0	\$19.9
FTE ¹	183	175	178	171	226	214	170	80

¹ FTE – Full-Time Equivalent

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			
Year	Status	Actual	Target
FY 2006	●	872	350
Year	Status	Historical Results	
FY 2005	●	583	
FY 2004	●	310	
FY 2003	●	250	
FY 2002	●	82	
FY 2001	●	81	
FY 2000	●	93	
FY 1999	●	68	

BIS PERFORMANCE MEASURE			
MEASURE: Number of end-use checks completed			
Year	Status	Actual	Target
FY 2006	●	942	700
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

* Prior to FY 2006, this goal was known as "Prevent illegal exports and identify violaters of export prohibitions and restrictions for prosecution." The two measures under this goal also apply to the goal "Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system."

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$4.2	\$4.3	\$5.3	\$5.5	\$6.0	\$7.7	\$9.9	\$22.3
FTE ¹	9	9	9	9	9	9	10	81

¹ FTE – Full-Time Equivalent

BIS PERFORMANCE MEASURE			
MEASURE: Number of targeted deficiencies remedied in the export control systems of cooperating countries			
Year	Status	Actual	Target
FY 2006	●	40	40
Year	Status	Historical Results	
FY 2005	●	40	
FY 2004	●	41	
FY 2003	●	39	
FY 2002	●	25	
FY 2001		New—no target to measure against	

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	New	\$4.2	\$6.5	\$4.5	\$5.9	\$7.0	\$7.3	\$6.6
FTE ¹	New	30	22	22	29	22	34	39

¹ FTE – Full-Time Equivalent

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 2006	●	N/A ¹	100%
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

¹ No assessments fell within the metric timeframe in FY 2006. Two industry assessments were completed 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 following fiscal years.

* Prior to FY 2006, this goal was known as "Enhance the export and transit controls of nations seeking to improve their export control system."

** This goal replaced the goal "Ensure U.S. industry compliance with the CWC agreement."

STRATEGIC OBJECTIVE 1.3

Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public

OBJECTIVE 1.2 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$1,731.1	\$4,644.0	\$1,024.9	\$866.2	\$920.9	\$1,009.2	\$1,095.0	\$1,164.9
FTE ¹	21,122	86,867	10,854	8,908	8,223	8,563	8,976	9,321

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: 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 (ESA/Census)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual ²	FY 2005 Actual	FY 2006 Actual
Total Funding	\$1,676.0	\$4,589.5	\$967.0	\$799.5	\$846.9	\$930.4	\$1,010.9	\$1,079.3
FTE ¹	20,639	86,399	10,380	8,420	7,729	8,038	8,433	8,778

¹ FTE – Full-Time Equivalent
² Total obligations for performance goal 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: 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 2006	●	Met percentages	90% of key censuses & surveys meet/exceed collection rates/ levels of reliability
Year	Status	Historical Results	
FY 2005	●	Met percentages	
FY 2004	●	Met percentages	
FY 2003	●	Met percentages	
FY 2002	●	100%	
FY 2001	●	100%	
FY 2000	●	100%	
FY 1999	●	100%	

* In FY 2004, Census combined all their goals into this goal.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2006	●	1) 100% of Economic Indicators 2) 100% of other products	1) 100% of Economic Indicators released on time 2) >89% of other key censuses & surveys data released on time
Year	Status	Historical Results	
FY 2005	●	22 products	
FY 2004	●	10 products	
FY 2003	●	2 products	
FY 2002	●	Maintained FY 1999 time	
FY 2001	●	Maintained FY 1999 time	
FY 2000	●	Maintained FY 1999 time	
FY 1999	●	9% decrease in time	

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Introduce Census 2000-based samples on time as scheduled so that the household surveys can continue through the next decade and so that policymakers, businesses, and the public can continue to be confident in the major federal socioeconomic indicators these surveys provide			
Year	Status	Actual	Target
FY 2006	●	Samples were introduced on schedule	2000-based samples on schedule
Year	Status	Historical Results	
FY 2005	●	4 different types of samples	
FY 2004		New—no target to measure against	

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 2006	●	700	700
Year	Status	Historical Results	
FY 2005	●	623	
FY 2004	●	602 (26.3%)	
FY 2003	●	250	
FY 2002	●	Prepared plan and systems to measure housing unit coverage	
FY 2001		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2006	●	100% of activities completed on time	>89% of key prep activities completed on time
Year	Status	Historical Results	
FY 2005	●	Activities completed on time	
FY 2004		New—no target to measure against	

ESA/CENSUS PERFORMANCE MEASURE			
MEASURE: Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI)			
Year	Status	Actual	Target
FY 2006	●	72	71.3
Year	Status	Historical Results	
FY 2005	●	73	
FY 2004	●	71	
FY 2003		New—no target to measure against	

PERFORMANCE GOAL: 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 GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual ²	FY 2005 Actual	FY 2006 Actual
Total Funding	\$55.1	\$54.5	\$57.9	\$66.7	\$74.0	\$78.8	\$84.1	\$85.6
FTE ¹	483	468	474	488	494	525	543	543

¹ FTE – Full-Time Equivalent

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time)			
Year	Status	Actual	Target
FY 2006	●	54 of 54	54 of 54
Year	Status	Historical Results	
FY 2005	●	54 of 54	
FY 2004	●	54 of 54	
FY 2003	●	48 of 48	
FY 2002	●	50 of 50 ¹	
FY 2001	●	100	
FY 2000	●	100	
FY 1999	●	100	

¹ In FY 2002 the format was changed to express the ratio of scheduled releases to those issued on time rather than the percentage of releases successfully released on time.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2006	●	4.2	Greater than 4.0
Year	Status	Historical Results	
FY 2005	●	4.4	
FY 2004	●	4.3	
FY 2003	●	4.4	
FY 2002	●	4.3	
FY 2001	●	N/A ¹	
FY 2000	●	4.3	
FY 1999	●	N/A ²	

¹ Due to budget constraints, the FY 2001 survey was postponed until FY 2002.
² Due to budget constraints, the FY 1999 survey was postponed until FY 2000.

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Accuracy: Percent of GDP estimates correct			
Year	Status	Actual	Target
FY 2006	●	96%	>85%
Year	Status	Historical Results	
FY 2005	●	96%	
FY 2004	●	88%	
FY 2003	●	88%	
FY 2002	●	83%	
FY 2001	●	91%	
FY 2000	●	93%	
FY 1999		New—no target to measure against	

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Improving GDP and the economic accounts ¹			
Year	Status	Actual	Target
FY 2006	●	Completed all major milestones related to improving the economic accounts	Completion of strategic plan milestones
Year	Status	Historical Results	
FY 2005	●	Completed all major milestones related to improving the economic accounts	
FY 2004	●	Completed all major milestones related to improving the economic accounts	
FY 2003	●	Completed all major milestones related to improving the economic accounts	
FY 2002	●	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.	
FY 2001		New—no target to measure against	

¹ The BEA Strategic Plan and a report card of completed milestones are available in "About BEA" on www.bea.gov.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

ESA/BEA PERFORMANCE MEASURE			
MEASURE: Budget Related: Accelerating economic estimates ¹			
Year	Status	Actual	Target
FY 2006	●	Completed all major milestones related to accelerating economic estimates	Completion of strategic plan milestones
Year	Status	Historical Results	
FY 2005	●	Completed all major milestones related to accelerating economic estimates	
FY 2004	●	Completed all major milestones related to accelerating economic estimates	
FY 2003	●	Completed all major milestones related to accelerating economic estimates	
FY 2002		New—no target to measure against	

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: Meeting U.S. international obligations ¹			
Year	Status	Actual	Target
FY 2006	●	Completed all major milestones related to meeting international obligations	Completion of Strategic plan milestones.
Year	Status	Historical Results	
FY 2005	●	Completed all major milestones related to meeting international obligations	
FY 2004	●	Completed all major milestones related to meeting international obligations	
FY 2003	●	Completed all major milestones related to meeting international obligations	
FY 2002		New—no target to measure against	

¹ The BEA Strategic Plan and a report card of completed milestones are available in “About BEA” on www.bea.gov.

STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

STRATEGIC GOAL 2 TOTAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$1,644.0	\$1,912.6	\$1,945.0	\$2,153.7	\$2,241.3	\$2,147.5	\$2,456.8	\$2,719.4
FTE ¹	9,547	9,578	9,575	10,068	10,074	10,005	10,022	10,582

¹ FTE – Full-Time Equivalent

STRATEGIC OBJECTIVE 2.1

Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

OBJECTIVE 2.1 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$786.5	\$970.0	\$819.0	\$913.5	\$952.8	\$830.1	\$878.5	\$974.2
FTE ¹	3,547	3,351	3,207	3,231	3,242	3,109	2,938	2,896

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure (NIST)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 ² Actual	FY 2006 Actual
Total Funding	\$431.5	\$628.5	\$502.1	\$579.2	\$614.1	\$576.8	\$621.6	\$762.4
FTE ¹	2,845	2,760	2,685	2,707	2,725	2,672	2,503	2,550

¹ FTE – Full-Time Equivalent
² The TA/US and NIST-Baldrige performance goals were discontinued in FY 2005. FY 2002 - FY 2006 funding amounts are included in this goal.

* Prior to FY 2006, this goal was known as "Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the nation's measurements and standards infrastructure."



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Qualitative assessment and review of technical quality and merit using peer review			
Year	Status	Actual	Target
FY 2006	●	Completed	Complete annual review
Year	Status	Historical Results	
FY 2005	●	Completed	
FY 2004	●	Completed	
FY 2003	●	Completed	
FY 2002	●	Completed	
FY 2001	●	Completed	
FY 2000	●	Completed	
FY 1999	●	Completed	

NIST PERFORMANCE MEASURE			
MEASURE: Peer-reviewed technical publications produced			
Year	Status	Actual	Target
FY 2006	●	1,163	1,100
Year	Status	Historical Results	
FY 2005	●	1,148	
FY 2004	●	1,070	
FY 2003		New—no target to measure against	

NIST PERFORMANCE MEASURE			
MEASURE: Standard reference materials (SRMs) sold ¹			
Year	Status	Actual	Target
FY 2006	●	31,195	30,000
Year	Status	Historical Results	
FY 2005	●	32,163	
FY 2004	●	30,490	
FY 2003	●	1,214	
FY 2002	●	1,353	
FY 2001	●	1,335	
FY 2000	●	1,292	
FY 1999	●	1,288	

¹ From FY 1999 - FY 2003 this was SRMs available.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: NIST-maintained datasets downloaded			
Year	Status	Actual	Target
FY 2006	●	94,371,001	80,000,000
Year	Status	Historical Results	
FY 2005	●	93,305,136	
FY 2004	●	73,601,352	
FY 2003		New—no target to measure against	

NIST PERFORMANCE MEASURE			
MEASURE: Number of items calibrated			
Year	Status	Actual	Target
FY 2006	●	3,026	2,700
Year	Status	Historical Results	
FY 2005	●	3,145	
FY 2004	●	3,373	
FY 2003	●	3,194	
FY 2002	●	2,924	
FY 2001	●	3,192	
FY 2000	●	2,969	
FY 1999	●	3,118	

PERFORMANCE GOAL: Accelerate private investment in and development of high-risk, broad impact technologies (NIST)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$190.3	\$198.8	\$175.8	\$198.1	\$199.7	\$187.2	\$138.3	\$72.7
FTE ¹	271	270	239	249	247	204	207	135

¹ FTE – Full-Time Equivalent

* Actuals for this performance goal 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 2005 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.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of publications			
Year	Status	Actual	Target
FY 2006	●	1,701 from funding through FY 2005	1,520 from funding through FY 2005
Year	Status	Historical Results	
FY 2005	●	1,462 from funding through FY 2004	
FY 2004	●	1,245 from funding through FY 2003	
FY 2003	●	969 from funding through FY 2002	
FY 2002	●	747 from funding through FY 2001	
FY 2001	●	565 from funding through FY 2000	
FY 2000	●	468 from funding through FY 1999	

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of patents			
Year	Status	Actual	Target
FY 2006	●	1,418 from funding through FY 2005	1,340 from funding through FY 2005
Year	Status	Historical Results	
FY 2005	●	1,254 from funding through FY 2004	
FY 2004	●	1,171 from funding through FY 2003	
FY 2003	●	939 from funding through FY 2002	
FY 2002	●	800 from funding through FY 2001	
FY 2001	●	693 from funding through FY 2000	
FY 2000	●	607 from funding through FY 1999	

NIST PERFORMANCE MEASURE			
MEASURE: Cumulative number of projects with technologies under commercialization			
Year	Status	Actual	Target
FY 2006	●	346 from funding through FY 2005	320 from funding through FY 2005
Year	Status	Historical Results	
FY 2005	●	296 from funding through FY 2004	
FY 2004	●	271 from funding through FY 2003	
FY 2003	●	244 from funding through FY 2002	
FY 2002	●	195 from funding through FY 2001	
FY 2001	●	166 from funding through FY 2000	
FY 2000	●	120 from funding through FY 1999	

PERFORMANCE GOAL: Raise the productivity and competitiveness of small manufacturers (NIST)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 ² Actual	FY 2006 Actual
Total Funding	\$131.4	\$104.4	\$106.4	\$108.5	\$111.3	\$46.9	\$102.7	\$111.9
FTE ¹	109	91	87	89	89	68	71	67

¹ FTE – Full-Time Equivalent
² FY 2005 targets were based on FY 2004 consolidated appropriations bill, which included an annual level for MEP of \$39.6 million (which, less rescissions, netted \$38.7 million). Due to the funding cycle of MEP Centers, the MEP system was able (on a one-time basis) to manage the funding decrease in FY 2004 with minimal impact to actual Center funding levels. The MEP system would not be able to sustain the current number of centers in the event of future funding cuts of a similar nature.

NIST PERFORMANCE MEASURE			
MEASURE: Number of clients served by Manufacturing Extension Partnership (MEP) Centers receiving federal funding			
Year	Status	Actual	Target
FY 2006	●	16,448 from FY 2005 funding	16,640 from FY 2005 funding
<i>Performance was not met, because:</i> The number of clients served reflects 99% of the expected number; this is due to MEP encouraging the Centers to transition to engaging U.S. manufacturers in longer-term, technology intensive innovation services. The number of clients served is the only MEP measure that represents actual data; the remaining results are estimates.			
<i>Strategies for Improvement:</i> As the program’s emphasis shifts towards innovation and technology deployment in line with the Next Generation MEP strategy, MEP’s performance evaluation system will be revised to align with program objectives. Outyear targets for number of clients served have been adjusted accordingly.			
Year	Status	Historical Results	
FY 2005	●	16,090 from FY 2004 funding	
FY 2004	●	18,422 from FY 2003 funding	
FY 2003	●	18,748 from FY 2002 funding	
FY 2002		New—no target to measure against	

NIST PERFORMANCE MEASURE			
MEASURE: Increased sales attributed to MEP Centers receiving federal funding			
Year	Status	Actual	Target
FY 2006	●	\$2,508 from FY 2005 funding	\$591 from FY 2005 funding
Year	Status	Historical Results	
FY 2005	●	\$1,889 from FY 2004 funding	
FY 2004	●	\$1,483 from FY 2003 funding	
FY 2003	●	\$953 from FY 2002 funding	
FY 2002	●	\$636 from FY 2001 funding	
FY 2001	●	\$698 from FY 2000 funding	
FY 2000	●	\$425 from FY 1999 funding	

* Actuals for this performance goal 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 2005 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.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NIST PERFORMANCE MEASURE			
MEASURE: Capital investment attributed to MEP Centers receiving federal funding			
Year	Status	Actual	Target
FY 2006	●	\$2,013 from FY 2005 funding	\$740 from FY 2005 funding
Year	Status	Historical Results	
FY 2005	●	\$941 from FY 2004 funding	
FY 2004	●	\$912 from FY 2003 funding	
FY 2003	●	\$940 from FY 2002 funding	
FY 2002	●	\$680 from FY 2001 funding	
FY 2001	●	\$873 from FY 2000 funding	
FY 2000	●	\$576 from FY 1999 funding	

NIST PERFORMANCE MEASURE			
MEASURE: Cost savings attributed to MEP Centers receiving federal funding			
Year	Status	Actual	Target
FY 2006	●	\$816 from FY 2005 funding	\$405 from FY 2005 funding
Year	Status	Historical Results	
FY 2005	●	\$721 from FY 2004 funding	
FY 2004	●	\$586 from FY 2003 funding	
FY 2003	●	\$681 from FY 2002 funding	
FY 2002	●	\$442 from FY 2001 funding	
FY 2001	●	\$482 from FY 2000 funding	
FY 2000		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE GOAL: Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$33.3	\$38.3	\$34.7	\$27.7	\$27.7	\$19.2	\$15.9	\$27.2
FTE ¹	322	230	196	186	181	165	157	144

¹ FTE – Full-Time Equivalent

NTIS PERFORMANCE MEASURE			
MEASURE: Number of new items available (annual)			
Year	Status	Actual	Target
FY 2006	●	673,807	660,000
Year	Status	Historical Results	
FY 2005	●	658,138	
FY 2004	●	553,235	
FY 2003	●	530,910	
FY 2002	●	514,129	
FY 2001		New—no target to measure against	

NTIS PERFORMANCE MEASURE			
MEASURE: Number of information products disseminated (annual)			
Year	Status	Actual	Target
FY 2006	●	30,616,338	27,000,000
Year	Status	Historical Results	
FY 2005	●	26,772,015	
FY 2004	●	25,476,424	
FY 2003	●	29,134,050	
FY 2002	●	16,074,862	
FY 2001		New—no target to measure against	

NTIS PERFORMANCE MEASURE			
MEASURE: Customer service			
Year	Status	Actual	Target
FY 2006	●	98%	95-98%
Year	Status	Historical Results	
FY 2005	●	98%	
FY 2004	●	96%	
FY 2003	●	97%	
FY 2002	●	98%	
FY 2001		New—no target to measure against	

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

OBJECTIVE 2.2 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$787.5	\$872.2	\$1,008.5	\$1,099.5	\$1,190.9	\$1,233.0	\$1,508.4	\$1,674.4
FTE ¹	5,775	6,007	6,149	6,593	6,581	6,627	6,825	7,446

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: Improve the quality of patent products and services and optimize patent processing time (USPTO)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$669.5	\$738.8	\$882.3	\$976.6	\$1,019.6	\$1,059.0	\$1,245.8	\$1,347.9
FTE ¹	4,919	5,136	5,207	5,550	5,815	5,832	6,021	5,994

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Patent allowance error rate			
Year	Status	Actual	Target
FY 2006	●	3.5%	4.0%
Year	Status	Historical Results	
FY 2005	●	4.6%	
FY 2004	●	5.3%	
FY 2003	●	4.4%	
FY 2002	●	4.2%	
FY 2001	¹	5.4%	
FY 2000		6.6%	
FY 1999		5.5%	

¹ Prior to FY 2002, targets had not yet been developed though USPTO tracked the data.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent in-process examination compliance rate			
Year	Status	Actual	Target
FY 2006	●	90.0%	86.0%
Year	Status	Historical Results	
FY 2005	●	86.2%	
FY 2004		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average first action pendency (months)			
Year	Status	Actual	Target
FY 2006	●	22.6	22.0
<p><i>Performance was not met, because:</i> This target was not met because there were more older applications processed than planned.</p> <p><i>Strategies for Improvement:</i> USPTO expects to meet the goal next year through increased hiring efforts.</p>			
Year	Status	Historical Results	
FY 2005	●	21.1	
FY 2004	●	20.2	
FY 2003	●	18.3	
FY 2002	●	16.7	
FY 2001	●	14.4	
FY 2000	●	13.6	
FY 1999	1	13.8	

¹ Prior to FY 2000, USPTO had not yet developed targets though it did track data.

USPTO PERFORMANCE MEASURE			
MEASURE: Patent average total pendency (months)			
Year	Status	Actual	Target
FY 2006	●	31.1	31.3
Year	Status	Historical Results	
FY 2005	●	29.1	
FY 2004	●	27.6	
FY 2003	●	26.7	
FY 2002	●	24.0	
FY 2001	●	24.7	
FY 2000	●	25.0	
FY 1999	●	25.0	

USPTO PERFORMANCE MEASURE			
MEASURE: Patent efficiency			
Year	Status	Actual	Target
FY 2006	●	\$3,798	\$4,214
Year	Status	Historical Results	
FY 2005	●	\$3,877	
FY 2004	●	\$3,556	
FY 2003	●	\$3,329	
FY 2002	1	\$3,376	
FY 2001		\$3,210	
FY 2000		\$2,917	
FY 1999		\$2,494	

¹ Prior to FY 2003, USPTO had not yet developed targets though it did track data.

PERFORMANCE GOAL: Improve the quality of trademark products and services and optimize trademark processing time (USPTO)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$118.0	\$133.4	\$126.2	\$122.9	\$119.4	\$112.0	\$144.9	\$149.6
FTE ¹	856	871	942	873	719	693	730	665

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark final action deficiency rate ¹			
Year	Status	Actual	Target
FY 2006	●	3.6%	6.5%
Year	Status	Historical Results	
FY 2005	●	5.9%	
FY 2004	●	5.8%	
FY 2003	●	New—no target to measure against	

¹ Prior to FY 2006, this measure was known as “Reducing trademark error rate.”

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action pendency (months)			
Year	Status	Actual	Target
FY 2006	●	4.8	5.3
Year	Status	Historical Results	
FY 2005	●	6.3	
FY 2004	●	6.6	
FY 2003	●	5.4	
FY 2002	●	4.3	
FY 2001	●	2.7	
FY 2000	●	5.7	
FY 1999	●	4.6	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average total pendency (months)			
Year	Status	Actual	Target
FY 2006	●	18.0	18.8
Year	Status	Historical Results	
FY 2005	●	19.6	
FY 2004	●	19.5	
FY 2003	●	19.8	
FY 2002	●	19.9	
FY 2001	●	17.8	
FY 2000	●	17.3	
FY 1999	●	18.9	

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark first action deficiency rate			
Year	Status	Actual	Target
FY 2006	●	4.3%	6.5%
Year	Status	Historical Results	
FY 2005	●	4.7%	
FY 2004	●	7.9%	
FY 2003		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark efficiency			
Year	Status	Actual	Target
FY 2006	●	\$565	\$635
Year	Status	Historical Results	
FY 2005	●	\$677	
FY 2004	●	\$542	
FY 2003	●	\$433	
FY 2002	¹	\$487	
FY 2001		\$501	
FY 2000		\$568	

¹ Prior to FY 2003, USPTO had not yet developed targets, though it did track data.

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark average pendency excluding suspended and inter partes cases (months)			
Year	Status	Actual	Target
FY 2006	●	15.5	16.3
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE GOAL: Create a more flexible organization through transitioning patent and trademark operations to an e-government environment and advancing intellectual property development worldwide (USPTO)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	N/A	N/A	N/A	NA	\$51.9	\$62.0	\$117.7	\$176.9
FTE ¹				NA	47	102	74	787

¹ FTE – Full-Time Equivalent

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications filed electronically			
Year	Status	Actual	Target
FY 2006	●	14.1%	10.0%
Year	Status	Historical Results	
FY 2005	●	2.2%	
FY 2004	●	1.5%	
FY 2003	●	1.3%	
FY 2002		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Patent applications managed electronically			
Year	Status	Actual	Target
FY 2006	●	99.9%	99.0%
Year	Status	Historical Results	
FY 2005	●	96.7%	
FY 2004	●	88.0%	
FY 2003		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications filed electronically			
Year	Status	Actual	Target
FY 2006	●	93.8%	80%
Year	Status	Historical Results	
FY 2005	●	88.0%	
FY 2004	●	73.0%	
FY 2003	●	57.5%	
FY 2002	●	38.0%	
FY 2001	●	24.0%	
FY 2000		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

USPTO PERFORMANCE MEASURE			
MEASURE: Trademark applications managed electronically			
Year	Status	Actual	Target
FY 2006	●	99.98%	99.0%
Year	Status	Historical Results	
FY 2005	●	99.0%	
FY 2004	●	98.0%	
FY 2003		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: IP technical activities completed (activities)			
Year	Status	Actual	Target
FY 2006	●	239	82
Year	Status	Historical Results	
FY 2005	●	59	
FY 2004		New—no target to measure against	

USPTO PERFORMANCE MEASURE			
MEASURE: IP technical activities completed (countries)			
Year	Status	Actual	Target
FY 2006	●	102	77
Year	Status	Historical Results	
FY 2005	●	142	
FY 2004		New—no target to measure against	

STRATEGIC OBJECTIVE 2.3

Advance the development of global e-commerce and enhanced telecommunications and information services

OBJECTIVE 2.3 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$70.0	\$70.4	\$117.5	\$96.2	\$97.6	\$84.4	\$69.9	\$70.8
FTE ¹	225	220	219	244	251	269	259	240

¹ FTE – Full-Time Equivalent

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

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$18.1	\$19.8	\$21.5	\$23.4	\$24.5	\$28.5	\$30.4	\$34.7
FTE ¹	138	135	133	141	147	159	169	154

¹ FTE – Full-Time Equivalent

NTIA PERFORMANCE MEASURE			
MEASURE: Timeliness of processing (days)			
Year	Status	Actual	Target
FY 2006	●	9	9 or fewer
Year	Status	Historical Results	
FY 2005	●	10	
FY 2004	●	<12	
FY 2003	●	15	
FY 2002		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Certification request processing time (months)			
Year	Status	Actual	Target
FY 2006	●	4	4 or fewer
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Space system coordination request processing time			
Year	Status	Actual	Target
FY 2006	●	95%	80% in 14 days or fewer
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NTIA PERFORMANCE MEASURE			
MEASURE: Spectrum plans and policies processing time			
Year	Status	Actual	Target
FY 2006	●	13 days	Comments in 15 days or fewer
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Milestones completed from the implementation plan of the President's Spectrum Policy Initiative			
Year	Status	Actual	Target
FY 2006	●	18 out of 22	18 out of 22
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

PERFORMANCE GOAL: Promote the availability, and support new sources, of advanced telecommunications (NTIA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 ² Actual	FY 2006 Actual
Total Funding	\$51.9	\$50.6	\$96	\$72.8	\$73.1	\$55.9	\$39.5	\$36.1
FTE ¹	87	85	86	103	104	110	90	86

¹ FTE – Full-Time Equivalent

² Amounts for FYs 2002-2004 include those for the discontinued goal "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 FCC docket filings and Congressional proceedings			
Year	Status	Actual	Target
FY 2006	●	12	5 dockets and proceedings
Year	Status	Historical Results	
FY 2005	●	5	
FY 2004		New—no target to measure against	

NTIA PERFORMANCE MEASURE			
MEASURE: Number of Web site views for research publications			
Year	Status	Actual	Target
FY 2006	●	94,000/month	75,000/month
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

STRATEGIC GOAL 3

Observe, protect, and manage the Earth's resources to promote environmental stewardship

STRATEGIC GOAL 3 TOTAL RESOURCES (Dollars in Millions)								
	FY 1999 ² Actual	FY 2000 ² Actual	FY 2001 ² Actual	FY 2002 ² Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$2,314.1	\$2,455.4	\$3,254.8	\$3,398.4	\$3,458.6	\$3,802.0	\$4,064.0	\$4,507.3
FTE ¹	12,058	10,329	11,473	11,585	11,898	11,868	11,918	12,896

¹ FTE – Full-Time Equivalent
² In FY 2001, NOAA shifted from seven performance goals to four performance goals. Funding and FTE data for FY 1999 - FY 2001 reflect the best approximations of the funding and FTE from the seven goals as they would correspond to the new, four goals. In FY 2002, NOAA added a "Mission Support" goal (without any measures), but with funding, resulting in a significant decrease in funding for the ecosystem goal between FY 2001 and FY 2002, and the weather and water goal between FY 2003 and FY 2004.

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

OBJECTIVE 3.1 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$1,471.9	\$1,477.3	\$1,614.8	\$1,500.8	\$1,631.6	\$1,123.1	\$1,155.0	\$1,165.3
FTE ¹	7,385	6,289	6,690	5,885	5,537	5,363	5,253	5,572

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: Serve society's needs for weather and water information (NOAA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$1,269.4	\$1,260.9	\$1,376.0	\$1,188.8	\$1,284.1	\$883.6	\$898.1	\$929.2
FTE ¹	6,351	5,812	5,997	5,100	4,912	4,760	4,654	4,907

¹ FTE – Full-Time Equivalent



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Tornado warnings lead time (minutes)			
Year	Status	Actual	Target
FY 2006	●	12 ¹	13
<p><i>Performance was not met, because:</i> There is a slight risk of not meeting the lead time goals for FY 2006. The lead time value stands at 12.4 minutes, but with very few tornadoes in August and September, this value may not change substantially.</p> <p><i>Strategies for Improvement:</i> The Advanced Warning Operations Course (AWOC) will continue to be offered and updated during FY 2006. The inclusion of Federal Aviation Administration Terminal Doppler Weather Radar data in AWIPS Build OB6 will complement existing WSR-88D data. The Open Radar Data Acquisition (ORDA) platform continues to be deployed. Super Resolution WSR88D data will be added to the ORDA in Build 10 (scheduled for FY 2008). Super resolution data will provide forecasters the capability to view more precise images of tornadic signatures on radar displays, enabling earlier decisions on tornado warning, and reducing false alarms.</p>			
Year	Status	Historical Results	
FY 2005	●	13	
FY 2004	●	13	
FY 2003	●	13	
FY 2002	●	12	
FY 2001	●	10	
FY 2000	●	10	
FY 1999	●	12	
<p>¹ Projected. Actuals through July 2006.</p>			

NOAA PERFORMANCE MEASURE			
MEASURE: Tornado warnings accuracy (%)			
Year	Status	Actual	Target
FY 2006	●	76% ¹	76%
Year	Status	Historical Results	
FY 2005	●	76%	
FY 2004	●	75%	
FY 2003	●	79%	
FY 2002	●	76%	
FY 2001	●	67%	
FY 2000	●	63%	
FY 1999	●	70%	
<p>¹ Projected. Actuals through July 2006.</p>			



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Tornado warnings false alarm rate (%)			
Year	Status	Actual	Target
FY 2006	●	79% ¹	75%
<p><i>Performance was not met, because:</i> The FY 2006 FAR Goal of 75 percent will not be met. The current value of 78.5 percent has remained relatively unchanged over the last year. There is a strong statistical relationship between accuracy and FAR using current technology and operational methodology. A higher rate of accuracy results in a higher FAR. National Emergency Managers and media surveys have indicated that higher FAR is tolerable if it results in longer lead times and increased accuracy.</p> <p><i>Strategies for Improvement:</i> The Advanced Warning Operations Course (AWOC) will continue to be offered and updated during FY 2006. The inclusion of Federal Aviation Administration Terminal Doppler Weather Radar data in AWIPS Build OB6 will complement existing WSR-88D data. The Open Radar Data Acquisition (ORDA) platform continues to be deployed. Super Resolution WSR88D data will be added to the ORDA in Build 10 (scheduled for FY 2008). Super resolution data will provide forecasters the capability to view more precise images of tornadic signatures on radar displays, enabling earlier decisions on tornado warning, and reducing false alarms.</p>			
Year	Status	Historical Results	
FY 2005	●	77%	
FY 2004	●	74%	
FY 2003	●	76%	
FY 2002	●	73%	
FY 2001	●	73%	
FY 2000	●	76%	
FY 1999	●	73%	
<p>¹ Projected. Actuals through July 2006.</p>			

NOAA PERFORMANCE MEASURE			
MEASURE: Flash flood warnings lead time (minutes)			
Year	Status	Actual	Target
FY 2006	●	50 ¹	48
Year	Status	Historical Results	
FY 2005	●	54	
FY 2004	●	47	
FY 2003	●	41	
FY 2002	●	52	
FY 2001	●	46	
FY 2000	●	43	
FY 1999	●	44	
<p>¹ Projected. Actuals through July 2006.</p>			



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE

MEASURE: Flash flood warnings accuracy (%)

Year	Status	Actual	Target
FY 2006	●	88% ¹	89%

Performance was not met, because:

For the October-July timeframe, NWS is exceeding the lead time, but slightly below the accuracy for the FY 2006 annual performance goals. As noted above, at this time of year results are expected to fall. It is anticipated that these measures will continue to decline as the convective season progresses.

Strategies for Improvement:

Enhancements to AWIPS, ASOS, NERON, and WSR-88D radar are being made to improve performance.

Year	Status	Historical Results
FY 2005	●	89%
FY 2004	●	89%
FY 2003	●	89%
FY 2002	●	89%
FY 2001	●	86%
FY 2000	●	86%
FY 1999	●	83%

¹ Projected. Actuals through July 2006.

NOAA PERFORMANCE MEASURE

MEASURE: Hurricane forecast track error (48 hours) (nautical miles)

Year	Status	Actual	Target
FY 2006	●	101 ¹	111

Year	Status	Historical Results
FY 2005	●	101
FY 2004	●	94
FY 2003	●	107
FY 2002	●	122
FY 2001		New—no target to measure against

¹ Projected. Final data will be available in February 2007. Because of the time lag, and that this measure in the FY 2005 PAR was reported as "N/A" for FY 2005, the updated results for FY 2005 are used for evaluation purposes, giving the performance a "met" result.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) (threat score) of day 1 precipitation forecasts ¹			
Year	Status	Actual	Target
FY 2006	●	30	28
Year	Status	Historical Results	
FY 2005	●	29	
FY 2004	●	29	
FY 2003	●	29	
FY 2002	●	26	
FY 2001	●	19	
FY 2000	●	16	
FY 1999		New—no target to measure against	

¹ From FYs 2000 - FY 2002, this was accuracy of 3-day forecast.

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings lead time (hours)			
Year	Status	Actual	Target
FY 2006	●	17	15
Year	Status	Historical Results	
FY 2005	●	17	
FY 2004	●	15	
FY 2003	●	14	
FY 2002	●	13	
FY 2001	●	13	
FY 2000	●	9	
FY 1999		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Winter storm warnings accuracy (%)			
Year	Status	Actual	Target
FY 2006	●	89%	90%
<p><i>Performance was not met, because:</i> During the third quarter, the cumulative percentage dropped to 89 percent when rounded from .8944 which is below the FY 2006 goal of 90 percent.</p> <p><i>Strategies for Improvement:</i> Enhancements to NERON and models such as Weather Research and Forecasting (WRF) are being made to allow more precise and timely warnings.</p>			
Year	Status	Historical Results	
FY 2005	●	91%	
FY 2004	●	91%	
FY 2003	●	90%	
FY 2002	●	89%	
FY 2001	●	90%	
FY 2000	●	85%	
FY 1999		New—no target to measure against	

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 2006	●	32%	32%
Year	Status	Historical Results	
FY 2005	●	28%	
FY 2004	●	17%	
FY 2003	●	17%	
FY 2002	●	8%	
FY 2001	●	8%	
FY 2000	●	8%	
FY 1999	●	7%	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE GOAL: Performance Goal: Understand climate variability and change to enhance society's ability to plan and respond (NOAA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$202.5	\$216.4	\$238.8	\$312.0	\$347.5	\$239.5	\$256.9	\$236.1
FTE ¹	1,034	477	693	785	625	603	599	665

¹ FTE – Full-Time Equivalent

NOAA PERFORMANCE MEASURE			
MEASURE: U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)			
Year	Status	Actual	Target
FY 2006	●	25	18
Year	Status	Historical Results	
FY 2005	●	19	
FY 2004	●	17	
FY 2003	●	17	
FY 2002	●	18	
FY 2001	●	20	
FY 2000	●	25	
FY 1999	●	23.3	

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the uncertainty in the magnitude of the North American (NA) carbon uptake			
Year	Status	Actual	Target
FY 2006	●	0.40 GtC/yr	0.40 GtC/yr
Year	Status	Historical Results	
FY 2005	●	0.40 GtC/yr	
FY 2004	●	0.50 GtC/yr	
FY 2003	●	0.80 GtC/yr	
FY 2002	●	Identified 5 pilot sites and 4 carbon tracks	
FY 2001		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the uncertainty in model simulations of the influence of aerosols on climate			
Year	Status	Actual	Target
FY 2006	●	10%	Establish 10% improvement
Year	Status	Historical Results	
FY 2005		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Determine the national explained variance (%) for temperature and precipitation for the contiguous United States using USCRN stations			
Year	Status	Actual	Target
FY 2006	●	Temperature-97.0% Precipitation-91.8%	Temperature-97.0% Precipitation-91.4%
Year	Status	Historical Results	
FY 2005	●	Temperature-96.9% / Precipitation-91.4%	
FY 2004	●	Temperature-96% / Precipitation-90%	
FY 2003	●	Temperature-95% / Precipitation-84%	
FY 2002	●	Temperature-85% / Precipitation-55%	
FY 2001	●	New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the error in global measurement of sea surface temperature			
Year	Status	Actual	Target
FY 2006	●	0.53°C	0.5°C
<i>Performance was not met, because:</i> The measure actual is slightly below the target of .5°C, due to drifting buoys not being in the right place at the right time.			
<i>Strategies for Improvement:</i> NOAA will continue to refine the deployment of the buoys to cover these gaps.			
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information			
Year	Status	Actual	Target
FY 2006	●	33 assessments/evaluations	32 assessments/evaluations
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America’s economic, social, and environmental needs

OBJECTIVE 3.2 RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$842.2	\$978.1	\$1,640	\$1,584.1	\$1,576.5	\$1,461.3	\$1,554.5	\$1,758.0
FTE ¹	4,673	4,040	4,783	3,984	4,365	4,327	4,228	4,444

¹ FTE – Full-Time Equivalent

PERFORMANCE GOAL: Protect, restore, and manage the use of coastal and ocean resources through an ecosystem approach to management (NOAA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$744.7	\$873.6	\$1,504	\$1,334.2	\$1,314.9	\$1,268.5	\$1,379.5	\$1,559.3
FTE ¹	3,795	3,233	3,913	3,042	3,361	3,611	3,479	3,670

¹ FTE – Full-Time Equivalent

NOAA PERFORMANCE MEASURE			
MEASURE: Number of overfished major stocks of fish			
Year	Status	Actual	Target
FY 2006	●	41 ¹	42
Year	Status	Historical Results	
FY 2005	●	42	
FY 2004	●	42 ²	
FY 2003	●	42 ³	
FY 2002	●	45	
FY 2001		New—no target to measure against	

¹ Estimate. Final actual will be available by December 31, 2006.

² Actual revised from 43 to 42 due to restatement of FY 2003 actual.

³ The baseline was reduced from 46 stocks to 44 due to one stock having mistakenly been listed as overfished in 2000 and two other stocks being merged into one. This reduction is in addition to the previous reduction caused by 10 pacific salmon stocks being listed as endangered and therefore removed from the fishery management regime. This number had been reported erroneously as 43 in the FY 2004 PAR and 44 in the FY 2006 APP. The procedures that led to these errors have been overhauled.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Number of major stocks with an "unknown" stock status			
Year	Status	Actual	Target
FY 2006	●	71 ¹	71 ²
Year	Status	Historical Results	
FY 2005	●	74 ³	
FY 2004	●	77 ⁴	
FY 2003	●	94	
FY 2002	●	88	
FY 2001		New—no target to measure against	

¹ This is the 3rd quarter number as of June 30, 2006. The final actual as of September 30, 2006 will be available by December 31, 2006.
² This is an update of the FY 2005 target of 70 that appeared in the FY 2007 APP as a result of the revision of the FY 2005 actual from 73 to 74. It represents the same 3 stock reduction in the number of stocks of unknown status.
³ This is an update of the estimate for FY 2005 of 73 that appeared in the FY 2005 PAR. The increase was due to unanticipated reversions of stocks from known to unknown status.
⁴ The FY 2004 actual reflects technical changes in the way stocks are reported that reduced the baseline by 10 stocks.

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 2006	●	24	24
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Number of stocks of protected species with adequate population assessments			
Year	Status	Actual	Target
FY 2006	●	60 ¹	59
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

¹ Estimate. Final actual will be available by December 31, 2006.

NOAA PERFORMANCE MEASURE			
MEASURE: Number of habitat acres restored (annual/cumulative) ¹			
Year	Status	Actual	Target
FY 2006	●	7,598 / 32,514	4,500 / 29,416
Year	Status	Historical Results	
FY 2005	●	8,333 / 24,916	
FY 2004	●	5,563 / 16,583	
FY 2003	●	5,200 / 11,020	
FY 2002		New—no target to measure against	

¹ Determination of whether target was met or exceeded is based on annual amount since that is what was done in that year.



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

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 2006	●	31	31
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

NOAA PERFORMANCE MEASURE			
MEASURE: Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs			
Year	Status	Actual	Target
FY 2006	●	62	53
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

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 2006	●	>86M ¹	200,137
Year	Status	Historical Results	
FY 2005		New—no target to measure against	

¹ The large FY 2006 actual reflects the new Northwest Hawaiian Islands Marine National Monument.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE GOAL: Support the nation's commerce with information for safe, efficient, and environmentally sound transportation (NOAA)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 ² Actual	FY 2003 ² Actual	FY 2004 ² Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$97.5	\$104.5	\$136	\$249.9	\$261.6	\$192.8	\$175	\$198.7
FTE ¹	878	807	870	942	1,004	716	749	774

¹ FTE – Full-Time Equivalent
² In the FY 2004 PAR, the 2002-2004 amounts for the mission support goal were distributed among the four goals. 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 goals.

NOAA PERFORMANCE MEASURE			
MEASURE: Reduce the hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) ¹			
Year	Status	Actual	Target
FY 2006	●	2,851	2,500
Year	Status	Historical Results	
FY 2005	●	3,079	
FY 2004	●	2,070	
FY 2003	●	1,762	
FY 2002		1,514	
FY 2001		2,963	
FY 2000		1,557	

¹ Prior to FY 2003, NOAA's targets were in the form of percent reduction, not miles. NOAA changed this methodology in FY 2003, but had actual data (shown here) back to FY 2000.

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 2006	●	43.25	39
Year	Status	Historical Results	
FY 2005	●	32.2	
FY 2004		New—no target to measure against	



APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Accuracy (%) of forecasts of ceiling and visibility (aviation forecasts) ¹			
Year	Status	Actual	Target
FY 2006	●	43% ²	47%
<p><i>Performance was not met, because:</i> Past experience has shown NOAA's ceiling and visibility percentage tends to be negatively impacted when instrument flight rules (IFR) occurrences average less than 200,000 hours a year. The baseline began in 2002, since that time FYs 2002-2004 and FY 2006 have all suffered less than normal IFR occurrences, with normal about 200,000 hours. Decreases as little as seven to 15 percent from the 200,000 average, have all contributed to lower percentage scores. NOAA also knows that its forecasts are heavily linked to guidance. For example, over the past three years NOAA has maintained about a 35 percent improvement over model output statistics (MOS) guidance. This year guidance accuracy was down about seven percent from last year, equating to about a .02-.03 downward direction for NOAA's percentage.</p> <p><i>Strategies for Improvement:</i> The following projects are aimed at enhancing forecast performance all year: OCWWS and the aviation focal points have increased emphasis on individual verification statistics through Stats-on-Demand. This is leading to increased enrollment in the program as forecasters begin to track their individual verification numbers, and work with the local focal points to assess the information. OCWWS will continue working with the Regional Aviation Meteorologists (RAMs) to encourage offices to actively improve their local programs and forward their ideas to the regions, which in turn helps the RAMs assess their region's performance.</p>			
Year	Status	Historical Results	
FY 2005	●	46%	
FY 2004	●	45%	
FY 2003	●	48%	
FY 2002	●	13%	
FY 2001	●	18%	
FY 2000	●	15%	
FY 1999		New—no target to measure against	
<p>¹ From FY 1999 - FY 2002, a different method was used to calculate accuracy and FAR—targets were significantly lower than current method. ² Projected. Actuals through August 2006.</p>			

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: False alarm rate (FAR) (%) of ceiling and visibility (aviation forecasts) ¹			
Year	Status	Actual	Target
FY 2006	●	64% ²	65%
Year	Status	Historical Results	
FY 2005	●	63%	
FY 2004	●	65%	
FY 2003	●	64%	
FY 2002	●	58%	
FY 2001	●	51%	
FY 2000	●	53%	
FY 1999		New—no target to measure	

¹ From FY 1999 - FY 2002, a different method was used to calculate accuracy and FAR—targets were significantly lower than current method.

² Projected. Actuals through August 2006.

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wind speed accuracy (%) ¹			
Year	Status	Actual	Target
FY 2006	●	55% ²	58%
<i>Performance was not met, because:</i>			
Marine wind speed forecast scores naturally vary (accuracy +/- four percent per year) due to fluctuations in the number of extreme events measured over NWS marine areas per year. The higher the number of extreme events, the greater opportunity a forecaster has to increase forecast performance/accuracy. Conversely a high number of extreme events also increases the risk a forecaster has to decrease forecast performance/accuracy.			
<i>Strategies for Improvement:</i>			
1) Marine Models: Expand use of local mesoscale models such as Weather Research and Forecast (WRF) model and local versions of WRF to all marine WFOs.			
2) Marine Observations:			
(a) Targeted marine observations, expansion of NWLON, PORTS, and NDBC observations that fill in significant data gaps.			
(b) Display of high resolution satellite derived wind vectors.			
3) AWIPS: Enhance System on AWIPS for Forecasting and Evaluation of Seas and Lakes (SAFESEAS) to provide a prediction capability tool for marine forecasters.			
4) Marine Weather Training: Continue development of a series of wind and wave modules.			

Year	Status	Historical Results	
FY 2005	●	57%	
FY 2004	●	57%	
FY 2003	●	57%	
FY 2002	●	53%	
FY 2001	●	52%	
FY 2000	●	51%	
FY 1999		New—no target to measure	

¹ From FY 1999 - FY 2002, this was combined with Marine Wave Height accuracy.

² Projected. Actuals through August 2006.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

NOAA PERFORMANCE MEASURE			
MEASURE: Marine wave height accuracy (%) ¹			
Year	Status	Actual	Target
FY 2006	●	70% ²	68%
Year	Status	Historical Results	
FY 2005	●	67%	
FY 2004	●	67%	
FY 2003	●	71%	
FY 2002		New—no target to measure	

¹ From FY 1999 - FY 2002, this was combined with "Marine wind speed accuracy."

² Projected. Actuals through August 2006.

MISSION SUPPORT GOAL: Provide critical support for NOAA's mission (NOAA)*

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding				\$313.5	\$250.5	\$1,217.6	\$1,354.5	\$1,584.0
FTE ¹				1,716	1,996	2,178	2,437	2,880

¹ FTE – Full-Time Equivalent

* There are no GPRA measures for the Mission Support goal since the activities of this goal support the outcomes of the four other NOAA goals.

MANAGEMENT INTEGRATION GOAL

Achieve organizational and management excellence

MANAGEMENT INTEGRATION GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$34.7	\$33.0	\$60.6	\$70.1	\$71.2	\$72.8	\$70.9	\$71.8
FTE ^{1,2}	207	185	310	319	326	309	292	295

¹ FTE – Full-Time Equivalent
² The Office of Inspector General (OIG) was not included in the PAR prior to FY 2001. Therefore, its funding and FTE are not included in FYs 1999 and 2000.

PERFORMANCE GOAL: Identify and effectively manage human and material resources critical to the success of the Department’s strategic goals (DM)

PERFORMANCE GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding	\$34.7	\$33.0	\$40.7	\$49.2	\$49.2	\$51.8	\$49.5	\$49.3
FTE ¹	207	185	171	183	186	181	177	177

¹ FTE – Full-Time Equivalent

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 2006	●	Reportable condition not eliminated	Eliminate any reportable condition within 1 year of determ; 95% of management with access to the CRS have financial data / reports by the 15th of month

Performance was not met, because:
 Efforts to eliminate the basis for the MFIA material weakness by improving the quality of system certification and accreditation (C&A) documentation continues Department-wide, largely due to underestimation of the time necessary for adequate testing of system controls and documenting the evidence of control tests and analyses in an acceptable manner.

Strategies for Improvement:
 The Department plans to continue the C&A improvement effort and expand C&A training of personnel in FY 2007, with an expectation of removing the basis for the material weakness during calendar year 2007.

Year	Status	Historical Results
FY 2005	●	Reportable condition not eliminated
FY 2004	●	100
FY 2003	●	100
FY 2002	●	100
FY 2001	●	100
FY 2000	●	100
FY 1999	●	100

¹ Prior to FY 2005, this was stated as “Clean audit opinion on Department’s consolidated financial statements.”

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Effectively use competitive sourcing ¹			
Year	Status	Actual	Target
FY 2006	●	Green Plan ² submitted to OMB on 9/28/2006	Finalize new green competition plan based on 8/2005 CFO council outcome
Year	Status	Historical Results	
FY 2005	●	Feasibility studies nominated for 168 FTE	
FY 2004	●	New FAIR inventory guidance developed	
FY 2003	●	Completed competition on 6.6%	
FY 2002	●	Completed competition on 1%	
FY 2001	●	Commercial inventory - submitted 6/30/2001	
FY 2000	●	Commercial inventory - submitted 6/30/2000	
FY 1999	●	Commercial inventory - submitted 7/9/1999	

¹ From FY 1999 to FY 2000 this measure was shown as "Expand A-76 competitions and more accurate FAIR Act inventories".

² Green plan will lay out the Department short- and long-range plans to conduct feasibility studies of all major commercial (and available) functions and will identify approved 2006-2007 competitions.

DM PERFORMANCE MEASURE			
MEASURE: Obligate funds through performance-based contracting			
Year	Status	Actual	Target
FY 2006	●	30% ¹	50%

Performance was not met, because:
 The Department has established a higher target than the government-wide goal of 40 percent because of the belief that performance based service acquisition is a key mechanism in obtaining higher quality services and developing improved partnerships with industry. However, due to staffing shortages, OAMFA has not had the resources to assist the bureaus and program offices with a better understanding of performance based service acquisition.

Strategies for Improvement:
 In FY 2007, staff will be realigned to focus on this issue and develop and commence implementation of a plan of action.

Year	Status	Historical Results
FY 2005	●	< 50%
FY 2004	●	42%
FY 2003	●	24%
FY 2002	●	31%
FY 2001	●	25%
FY 2000		New—no target to measure against

¹ Estimate.

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

DM PERFORMANCE MEASURE			
MEASURE: Obligate contracts to small businesses ¹			
Year	Status	Actual	Target
FY 2006	●	48.0%	44.8%
Year	Status	Historical Results	
FY 2005	●	61.7%	
FY 2004	●	61.95%	
FY 2003	●	45%	
FY 2002	●	51%	
FY 2001	●	Small Business-50%, Minority-owned Business-18%, Women-owned Business-9%	
FY 2000	●	Small Business-34%, Minority-owned Business-20%, Women-owned Business-6%	
FY 1999	●	Small Business-42%, Minority-owned Business-14%, Women-owned Business-5%	

¹ From FY 1999 to FY 2001 this measure was split among small, minority-owned, and women-owned businesses.

DM PERFORMANCE MEASURE			
MEASURE: Acquire and maintain diverse and highly qualified staff in mission-critical occupations			
Year	Status	Actual	Target
FY 2006	●	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
Year	Status	Historical Results	
FY 2005	●	Improved representation in underreported groups from 28 to 29%, maintained 30 day fill time	
FY 2004		New—no target to measure against	

DM PERFORMANCE MEASURE			
MEASURE: Improve the management of information technology			
Year	Status	Actual	Target
FY 2006	●	Cost overruns and performance shortfalls less than 10%. All national critical & mission critical systems certified & accredited in accordance with the Department's IT security policy. Efforts continue to improve the quality of the C&A process and documentation.	Cost/schedule overruns /performance shortfalls less than 10%. All national critical and mission critical systems certified and accredited.
Year	Status	Historical Results	
FY 2005	●	Cost overruns and performance shortfalls less than 10%	
FY 2004		New—no target to measure against	

APPENDIX A: PERFORMANCE AND RESOURCE TABLES

PERFORMANCE GOAL: Promote improvements to Commerce 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 GOAL RESOURCES (Dollars in Millions)								
	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
Total Funding			\$19.9	\$20.9	\$22.0	\$21.0	\$21.4	\$22.5
FTE ¹			139	136	140	128	115	118

¹ FTE – Full-Time Equivalent

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of OIG recommendations accepted by departmental and bureau management			
Year	Status	Actual	Target
FY 2006	●	96%	95%
Year	Status	Historical Results	
FY 2005	●	99%	
FY 2004	●	97.5%	
FY 2003	●	97%	
FY 2002	1	95%	
FY 2001	1	95%	
FY 2000	1	96%	

¹ Prior to FY 2003, OIG had not yet developed targets. However, IG did track data.

OIG PERFORMANCE MEASURE			
MEASURE: Dollar value of financial benefits identified by OIG			
Year	Status	Actual	Target
FY 2006	●	\$34.2M	\$30.0M
Year	Status	Historical Results	
FY 2005	●	\$32.0M	
FY 2004	●	\$26.0M	
FY 2003	●	\$43.3M	
FY 2002		New—no target to measure against	

OIG PERFORMANCE MEASURE			
MEASURE: Percentage of criminal and civil matters that are accepted for prosecution			
Year	Status	Actual	Target
FY 2006	●	91%	63%
Year	Status	Historical Results	
FY 2005	●	81%	
FY 2004	●	67%	
FY 2003	●	50%	
FY 2002		New—no target to measure against	

PERFORMANCE GOALS AND MEASURES THAT HAVE
BEEN DISCONTINUED OR CHANGED

STRATEGIC GOAL 1

Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers

STRATEGIC OBJECTIVE 1.1

Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations

Performance Goal	Increase private enterprise and job creation in economically distressed communities (EDA)
Corresponding Measures	<ul style="list-style-type: none"> Private sector dollars invested in distressed communities as a result of EDA investments Jobs created or retained in distressed communities as a result of EDA investments
Change	Measures have been shortened to “Private investment leveraged” and “Jobs created/retained” respectively, while splitting them into three targets for each measure for nine year, six year, and three year totals.
Justification	For the first time EDA is reporting nine year results. The nine year data will allow EDA to compare nine year forecasts (targets) and further refine its long and short term targeting methodology. Furthermore, if EDA kept them combined, it would not show if one or two exceeded their targets. Therefore, the measure has been split to form three different targets, each corresponding to one of the three reporting periods and allowing more flexibility on reporting of targets.

Performance Goal	Strengthen U.S. industries (ITA)
Change	Goal reworded as “Enhance U.S. competitiveness in domestic and international markets”
Justification	New wording is more specific as to what ITA does.
Corresponding Measures	<ul style="list-style-type: none"> Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis Percent reduction in per unit cost of data distribution Percent of agreement milestones completed Percent of industry-specific trade barrier milestones completed Exports generated annually from public / private partnerships
Change	Measures added
Justification	New measures reflect more outcomes of ITA programs, measurement of ITA's efficiency, and tasks completed to assist U.S. industries.
Corresponding Measure	Customer perception of ease of access to export and trade information and data
Change	Measure deleted
Justification	Measure does not reflect outcomes of ITA's work.

Performance Goal	Expand U.S. exporter base (ITA)
Change	Goal reworded as “Broaden and deepen U.S. exporter base”
Justification	New wording is more specific as to what ITA does.
Corresponding Measures	<ul style="list-style-type: none"> Number of increase-to-market (ITM) export successes Dollar value of advocacy cases completed successfully
Change	Measures added



APPENDIX B: PERFORMANCE GOALS AND MEASURES THAT HAVE BEEN DISCONTINUED OR CHANGED

Performance Goal	Expand U.S. exporter base (ITA) <i>(continued)</i>
Justification	New measures reflect more outcomes of ITA programs. Second measure is an extension of current measure—Percentage of advocacy cases completed successfully.
Corresponding Measures	<ul style="list-style-type: none"> ● Number of U.S. exporters entering new market ● Number of U.S. firms exporting for the first time ● Number of export transactions made as a result of ITA involvement ● Percentage of TP/US&FCS program fee funded
Change	Measures reworded as: <ul style="list-style-type: none"> ● Number of new-to-market export (NTM) successes ● Number of new-to-export (NTE) successes ● Number of export successes made as a result of ITA involvement ● Percentage of Commercial Service fee funded programs
Justification	New wording reflects outcomes as opposed to outputs and a better indicator of the impact of ITA's work.

Performance Goal	Increase access to the marketplace and financing for minority-owned businesses (MBDA)
Corresponding Measures	<ul style="list-style-type: none"> ● Clients receiving services ● Percent increase in American customer satisfaction index
Change	Measures deleted
Justification	MBDA determined that these measures do not reflect the value of its work nor are they an outcome of MBDA's work.

STRATEGIC OBJECTIVE 1.2

Advance responsible economic growth and trade while protecting American security

Performance Goal	Ensure fair competition in international trade (ITA)
Change	Goal reworded as "Identify and resolve unfair trade practices"
Justification	New wording is more specific as to what ITA does.
Corresponding Measures	<ul style="list-style-type: none"> ● Percentage of antidumping/countervailing duty cases completed on time ● Number of market access and trade compliance cases concluded
Change	Measures reworded as: <ul style="list-style-type: none"> ● Percentage of AD/CVD proceedings completed within statutory deadlines ● Number of market access and compliance cases resolved
Justification	New wording is more accurate in terms of the description of the work.
Corresponding Measures	<ul style="list-style-type: none"> ● Percentage of market access and compliance cases initiated for on behalf of small and medium-sized businesses ● Percentage of market access and compliance cases resolved
Change	Measures added
Justification	New measure reflects more specific work / outcomes of ITA's program. New second measure reflects an extension of current measure – Number of market access and compliance cases resolved.



APPENDIX B: PERFORMANCE GOALS AND MEASURES THAT HAVE BEEN DISCONTINUED OR CHANGED

Performance Goal	Advance U.S. national security, foreign policy, and economic interests by enhancing the effectiveness and efficiency of the export control system (BIS)
Change	Goal reworded as "Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system"
Justification	The goal was reworded to better reflect the activities of BIS focused on export controls and treaty compliance. All performance measures associated with this goal were discontinued or significantly revised to provide a better focus on BIS activities under the new goal, encompassing both export administration and export enforcement efforts.
Corresponding Measures	<ul style="list-style-type: none"> ● Percent of licenses requiring interagency referral referred within 9 days ● 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
Change	New measures
Justification	See justification for goal change.
Corresponding Measures	Level of exporter understanding of BIS export control requirements: <ul style="list-style-type: none"> ● Value of information (average score on scale of 1-5) ● Percent knowledge gained (index)
Change	Measures combined and reworded as "Percent of attendees rating seminars highly"
Justification	New measure is simpler and more representative of BIS's work as well as adhering to goal limiting the number of overall measures.
Corresponding Measure	Median processing time for issuing draft regulations (months)
Change	Measure reworded as "Median processing time for new regime regulations (months)"
Justification	The rewording reflects greater accuracy in describing the measure.
Corresponding Measures	<ul style="list-style-type: none"> ● Median processing time for referral of export licenses to other agencies ● Median processing time for export licenses not referred to other agencies
Change	Measures deleted
Justification	Measures reflected outputs and not outcomes of BIS work.
Performance Goal	Ensure U.S. industry compliance with the Chemical Weapons Convention (CWC) agreement (BIS)
Corresponding Measure	Number of site assistance visits conducted to assist companies prepare for international inspections
Change	Goal and measure discontinued
Justification	BIS discontinued this goal and corresponding measure because BIS has conducted site assistance visits at all facilities consenting to receive them. To replace this goal, BIS added the goal "Ensure continued U.S. technology leadership in industries that are essential to national security" with a corresponding measure of "Percent of industry assessments resulting in BIS determination, within three months of completion, on whether to revise export controls." Refer to Appendix A of this report.



APPENDIX B: PERFORMANCE GOALS AND MEASURES THAT HAVE BEEN DISCONTINUED OR CHANGED

Performance Goal	Prevent illegal exports and identify violators of export prohibitions and restrictions for prosecution (BIS)
Change	Goal reworded as “Eliminate illicit export activity outside the global export control and treaty compliance system (BIS)”
Justification	The goal was reworded to more clearly define BIS enforcement efforts in the context of the global export control and treaty compliance system. This revision also associates BIS enforcement efforts with the BIS activities of export control.
Corresponding Measures	<ul style="list-style-type: none"> ● Number of investigative actions that result in the prevention of a violation and cases which result in a criminal and/or administrative prosecution ● Number of post-shipment verifications (PSV) completed
Change	Measures reworded as: <ul style="list-style-type: none"> ● Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge ● Number of end-use checks completed
Justification	To clearly define BIS enforcement efforts in the context of the global export control and treaty compliance system. These revisions also associate BIS enforcement efforts with the BIS activities of export control. Measures also appear in goal—Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system.

Performance Goal	Enhance the export and transit controls of nations seeking to improve their export control system (BIS)
Change	Goal reworded as “Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)”
Justification	The goal was reworded to clearly define the BIS role in international efforts to improve the global export control and treaty compliance system.
Corresponding Measure	Number of targeted deficiencies remedied in the export control system of program nations
Change	Measure reworded as “Number of targeted deficiencies remedied in the export control systems of cooperating countries”
Justification	The measure was changed to highlight BIS’s success in helping countries cooperating with U.S. export control and treaty compliance efforts to strengthen their export control systems.

STRATEGIC GOAL 2

Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

STRATEGIC OBJECTIVE 2.1

Develop tools and capabilities that improve the productivity, quality, dissemination, and efficiency of research

Performance Goal	Promote innovation, facilitate trade, ensure public safety and security, and help create jobs by strengthening the nation's measurements and standards infrastructure (NIST)
Change	Goal reworded as "Promote innovation, facilitate trade, and ensure public safety and security by strengthening the nation's measurements and standards infrastructure (NIST)"
Justification	While the NIST Laboratory programs help create jobs, this is an indirect outcome and NIST prefers to focus on more direct outcomes in its performance goal.

Performance Goal	Enhance public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)
Corresponding Measure	Customer satisfaction
Change	Measure reworded as "Customer service"
Justification	The meaning of the measure is essentially the same, however, there has been a trend toward customer service measures. Hence, the wording change. The measure is still evaluated the same way as before.

STRATEGIC OBJECTIVE 2.2

Protect intellectual property and improve the patent and trademark system

Performance Goal	Improve the quality of patent products and services and optimize patent processing time (USPTO)
Corresponding Measures	<ul style="list-style-type: none"> ● Patent first action pendency (months) ● Patent total pendency (months)
Change	Measured reworded as: <ul style="list-style-type: none"> ● Patent average first action pendency (months) ● Patent average total pendency (months)
Justification	Rewording reflects a more specific description, showing it as an efficiency measure.

Performance Goal	Improve the quality of trademark products and services and optimize trademark processing time (USPTO)
Corresponding Measure	Trademark average pendency excluding suspended and inter parties cases (months)
Change	New measure
Justification	New measure excludes certain types of trademark disposals that tend to increase trademark disposal times.



APPENDIX B: PERFORMANCE GOALS AND MEASURES THAT HAVE BEEN DISCONTINUED OR CHANGED

Performance Goal	Performance Goal: Create a more flexible organization through transmitting patent and trademark operations to an e-government and advancing property development worldwide (USPTO)
Corresponding Measure	Technical assistance activities completed
Change	Measure split and then reworded to read as follows: <ul style="list-style-type: none"> ● IP technical activities completed (activities) ● IP technical activities completed (countries)
Justification	The split and rewording now reflects two aspects of USPTO's work: the activities they do and the number of countries they assist. The measures are now more specific.

STRATEGIC OBJECTIVE 2.3

Advance the development of global e-Commerce and enhanced telecommunications and information services

Performance Goal	Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)
Corresponding Measure	Number of frequency bands evaluated to determine possible improvements that could be made to use spectrum more efficiently
Change	Measure deleted
Justification	This measure only appeared in FY 2005. NTIA determined that it is not a good reflection of NTIA's work.
Corresponding Measures	<ul style="list-style-type: none"> ● Certification request processing time (months) ● Space system coordination request processing time ● Spectrum plans and policies processing time ● Milestones completed from the implementation plan of the President's Spectrum Policy Initiative
Change	Measures added
Justification	NTIA determined that these measures be better reflective of NTIA's work and reflect a more outcome orientation.

Performance Goal	Performance Goal: Promote the availability, and support new sources, of advanced telecommunications (NTIA)
Corresponding Measure	Number of Web site views for research publications
Change	New measure
Justification	Measure reflects the level of interest in NTIA's products.
Corresponding Measures	<ul style="list-style-type: none"> ● Quality of basic research as reflected in peer reviewed publications ● Level of technology transfer activities conducted with the private sector through CRADAs
Change	Measures deleted
Justification	NTIA determined that these measures do not outcomes of NTIA work.

STRATEGIC GOAL 3

Observe, protect and manage the Earth's resources to promote environmental stewardship

STRATEGIC OBJECTIVE 3.1

Advance understanding and predict changes in the Earth's environment to meet America's economic, social, and environmental needs

Performance Goal	Understand climate variability and change to enhance society's ability to plan and respond (NOAA)
Corresponding Measure	U.S. temperature forecasts (cumulative skill score)
Change	Measure reworded as "U.S. temperature forecasts (cumulative skill score computed over the regions where predictions are made)"
Justification	New wording narrows the scope of the measure.
Corresponding Measures	<ul style="list-style-type: none"> ● Reduce the uncertainty in model simulations of the influence of aerosols on climate ● Reduce the error in global measurement of sea surface temperature ● Improve society's ability to plan and respond to climate variability and change using NOAA climate products and information
Change	New measures
Justification	Measures better reflect the outcomes of NOAA programs.
Corresponding Measures	<ul style="list-style-type: none"> ● New climate observations introduced ● Assess and model carbon sources and sinks globally
Change	Measures deleted
Justification	Measures reflect outputs rather than outcomes.

STRATEGIC OBJECTIVE 3.2

Enhance the conservation and management of coastal and marine resources to meet America's economic, social and environmental needs (NOAA)

Performance Goal	Protect, restore, and manage the use of coastal and ocean resource through an ecosystem approach to management (NOAA)
Corresponding Measures	<ul style="list-style-type: none"> ● Percentage of plans to rebuild overfished major stocks to sustainable levels ● Number of commercial fisheries that have insignificant marine mammal mortality
Change	Measures deleted
Justification	NOAA determined that these measures do not adequately reflect its work.
Corresponding Measures	<ul style="list-style-type: none"> ● Increase in number of threatened species with lowered risk of extinction ● Increase in number of endangered species with lowered risk of extinction
Change	Measures combined and reworded as "Number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels"
Justification	Changes reflect a simplification of the collection of data as well as being easier to comprehend.
Corresponding Measures	<ul style="list-style-type: none"> ● Number of stocks of protected species with adequate population assessments ● Cumulative number of coastal, marine, and Great Lakes issue-based forecasting capabilities developed and used for management ● Annual number of coastal, marine, and Great Lakes ecological characterizations that meet management needs ● Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection
Change	New measures
Justification	Measures better reflect the outcomes and activities of NOAA programs.



APPENDIX B: PERFORMANCE GOALS AND MEASURES THAT HAVE BEEN DISCONTINUED OR CHANGED

Performance Goal	Support the nation's commerce with information for safe, efficient, and environmentally sound transportation
Corresponding Measure	Percentage of National Spatial Reference System (NSRS) completed (cumulative %)
Change	Measure deleted
Justification	With the level approaching 100 percent, this measure does not reflect the nature of, or improvement as a result of, NOAA's work. The measure that was added in FY 2005, "Percentage of U.S. counties rated as enabled or substantially enabled with accurate positioning capability," is a better indicator of NOAA's work.
Corresponding Measure	Accuracy (%) and FAR (%) of forecasts of ceiling and visibility
Change	Measure was split into two measures: "Accuracy (%) of forecasts of ceiling and visibility (aviation forecasts)" and "False alarm rate (FAR) (%) of ceiling and visibility (aviation forecasts)"
Justification	If NOAA meets one target and not another, it is reflected as a not met measure, rather than one met and one unmet. Allows for flexibility in reporting results.
Corresponding Measure	Accuracy (%) of forecast for wind speed and wave height
Change	Measure was split into two measures: "Marine wind speed accuracy (%)" and "Marine wave height accuracy (%)"
Justification	If NOAA meets one target and not another, it is reflected as a not met measure, rather than one met and one unmet. Allows for flexibility in reporting results.

IMPROPER PAYMENTS INFORMATION ACT (IPIA)

REPORTING DETAILS

I. Describe the risk assessment(s) performed subsequent to completing your 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.

To determine the nature and extent of possible improper payments, and to assess the level of internal controls and the overall risk of improper payments within the Department, a comprehensive questionnaire on improper payments was issued to the Department's payment offices in FY 2003. The Department separated the risk assessment into different categories of payment such as Grants, Purchase Orders, Contracts, Purchase Cards, and Travel Reimbursements. The payment offices' responses were analyzed and a consolidated risk assessment was completed. In performing its risk analysis, the Department also looked at the results of different audits.

During FY 2006, the Department conducted an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, Management's Responsibility for Internal Control. This assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes is 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 in the Department are immaterial, and the risk of improper payments is low.

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

In FY 2006, 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 rigorous 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 test in FY 2005.

III. Describe the Corrective Action Plans (CAP) for the following.

Reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are already underway, and/or have been ongoing for some length of time, 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 in the Department are immaterial, and the risk of improper



APPENDIX C: IMPROPER PAYMENTS INFORMATION ACT (IPIA) REPORTING DETAILS

payments is low. The Department has, however, 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 2006, 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 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 March 2006, a recovery audit was completed for two of the Department's bureaus. Contracts/obligations closed after September 30, 2002 greater than \$100 thousand were reviewed at the Census Bureau and U.S. Patent and Trademark Office (USPTO). 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.

The recovery audit covered 100 percent of the closed contracts/obligations subject to review. Vendor inquiries were performed for a sample of vendors to determine if the bureaus had any open credits or debts with vendors. The recovery audit confirmed that Census Bureau and USPTO do not have any issues complying with the requirements of IPIA. Of the \$322 million reviewed, \$96 thousand was identified for recovery and recovered. This represents far less than one tenth of a percent of the total amount reviewed. The following table presents a summary of Census Bureau and USPTO recovery audit results.

(In Thousands)

Bureau	Amount Subject to Review	Actual Amount Reviewed	Amounts Identified for Recovery	Amounts Recovered
Census Bureau	\$ 161,000	\$ 161,000	\$ —	\$ —
USPTO	\$ 161,000	\$ 161,000	\$ 96	\$ 96

In November 2006, a recovery audit was completed for the National Institute of Standards and Technology (NIST). Contracts/obligations closed after September 30, 2003 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 again 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.

APPENDIX C: IMPROPER PAYMENTS INFORMATION ACT (IPIA) REPORTING DETAILS

The sample used for the NIST recovery audit represented 55 percent of NIST closed contracts/obligations subject to review. Vendor inquiries were performed for a sample of vendors to determine if NIST had any open credits or debts with vendors. The recovery audit confirmed that NIST does not have any issues complying with the requirements of IPIA.

During the NIST FY 2006 recovery audit, the auditors were unable to determine whether certain payments, totaling \$4.1 million, made to Montgomery County on gas and electricity invoices, represented taxes or surcharges. The auditors recommended that NIST consult with the Department’s legal counsel on the subject, and accordingly, NIST has referred the matter to the Office of the General Counsel for review and legal opinion. If it is determined that the charges represent taxes, NIST will initiate collection actions from Montgomery County. Overall, the auditors have determined that, with the exception of the Montgomery County payments discussed above, for which legal opinion is pending, no overpayments, erroneous, or duplicate payments were made on invoices received by NIST.

The following table presents a summary of the NIST recovery audit results.

(In Thousands)

Bureau	Amount Subject to Review	Actual Amount Reviewed	Amounts Identified for Recovery	Amounts Recovered
NIST	\$ 137,675	\$ 76,272	\$ –	\$ –

V. Describe the steps (including time line) the agency has taken and plans to take 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 agency and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to agency 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 2006, 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 type 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 2006, as was the case in FY 2005.

For FY 2007 and beyond, the Department will continue its efforts to ensure the integrity of its disbursements.

VI. Information systems and other infrastructure.

A. 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 problems with improper payments or the internal controls that surround disbursements.

B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

Not applicable.

VII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments.

The Department has not identified any 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, TIN, 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 only.
- ◆ 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 only. Also, authority to add records to or revise records in the vendor database is limited to separate Office of Finance financial system users only.
- ◆ 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.



APPENDIX C: IMPROPER PAYMENTS INFORMATION ACT (IPIA) REPORTING DETAILS

- ◆ 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. In addition, 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 and automatically paid after appropriate review and approval, 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 under either a commercial item or a noncommercial item contract.



GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
A			
ACS	American Community Survey	COOP	Continuity of Operations Plan
ACSI	American Customer Satisfaction Index	COTR	Contracting Officer Technical Representative
AD	Antidumping	CPD	Coastal Programs Division
ADP	Automated Data Processing	CPI	Consumer Price Index
AHS	American Housing Survey	CPS	Current Population Survey
AML	Advanced Measurement Laboratory (NIST)	CRADA	Cooperative Research and Development Agreements
APP	Annual Performance Plan	CSRS	Civil Service Retirement System
ASAP	Automated Standard Application for Payments	CVD	Countervailing Duty
ATP	Advanced Technology Program (NIST)	CWC	Chemical Weapons Convention
ATS	Annual Trade Survey	CWCIA	CWC Implementation Act
AWIPS	Advanced Weather Interactive Processing System	CZM	Coastal Zone Management (NOAA)
		CZMA	CZM Act
		CZMP	CZM Program
B		D	
BAS	Boundary and Annexation Survey	DFI	Digital Freedom Initiative
BDC	Business Development Centers (MBDA)	DHS	U.S. Department of Homeland Security
BEA	Bureau of Economic Analysis	DM	Departmental Management
BIS	Bureau of Industry and Security	DOJ	U.S. Department of Justice
BLS	Bureau of Labor Statistics	DOL	U.S. Department of Labor
BNQP	Baldrige National Quality Program	DOL/OLMS	DOL Online Labor Management System
C		DPAS	Defense Priorities and Allocations System
CAMS	Commerce Administrative Management System	E	
CBP	U.S. Customs and Border Protection	EAA	Export Administration Act
CCSPS	Climate Change Science Program Strategic Plan	EAR	Export Administration Regulations
CEDS	Comprehensive Economic Development Strategies	ECASS	Export Control Automated Support System
CEIP	Coastal Energy Impact Program (NOAA)	EDA	Economic Development Administration
CFO	Chief Financial Officer	EDD	Economic Development Districts
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (OS)	EEEL	Electronics and Electrical Engineering Laboratory (NIST)
CIO	Chief Information Officer	EFT	Electronic Funds Transfer
CIRT	Computer Incident Response Team	ELGP	Emergency Oil and Gas and Steel Loan Guarantee Programs
COOL	Commerce Opportunities Online	ENC	Electronic Navigational Chart

APPENDIX D: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
ENSO	El Niño/Southern Oscillation	GLERL	Great Lakes Environmental Research Laboratory
EPO	European Patent Office	GPRA	Government Performance and Results Act of 1993
ESA	Economics and Statistics Administration	GPS	Global Positioning System
F FAIR	Federal Activities Inventory Reform	GSA	U.S. General Services Administration
FAR	False Alarm Rate	GSP	Gross State Product
FCC	Federal Communications Commission	GSS	Geographic Support System
FECA	Federal Employees Compensation Act	H HR	Human Resources
FEGLI	Federal Employees Group Life Insurance Program	HRDS	HR Data System
FEHB	Federal Employees Health Benefit Program	HSS	Heidke Skill Scores
FEMA	Federal Emergency Management Agency	I IA	Import Administration (ITA)
FERS	Federal Employees Retirement System	ICANN	Internet Corporation for Assigned Names and Numbers
FFMIA	Federal Financial Management Improvement Act of 1996	ICEP	International Catalog Exhibition Program (ITA)
FICA	Federal Insurance Contributions Act	ICT	Information and Communication Technology
FISMA	Federal Information Security Management Act	IDS	Intrusion Detection Software
FMFIA	Federal Managers' Financial Integrity Act of 1982	IFQ	Individual Fishing Quota Direct Loans (NOAA)
FMP	Fishery Management Plan	IFW	Image File Wrapper
FR	Field Representative	IP	Intellectual Property
FTA	Free Trade Agreement	IP	Internet Protocol
FTAA	Free Trade Area of the Americas	IRAC	Interdepartmental Radio Advisory Committee
FTE	Full-Time Equivalent	IRC	Investment Review Committees
FVOG	Fishing Vessel Obligation Guarantee Program (NOAA)	IRS	Internal Revenue Service
FWC	Future Workers' Compensation	ISI	Institute for Scientific Information
FY	Fiscal-year	IT	Information Technology
G G&B	Gifts and Bequests (a fund that is part of DM)	ITA	International Trade Administration
GAAP	Generally Accepted Accounting Principles	ITL	Information Technology Laboratory (NIST)
GAO	U.S. Government Accountability Office	ITS	Institute for Telecommunication Sciences (NTIA)
GDP	Gross Domestic Product	ITU	International Telecommunication Union
GFDL	Geophysical Fluid Dynamics Laboratory (NOAA)		



APPENDIX D: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
K	KSA Knowledge, Skills, and Abilities	NERR	National Estuarine Research Reserve
L	LMS Learning Management System	NIH	National Institutes for Health
M	MAF Master Address File	NIPA	National Income and Product Accounts
	MAP Measurement Assurance Programs (NIST)	NIPC	National Intellectual Property Law Enforcement Coordination Council
	MBDA Minority Business Development Agency	NIST	National Institute of Standards and Technology
	MBDC Minority Business Development Centers (MBDA)	NM	Nautical Miles
	MBE Minority Business Enterprise	NMFS	National Marine Fisheries Service (NOAA)
	MBIP Minority Business Internet Portal	NOAA	National Oceanic and Atmospheric Administration
	MBNQA Malcolm Baldrige National Quality Awards	NOS	National Ocean Service (NOAA)
	MBOC Minority Business Opportunity Committee Program (MBDA)	NPV	Net Present Value
	MDCP Market Development Cooperator Program (ITA)	NRC	National Research Council
	MECA Minority Equity Capital Access Program (MBDA)	NSRS	National Spatial Reference System
	MED Minority Enterprise Development	NTIA	National Telecommunications and Information Administration
	MEL Manufacturing Engineering Laboratory (NIST)	NTIS	National Technical Information Service
	MEP Manufacturing Extension Partnership (NIST)	NWLON	National Water Level Observation Network
	MEPNAB MEP National Advisory Board	OA	Office of Audits (OIG)
	MOU Memorandum of Understanding	OAM	Office of Acquisition Management (OS)
	MSEL Materials Science and Engineering Laboratory (NIST)	OCAD	Office of Compliance and Administration (OIG)
	MTS U.S. Marine Transportation System	OCS	Office of Computer Services (Franchise Fund)
N	NABDC Native American Business Development Centers (MBDA)	OECD	Organization for Economic Cooperation and Development
	NAICS North American Industry Classification System	OFM	Office of Financial Management (OS)
	NAO North Atlantic Oscillation	OFPP	Office of Federal Procurement Policy
	NAPA National Academy of Public Administration	OHRM	Office of Human Resources Management (OS)
	NASA National Aeronautics and Space Administration	OI	Office of Investigations (OIG)
	NBS National Bureau of Standards	OIG	Office of Inspector General (DM)
	NCDC National Climatic Data Center (NOAA)	OIPE	Office of Inspections and Program Evaluations (OIG)
		OMB	Office of Management and Budget
		OPEM	Office of Planning, Evaluation and Management (BIS)

APPENDIX D: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE	ABBREVIATION	TITLE
OPM	U.S. Office of Personnel Management	S S&E	Salaries and Expenses
OS	Office of the Secretary (DM)	S&T	Science and Technology
OSDBU	Office of Small and Disadvantaged Business Utilization (OS)	SAS	Services Annual Survey
OSE	Office of Systems Evaluation (OIG)	SAV	Site Assistance Visits
OSM	Office of Spectrum Management (NTIA)	SBA	U.S. Small Business Administration
OSY	Office of Security (OS)	SBR	Combined Statement of Budgetary Resources
OTE	Office of Technology Evaluation	SCNP	Consolidated Statement of Changes in Net Position
OTP	Office of Technology Policy (TA)	SDDS	Special Data Dissemination Standards
P PALM	Patent Application Location and Monitoring System	SES	Senior Executive Service
PAR	Performance and Accountability Report	SIPP	Survey of Income and Program Participation
PART	Program Assessment Rating Tool	SME	Small and Medium-sized Enterprise
PBSA	Performance-based Service Acquisitions	SNM	Square Nautical Miles
PBSC	Performance-based Service Contracting	SPD	Survey of Program Dynamics
PBViews	Panorama Business Views	SRD	Standard Reference Data
PKI	Public Key Infrastructure	SRM	Standard Reference Materials
PL	Physics Laboratory (NIST)	STEP	Standard for the Exchange of Product Model Data
PMA	President's Management Agenda	T 3G	Third Generation
PNA	Pacific North America	TA	Technology Administration
PORTS®	Physical Oceanographic Real-time System	TAA	Trade Adjustment Assistance Program (EDA)
PP&E	Property, Plant, and Equipment, Net	TAAC	Trade Adjustment Assistance Center
PPS	Post-project Survey	TABD	Trans-Atlantic Business Dialogue
PRT	Program Review Team (NOAA)	TCC	Trade Compliance Center (ITA)
PSV	Post-shipment Verification	TECI	Transshipment Country Export Control Initiative
PTFP	Public Telecommunications Facilities Program (NTIA)	TIC	Trade Information Center (ITA)
Q QFR	Quarterly Financial Report	TIGER	Topologically Integrated Geographic Encoding and Referencing System
QPF	Quantitative Precipitation Forecasts	TIS	Trademark Information System
R R&D	Research and Development	TPA	Trade Promotion Authority
RLF	Revolving Loan Fund (EDA)	TPC	Tropical Prediction Center (NOAA)
ROP	Reserve's Operations Plan (NOAA)	TPCC	Trade Promotion Coordinating Committee
		TRAM	Trademark Reporting and Monitoring System



APPENDIX D: GLOSSARY OF KEY ACRONYMS

ABBREVIATION	TITLE
Treasury	U.S. Department of the Treasury
TROR	Treasury Report on Receivables
TRP	Take Reduction Plan
TRT	Take Reduction Team
TSP	Thrift Savings Plan
TVA	Tennessee Valley Authority
U	
UAE	United Arab Emirates
UC	University Center
US&FCS	U.S. and Foreign Commercial Service
US/OTP	Office of the Under Secretary/Office of Technology Policy (TA)
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	Ultra-wideband

ABBREVIATION	TITLE
V	
VCAT	Visiting Committee on Advanced Technology
VoIP	Voice over Internet Protocol
W	
WCF	Working Capital Fund (DM)
WMD	Weapons of Mass Destruction
WTO	World Trade Organization



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<http://www.oig.doc.gov/>

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