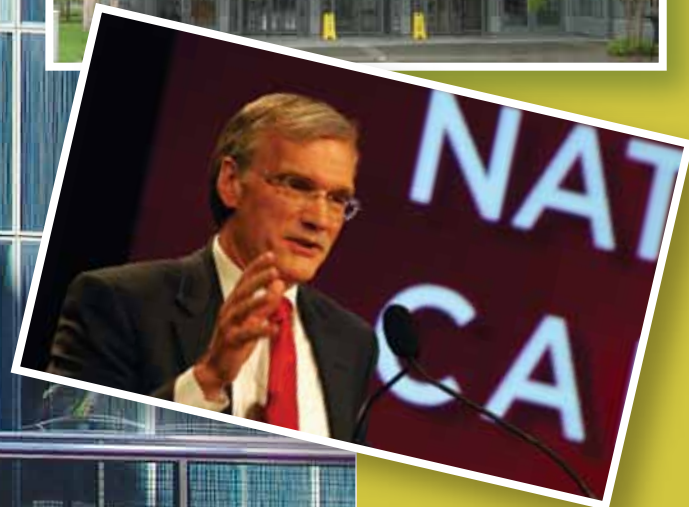


U.S. Census Bureau FY 2010 Performance and Accountability Report

Issued November 2010

CENSR-24



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U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU

U.S. Census Bureau FY 2010 Performance and Accountability Report

Issued November 2010



U.S. Department of Commerce
Gary Locke,
Secretary

Vacant,
Deputy Secretary

Economics and Statistics Administration
Rebecca M. Blank,
Under Secretary for Economic Affairs

U.S. CENSUS BUREAU
Robert M. Groves,
Director



ECONOMICS
AND STATISTICS
ADMINISTRATION

**Economics and Statistics
Administration**

Rebecca M. Blank,
Under Secretary for Economic Affairs



U.S. CENSUS BUREAU

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STATEMENT FROM THE DIRECTOR

I am pleased to submit the *U.S. Census Bureau FY 2010 Performance and Accountability Report (PAR)*. The report describes the Census Bureau's programmatic and financial performance and includes its financial statements for FY 2010. The data and details in this report provide an account of the Census Bureau's accomplishments in providing benchmark and current measures of the U.S. population, economy, and governments. Through performance toward these goals, the Census Bureau, which falls under the Economics and Statistics Administration, also supports the goal of our parent agency, the U.S. Department of Commerce, to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

Benchmark Measures of the Population, Economy, and Governments

Major 2010 Census Operations Are Nearing Completion

The Census Bureau had a successful count that came in on time and under budget, resulting in more than \$1.7 billion in operational savings. A large part of the surplus was due to the smaller workload, which was a result of the 74 percent final mail participation rate that equaled the Census 2000 rate and exceeded our expectations. Further savings resulted from additional operations that finished early and were implemented more efficiently than planned, and from not needing to use contingency funds. We believe this participation rate was due in part to the hard work of over 250,000 census partners who helped their communities understand the importance of participating in the census, and our advertising campaign, which focused on hard-to-count populations.

Major operations for the 2010 Decennial Census are almost complete. We completed the opening and staffing of 344 local census offices (in addition to 150 opened in FY 2009) that we are using to manage operations. We hired and trained more than 1 million temporary field workers across a multitude of operations. We recruited and tested close to 4 million applicants, exceeding our well publicized goal of 3.8 million recruits. Major data collection operations were completed during FY 2010, including Mailout/Mailback enumeration in which we mailed out forms to more than 122 million households, Update/Leave in which we hand-delivered questionnaires to more than 9.5 million households, Update/Enumerate in which we attempted interviews at an additional 1.4 million households, Group Quarters Enumeration, Military Enumeration, Service-Based Enumeration, Shipboard Vessel Enumeration, and Enumeration at Transitory locations. We also completed the largest operation associated with the 2010 Decennial Census, Nonresponse Follow-up, in which we visited 47 million households. The operation was completed ahead of schedule and under budget, and our enumerators achieved a higher productivity rate than expected.

Other major operations completed in FY 2010 in support of enumeration included Group Quarters Validation, Group Quarters Advance Visit, Telephone Questionnaire Assistance, Be Counted/Questionnaire Assistance Centers, Questionnaire Check-In and Data Capture of more than 150 million questionnaires, Field Verification, Vacant Delete Check, and Coverage Follow-up.

The Census Bureau also oversaw a major advertising campaign. The 2010 Census Integrated Communications Campaign contract totals over \$300 million, including over \$107.5 million in American Recovery and Reinvestment Act funding. The advertising campaign was multi-targeted, multi-media, multi-lingual, and research-based. It featured advertising that was seen nationwide, as well as local advertising targeted at traditionally hard-to-count populations. It also included a road tour aimed at increasing awareness of the census and a Census in Schools program.

These efforts were coupled with a partnership program heavily focused on regional efforts to spread the word that participation in the census is crucial to the functioning of our democracy and the fair and equitable allocation of federal funds. More than 3,000 partnership staff were on the ground across the nation working to support census outreach and promotion efforts with partners such as Complete Count Committees, religious organizations, schools, local and tribal governments, and various community-based organizations.

The Economic Census and Census of Governments Release Benchmark Economic Data

Every 5 years, the economic census profiles the U.S. economy from the national to the local level. The economic census covers 84 percent of the gross domestic product (GDP). Data from the economic census help build the foundation for the GDP and other indicators of economic performance. In FY 2010, several major data sets from the 2007 Economic Census were released, including the Industry Series reports, which present preliminary national industry totals, and the Geographic Area Series reports, presenting industry totals by nation, state, counties, places and metropolitan areas.

Also every 5 years, the census of governments provides comprehensive and uniformly classified data on the organization and economic activities of state and local governments. This complex and ever-changing state- and local-government universe is a major economic force, totaling about 12 percent of GDP and nearly 14 percent of the U.S. workforce. In FY 2010, we released data from the finance component of the census of governments.

Current Data on the Economy and Population

New Data on the Services Industry Are Collected for the First Time

The services sector constitutes 55 percent of GDP but has not been well measured in the past. In response, in FY 2010, we have continued a multi-year expansion of our services sector statistics programs that will close that gap. The Improved Measurement of Services initiative will expand the Quarterly Services Survey and the Service Annual Survey so that they fully cover this vital sector of our economy by the end of FY 2011. Already, in FY 2010, we more than doubled the coverage of the Quarterly Services Survey—from 17 to 36 percent. Also in FY 2010, the Quarterly Financial Report program expanded coverage to include the information, and professional, scientific, and technical services (excluding legal services) sectors. This is the first expansion to the program in nearly 25 years. These efforts will provide the Bureau of Economic Analysis with timely new source data needed to improve the national economic accounts.

Survey of Income and Program Participation and Improvement Work Continued

The Census Bureau continued the 2008 panel of the Survey of Income and Program Participation (SIPP), which began in September 2008, with a full sample size of 45,000 households. In addition, a multi-year effort to improve the survey continued. These efforts will yield updated computer programming, improved content, development and implementation of an event history calendar to facilitate enhanced accuracy in responses, and security enhancements to laptops used in the field.

Program Data, Management, and Financial Performance

The financial data and program 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 policymakers, businesses, and the American public.

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 U.S. Office of Management and Budget (OMB) Circulars No. A-136, *Financial Reporting Requirements*, and A-11, *Preparation, Submission and Execution of the Budget*. Details, including any specific data limitations, are discussed in the body of the report. Our financial systems are in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996. Our annual financial statements were audited by independent auditors and an unqualified audit opinion was received. For FY 2010 financial reporting, the independent auditors did not identify any deficiencies in internal control considered to be material weaknesses over financial reporting. There were no instances of noncompliance with laws or regulations required to be reported under Government Auditing Standards or OMB Bulletin No. 07-04 *Audit Requirements for Federal Financial Statements*.

The Census Bureau reviews its performance validation and verification processes to ensure that the performance data are accurate. The Census Bureau maintains a quarterly monitoring process that reviews performance measurement data, as well as the measures themselves. This process includes reviewing the data used to determine the results, reviewing the measures for validity, and then developing recommendations for improving them.

We must also comply with the management control standards established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circulars No. A-123, *Management's Responsibility for Internal Control*, and A-127, *Financial Management Systems*. Continual evaluation of our operations through a variety of internal and external studies enables us to determine whether our systems and management controls comply with the FMFIA. Based on these reviews for the programs, organizations, and functions covered by the FMFIA, the Census Bureau's systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved.

In Conclusion

I am very proud of the organization's accomplishments during this fiscal year, and again, it is my pleasure to submit the *FY 2010 Performance and Accountability Report*.



Robert M. Groves
Director
U.S. Census Bureau
November 9, 2010

Management's Discussion and Analysis Section

President Barack Obama fills out his 2010 Census form in the Oval Office, March 29, 2010.

Photo Credit: Official White House Photo by Pete Souza

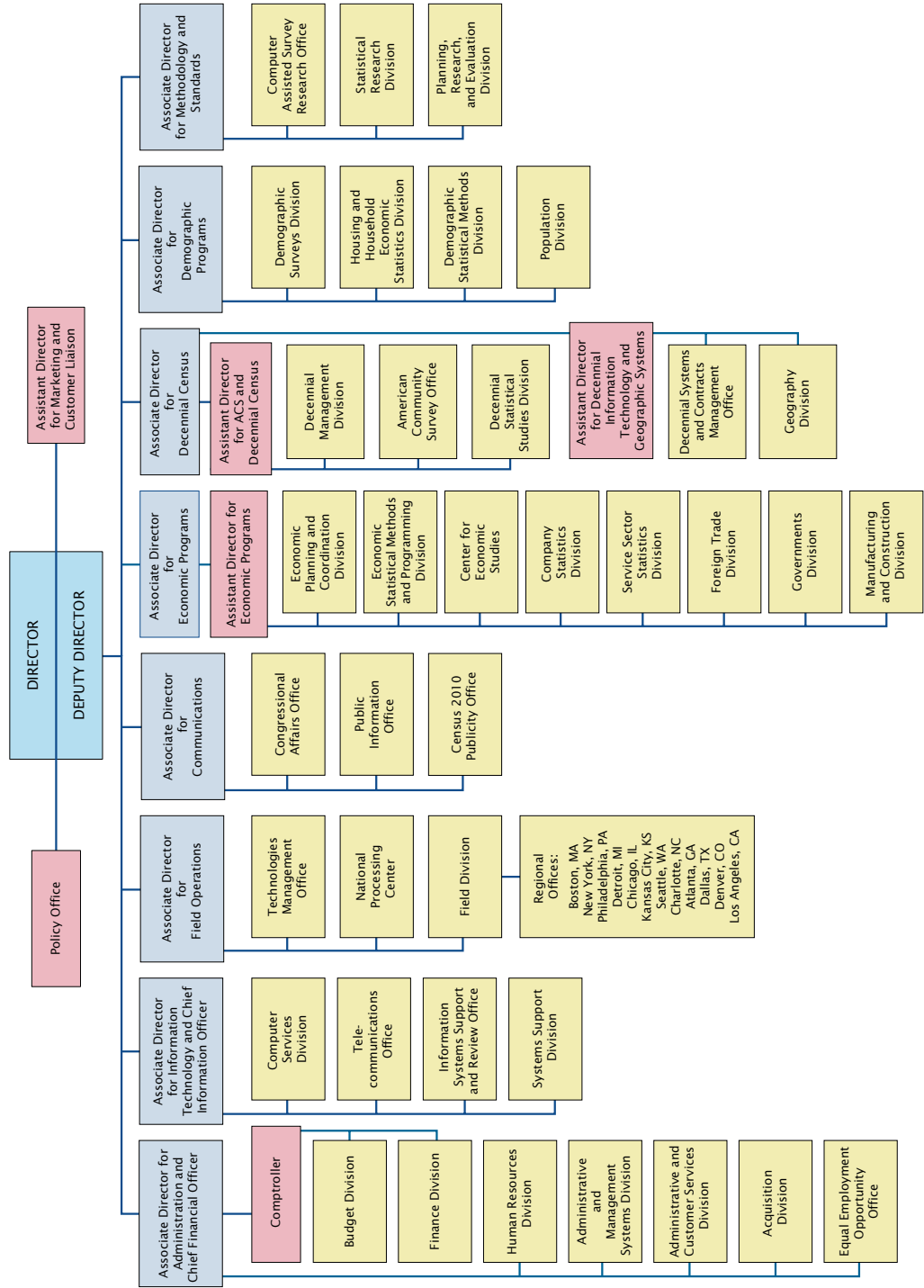


The 2010 Census was one of the shortest census forms in U.S. history. It had only 10 questions and generally took only 10 minutes to complete.

U.S. CENSUS BUREAU MISSION AND ORGANIZATION

The Census Bureau serves as the leading source of quality data about the nation's people and economy. We honor privacy, protect confidentiality, share our expertise globally, and conduct our work openly. We are guided on this mission by our strong and capable workforce, our readiness to innovate, and our abiding commitment to our customers.

U.S. Department of Commerce Bureau of the Census



FY 2010 PERFORMANCE AND FINANCIAL HIGHLIGHTS

Overall performance results for the Census Bureau show that four of the five performance targets were met. (See Appendix A for a listing of the targets.) Below are obligations and full-time equivalents by strategic goal. Achieving results in each of the strategic goals furthers the Census Bureau's mission. This summary provides a snapshot of the targeted achievements. Discussions and highlights of the results can be found in the "Performance Section."

(Dollars in Millions)

For the Years Ended

September 30, 2010 and 2009

Obligations by Strategic Goal:

Strategic Goal 1: Provide Benchmark Measures of the U.S. Population, Economy, and Governments

98.5% \$5,704.9 \$2,873.8

Strategic Goal 2: Provide Current Measures of the U.S. Population, Economy, and Governments

2.4% 733.1 715.9

Total Obligations

79.3% **\$6,437.0** **\$3,589.7**

Full-Time Equivalents (FTEs) by Strategic Goal:

Strategic Goal 1: Provide Benchmark Measures of the U.S. Population, Economy, and Governments

336.9% 87,418 20,007

Strategic Goal 2: Provide Current Measures of the U.S. Population, Economy, and Governments

-0.7% 6,187 6,231

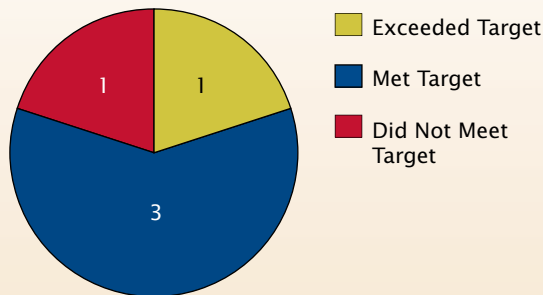
Total FTEs

256.8% **93,605** **26,238**

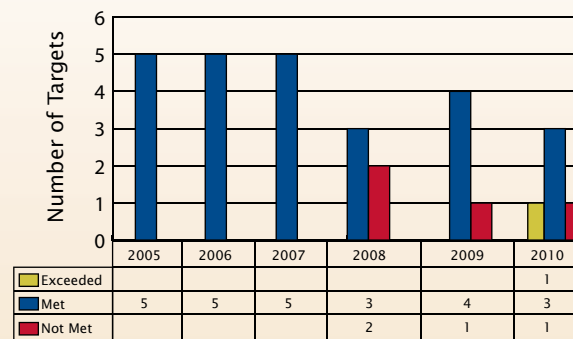
¹The FY 2009 Obligations have been restated to include Recovery Act funding.

PERFORMANCE RESULTS

Number of Targets



HISTORICAL PERFORMANCE RESULTS



* See Appendix A for detailed Performance Outcomes.

Note: Obligations differ from amounts shown in the Statement of Budgetary Resources because they do not include Expired and the Working Capital Funds.

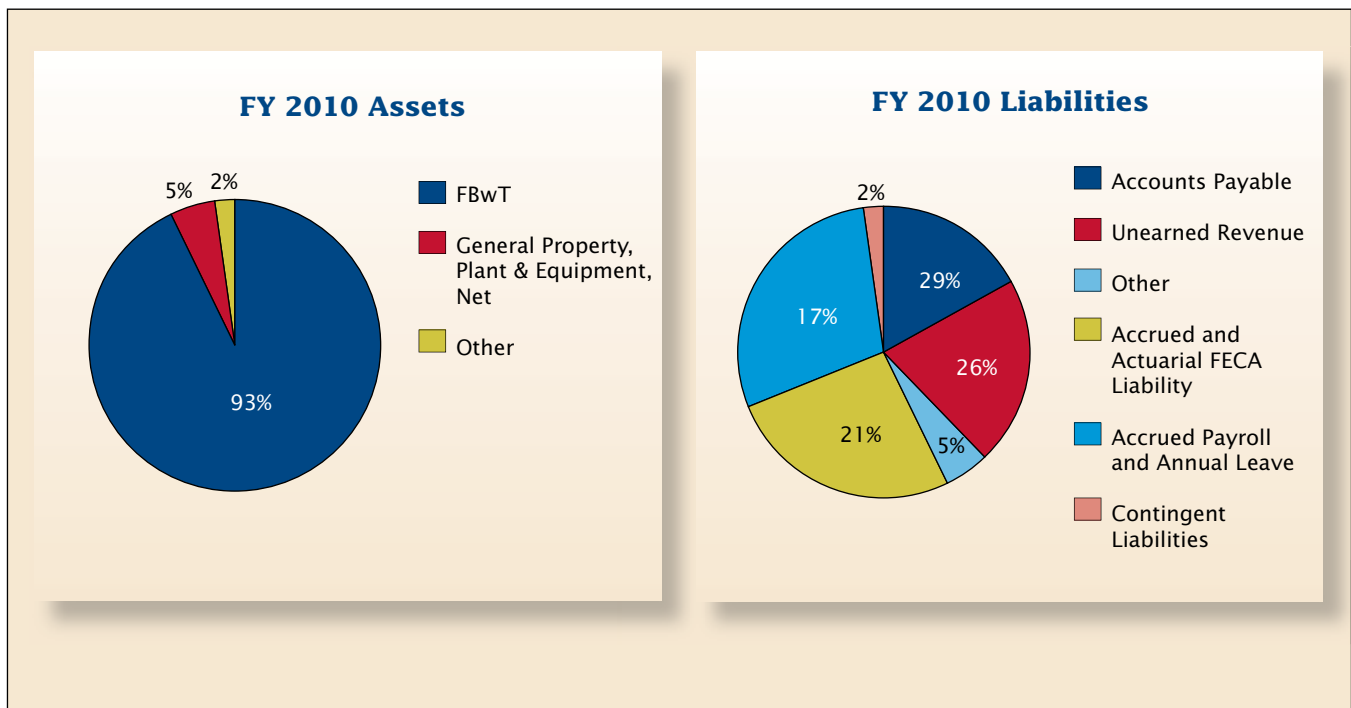
Assets

Assets represent amounts owned or managed by the Census Bureau that can be used to accomplish its mission. At September 30, 2010, the Census Bureau had \$3.3 billion in assets, representing an \$848 million increase from FY 2009 assets of \$2.5 billion.

The increase is primarily the result of Fund Balance with Treasury increasing by \$836.9 million, which primarily resulted from proceeds of \$1 billion from the American Recovery and Reinvestment Act (ARRA) received for the 2010 Decennial Census. Fund Balance with Treasury (FBwT) comprises 93 percent, \$3.1 billion of the total assets.

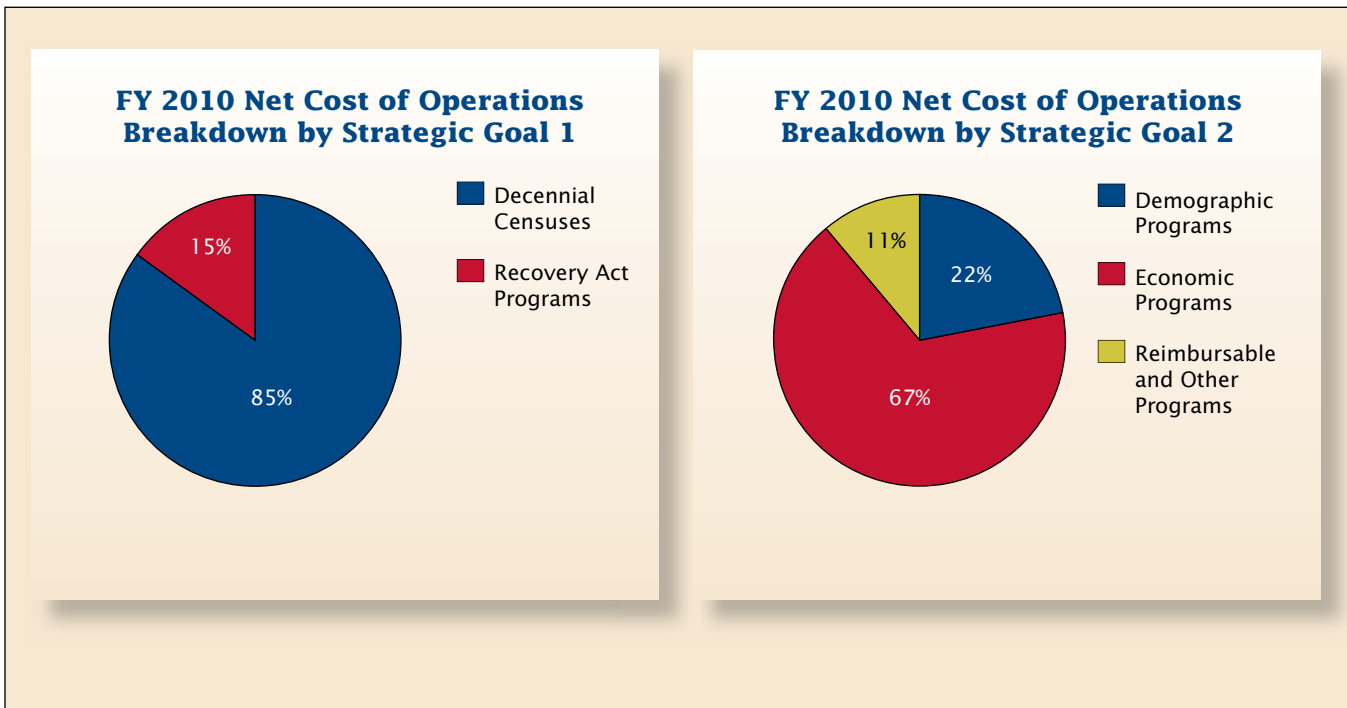
Liabilities

Liabilities are the amounts owed to the public or other federal agencies for goods and services provided but not yet paid, including wages and future benefits and other liabilities. The Census Bureau had \$541.9 million in total liabilities as of September 30, 2010. This is an increase of \$116.4 million over the previous year's total liabilities of \$425.4 million and is primarily the result of increases in Actuarial FECA Liability, Liability for Advances and Prepayments, and Accounts Payable. The liabilities comprise Accrued and Actuarial FECA Liability (21 percent), Accrued Payroll and Annual Leave (17 percent), Accounts Payable (29 percent), and Unearned Revenue (26 percent).



Statement of Net Cost

The Net Cost of Operations for FY 2010 is an accumulation of two strategic goals that focus on informing the public by means of statistical analysis of the economy and sampling of the population. Strategic Goal 1 is primarily concerned with the 2010 Decennial Census which includes a gross cost of \$6.5 billion. The American Recovery and Reinvestment Act (ARRA) included a gross cost of \$923.3 million related to job creation for the decennial census. Strategic Goal 2 includes a gross cost of \$357.2 million and incorporates the cost of Demographic Programs, Economic Programs, and Reimbursable and Other Programs.



THE CENSUS BUREAU'S PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

The Census Bureau's Strategic Plan provides a comprehensive vision to meet constitutional and legislative mandates by:

- Implementing a reengineered 2010 Census program that is cost-effective, provides more timely data, improves coverage accuracy, and reduces operational risk.
- Supporting the economic and political foundations of the United States by producing benchmark measures of the economy and population for the administration and equitable funding of federal, state, and local programs.
- Supporting innovation, promoting data use, minimizing respondent burden, respecting individual privacy, and protecting the confidentiality of respondents' information.
- Meeting the needs of policymakers, businesses and nonprofit organizations, and the public for current measures of the U.S. population, economy, and governments.

The plan puts forth broad objectives, targets specific outcomes, and identifies key challenges. The Census Bureau issued its strategic plan for FY 2007 through FY 2012 in June 2007. It can be found at <www.census.gov/main/www/strategicplan/strategicplan.pdf>.

The Census Bureau's goal structure has three levels. Strategic goals describe outcomes that emerge from the Census Bureau's mission. Each of these goals in turn has outcome goals or objectives that define the results that the Census Bureau aims to achieve. These are long-term objectives that often involve more than one program. Each has associated indicators and targets to measure the Census Bureau's impact on a continuous basis.

The Strategic Plan and Annual Performance Plan (APP) provide the specific performance goals and measures that align with the Census Bureau's strategic goals and objectives. These performance goals are linked with the resource requirements for the past, current, and upcoming fiscal years. These plans are integrated with the President's budget submission to Congress, at the bureau level. Census Bureau FY 2011 APPs can be found at <www.osec.doc.gov/bmi/budget/11CJ/Census%2011%20portrait%20final.pdf>.

Performance Management Process

An overall performance management process ensures that performance feedback, accountability, results, corrective action, and planning occur. This *FY 2010 Performance and Accountability Report (PAR)* provides a public accounting of the Census Bureau's FY 2010 performance results and completes the performance management process. Appendix A of this *PAR* provides details of the Census Bureau's performance and explanatory materials supporting the program results.

How the Census Bureau Selects Its Performance Outcomes and Measures

Performance outcomes articulated in the introductory material for each goal in the Strategic Plan and APP are aimed at achieving one or more strategic outcomes and convey a sense of how the Census Bureau creates value for the U.S. public. Performance measures depict tangible progress by Census Bureau program activities toward these goals. When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of an agency's programs and are meant to broadly illustrate how the agency adds value to the U.S. economy. More in-depth performance results for FY 2010 and prior years are available in Appendix A.

Performance Validation and Verification

The Census Bureau uses a broad range of performance outcomes and measures to make reporting useful and reliable. It is imperative that performance measures be 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. Validation and verification tables appear in the APP in the FY 2011 budget submission. These tables identify each measure and the following information: (1) data source, (2) frequency, (3) data storage, (4) internal control procedures, (5) data limitations, and (6) any actions to be taken. This information is available at <www.osec.doc.gov/bmi/budget/11CJ/Census%2011%20portrait%20final.pdf>. Each quarter the Census Bureau reviews its performance validation and verification processes to ensure that the reported performance data are accurate.

Performance Controls and Procedures

Performance Data: The Census Bureau's performance measurement data are collected from the program areas, each with systems to manage their data validation and verification processes. Some of these are automated systems and others are manual processes.

Financial Data: The Census Bureau has a high degree of confidence in its financial data. Internal testing and other financial management controls maintain the integrity of these data elements. During the FY 2010 Financial Statement audit, tests and review of the core accounting system and internal controls were conducted by independent auditors in compliance with the Chief Financial Officers Act of 1990. Further, the Census Bureau 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 Office of Management and Budget Circular No. A-123. Based on the results of this evaluation, the Census Bureau provided reasonable assurance that its internal control over financial reporting was operating effectively.

Performance Reviews: The Census Bureau also conducts quarterly performance reviews. During these reviews, the Census Bureau's Director reports to the Commerce Department's Deputy Secretary on the current status of the Census Bureau performance and its progress toward Government Performance and Results Act measures that will appear in this report.

MOST IMPORTANT RESULTS

In FY 2010, the Census Bureau continued to increase and improve the quality and availability of economic and demographic information used as a basis for important decisions made by business leaders, policymakers, and the U.S. public. The Census Bureau had a successful count for the 2010 Decennial Census that came in on time and under budget, resulting in more than \$1.7 billion in operational savings. A large part of the surplus was due to a smaller workload being needed, which was a result of the 74 percent final mail participation rate that equaled Census 2000 and exceeded our expectations. Further savings resulted from additional operations that finished early and were implemented more efficiently than planned, as well as from not needing to use contingency funds.

In support of the 2010 Decennial Census, the Census Bureau opened 344 local census offices (in addition to the 150 opened in FY 2009) and deployed equipment to these offices. Many field operations for the decennial census were conducted, including Mailout/Mailback, Military Enumeration, Remote Alaska, Follow-up, and operations in the Island Areas, to name a few. Numerous other operations were conducted to support the data collection and data capture operations. At their peak, 2010 Census operations employed approximately 600,000 temporary field workers. All told, more than one million temporary field employees worked on the 2010 Census.

During the Nonresponse Follow-up operation, the Census Bureau encountered some challenges with the Paper-Based Operations Control System (PBOCS), which was used to track the shipping and processing of questionnaires from the local census offices to the Paper Data Capture Centers. However, these challenges were overcome. PBOCS was used successfully to assign and manage many of the field operations, and the Census Bureau successfully implemented an alternate solution for shipping the questionnaires. For further information concerning the challenges, see Appendix D.

The Census Bureau also completed data collection for the 2007 Economic Census and started delivery of some 1,600 data releases through the Web-based American FactFinder dissemination system. The *2007 Economic Census Industry Series* was released in November 2009, and the *Geographic Area Series* was released in August 2010. The flow of 2007 Economic Census data products will continue through FY 2011.

In response to needs to fill a longstanding data gap, the Quarterly Services Survey (QSS) and Service Annual Survey (SAS) are in the process of providing quarterly and annual data on all parts of the service sector of the economy. Moreover, the original timeline for the publication of quarterly data on several sectors, including banking and financial industries, was expedited in response to the critical demand for these data by policymakers.

In January 2010, the Census Bureau began releasing the U.S. State Import Data Series. These data will provide states and businesses an opportunity to track and analyze specific commodities and industries by ultimate destination. With this additional information, better economic forecasting and improved monitoring of goods imported into the United States will be possible.

In response to needs of the national accounts, the annual County Business Patterns (CBP) program is developing a new product that will summarize data for North American Industry Classification System (NAICS) industries by legal form of organization. The Census Bureau will release data for the calendar year 2007 reference period to the Bureau of Economic Analysis as a special tabulation; for 2008 and later reference periods, the product will become a regular part of the CBP product line, which is distributed through the American FactFinder.

To improve the effectiveness and efficiency of data delivery of economic-indicators, and allow users outside of the Census Bureau (e.g., Wall Street industry analysts) to be able to easily access the data pertinent to their research and to do various modeling, trend analyses, etc., the Census Bureau is developing a database that interfaces with a user-friendly Web application for data retrieval for the economic indicators. This new Web application was introduced in FY 2010 and development will continue throughout FY 2011 as additional indicators and other current programs data are included.

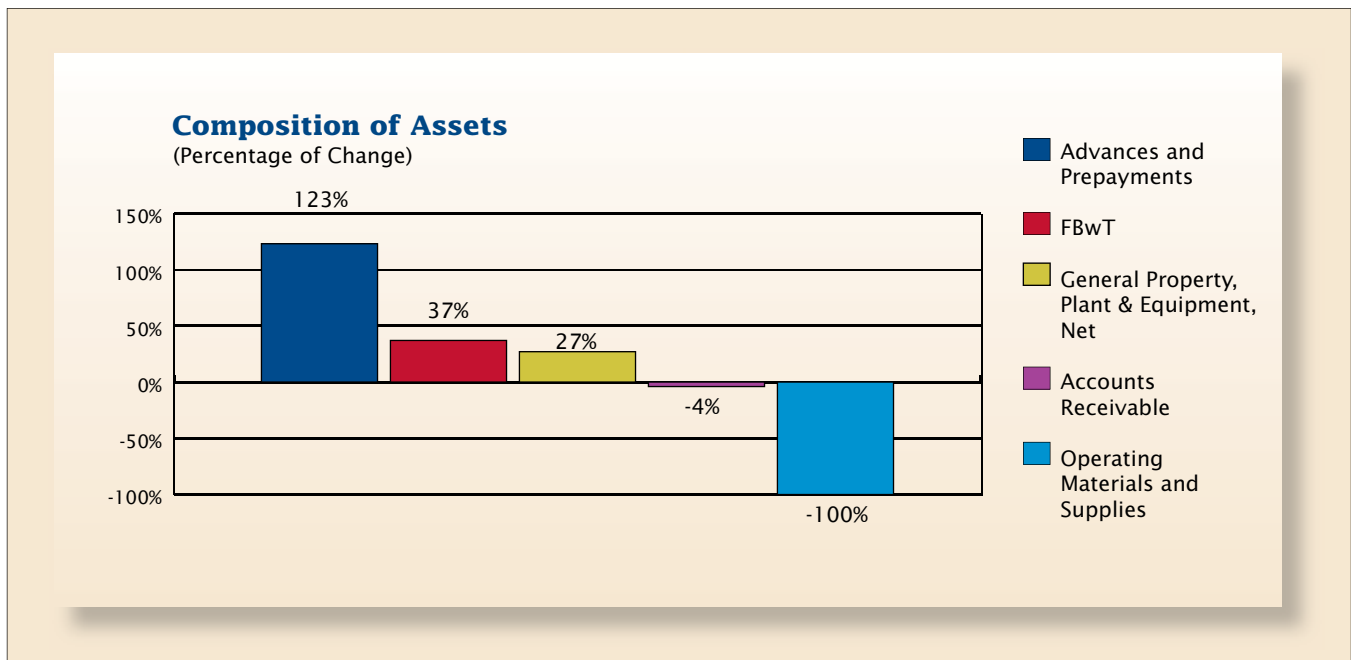
ANALYSIS OF FINANCIAL RESULTS

Composition of Assets

The Census Bureau's assets are comprised of Fund Balance with Treasury, Accounts Receivable, Advances and Prepayments, Operating Materials and Supplies, and General Property Plant and Equipment. Fund Balance with Treasury, which represents 93 percent of total assets, consists of Unobligated Balance Available of \$2.2 billion, Unobligated Unavailable of \$14 million, Obligated Balance Not Yet Disbursed of \$819.5 million, and Non-Budgetary Assets of \$90 thousand.

During FY 2010, the Census Bureau's assets have increased roughly 35 percent, resulting primarily from the increase in Fund Balance with Treasury, General Property Plant and Equipment, and Advances and Prepayments. Decreases in assets are attributed to reductions in Accounts Receivable and in Operating Materials and Supplies and are due to less trading activity between us and our partners and a \$24 million decrease in Operating Materials and Supplies which primarily consisted of Decennial Census kits. These kits involve Administrative Kits, Recruiting Kits, Office Forms, Address Canvassing Kits, and Nonresponse Followup (NRFU) forms, which were provided to all Decennial Census employees hired during FY 2010.

Fund Balance with Treasury experienced a 36.71 percent net increase, resulting from the Census Bureau retaining more than \$1.7 billion in funds to be returned to Treasury as a result of 2010 Decennial cost savings, and a \$918 million decrease as a result of spending more funds on staffing, field operations, data collection, printing system support and other miscellaneous activities related to the 2009 Reinvestment and Recovery Act. General Property Plant and Equipment increased 27.2 percent due to the acquisition of new equipment and an increase in Internal Use Software (IUS) amortization. During FY 2010, the Census Bureau purchased IT servers, network storage, printers, personal computers, and computer hardware totaling \$43 million. The reclassification of IUS from work in progress to completed also increased the amortization associated with IUS by \$5.6 million. The increase in equipment and IUS amortization is directly related to the performance and completion of the 2010 Decennial Census. The Census Bureau's Advances and Prepayments experienced a net increase of 123 percent due largely in part to 2010 Decennial Census postage costs.

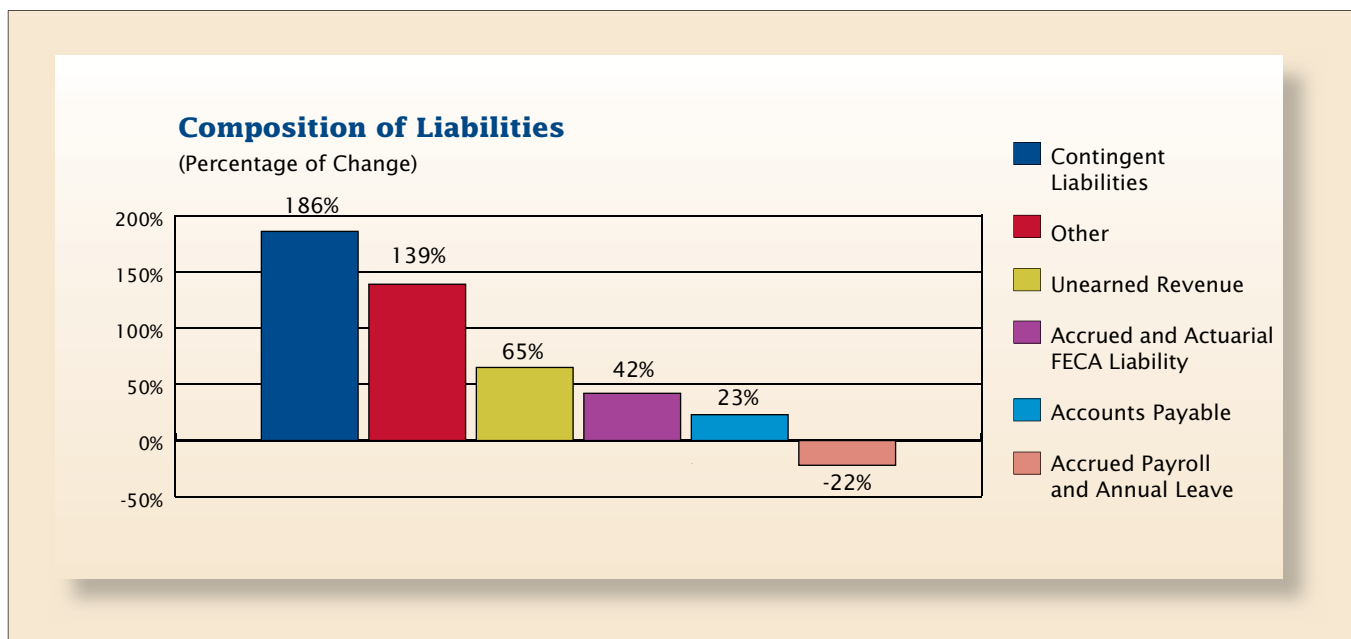


Composition of Liabilities

The Census Bureau's total liabilities increased by \$116.4 million in FY 2010 in comparison to FY 2009. Liabilities amounted to \$541.9 million and \$425.4 million on September 30, 2010 and 2009, respectively. The increase of \$55.9 million is related to Unearned Revenue. The Census Bureau's Unearned Revenue balance increased as a result of advances being received from various federal agencies to conduct surveys and interviews.

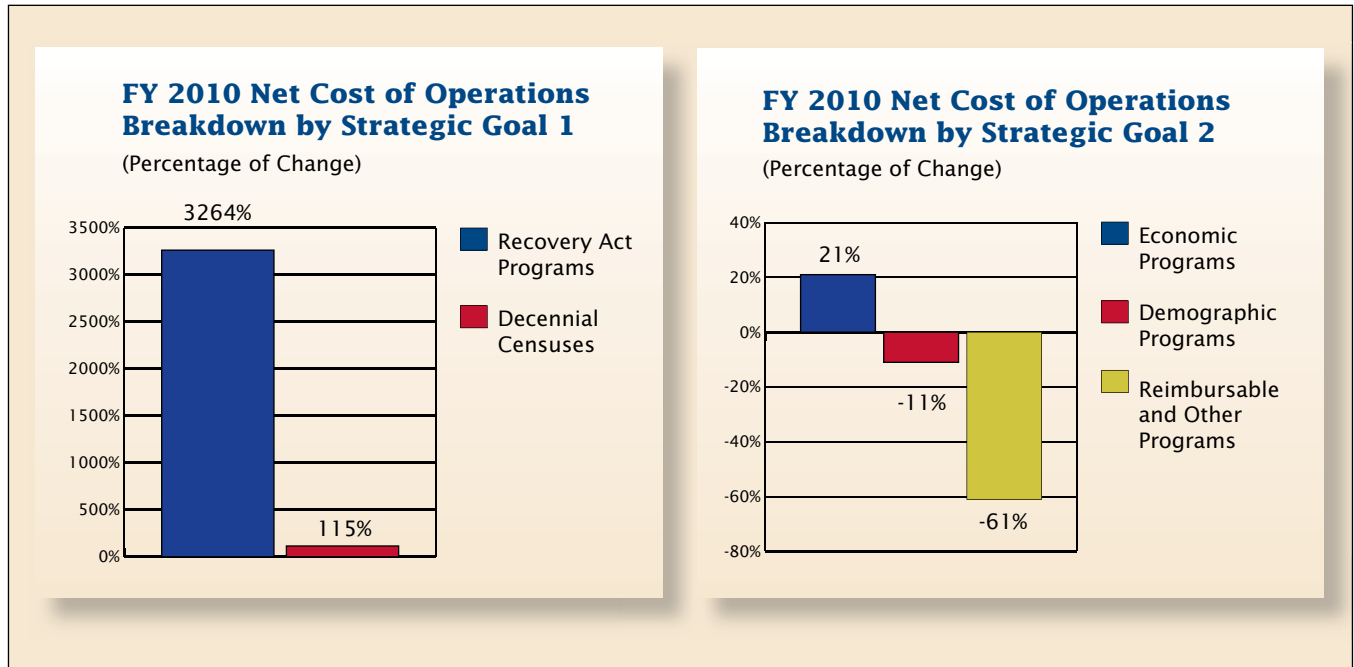
The Census Bureau's Accrued and Actuarial FECA Liability also increased in FY 2010 by \$33 million due to the hiring of more employees to perform the 2010 Decennial Census. Accounts Payable also increased in FY 2010 by \$29.1 million as a result of recording estimated accruals with public vendors and federal agencies as well as significant decreases in billing from various federal agencies relating to the 2010 Decennial Census.

The Accrued Payroll and Annual Leave balance decreased by \$26.2 million as a result of accruing more days for payroll and leave in FY 2009 in comparison to FY 2010. Other liabilities such as Accrued FECA and Employer Contributions and Payroll Taxes increased by \$17.2 million in FY 2010 due to an increase in hiring for the 2010 Decennial Census. More FECA claims are filed and contributions and taxes are paid as employees increase. The Census Bureau's Contingent Liabilities rose in FY 2010 by \$7.4 million as a result of Department of Commerce reporting policy changes. Contingent Liabilities are now recorded on a worst case scenario basis when a payment range cannot be anticipated.



Net Cost of Operations by Strategic Goal

Net Cost of Operations reported a \$3.8 billion increase in costs associated with the Periodic/Benchmark programs and Current programs run by the Census Bureau. The Decennial/Periodic Census programs showed an increase of \$2.9 billion while the Recovery Act increased by \$896 million and the Demographic and Other Programs decreased by \$11 million. 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.



MANAGEMENT CONTROLS

The Census Bureau's management team is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act. The Census Bureau conducted its assessment of internal controls over operations and compliance with applicable laws and regulations in accordance with the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, and the Department of Commerce's (DOC) FY 2010 guidance. Based on the results of this evaluation, the Census Bureau can provide reasonable assurance its internal controls, as of September 30, 2010, were operating effectively, and no material weaknesses were found in their design or operation.

The Census Bureau conducted its assessment of the effectiveness of its internal controls over financial reporting, which includes a review of controls for safeguarding 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 Census Bureau can provide reasonable assurance its internal controls over financial reporting as of June 30, 2010, were operating effectively, and no material weaknesses were found in their design or operation. No material weaknesses related to internal control over financial reporting were identified between July 1 and September 30, 2010.

In FY 2010, the Census Bureau took a number of actions to assess and strengthen internal controls in the area of information technology security and operations in support of the DOC's overall improvement efforts. For instance, the Census Bureau (1) improved its incidence reporting, (2) performed technology vulnerability assessments, (3) continued its certification and accreditation of systems, and (4) updated its IT Security Program Policy.

In accordance with OMB Circular A-127, *Financial Management Systems*, the Census Bureau can provide reasonable assurance the financial management system on which it relies to carry out its responsibilities conforms to government-wide requirements. The reasonable assurance is based on compliance with the Financial Systems Integration Office, U.S. Government Accountability Office (GAO), and U.S. Standard General Ledger requirements.

In response to the presence of the 2010 Decennial Census on the Inspector General's (IG's) *Semiannual Report to Congress* (March 2009) as one of the Department of Commerce's major challenges, the IG's recommendations from *2010 Census: First Quarterly Report to Congress* (August 2009), and placement on the Government Accountability Office's "high-risk list" in 2008, the Census Bureau has taken a number of actions to act upon the recommendations and issues raised in these reports. Most notably, the Census Bureau developed a High Risk Improvement Plan, and complementary lines of action, to include (1) developing an integrated and comprehensive plan to control costs and manage operations; (2) strengthening risk-management activities; (3) strengthening systems testing; and (4) improving management of the FDCA contract effort.

Finally, as a recipient of American Recovery and Reinvestment Act (ARRA) of 2009 funds, the Census Bureau has taken a number of actions to make ARRA funds use transparent and accountable to the public and oversight agencies. For instance, the Census Bureau established the following: (1) a public Web site to report its use and tracking of ARRA fund activities; (2) a unique fund structure to track obligations and spending of ARRA funds; and (3) a separate Treasury Account to distinguish ARRA from non-ARRA funds.



Robert M. Groves
Director
U.S. Census Bureau
November 9, 2010

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

During FY 2010, the Census Bureau reviewed its management control system in accordance with the requirements of FMFIA and OMB and DOC guidelines. The objective of the Census Bureau's management control system is to provide reasonable assurance:

- 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 Census Bureau 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

The Census Bureau can report, on the basis of its annual assessments, that no material weaknesses were identified in FY 2010 in connection with its internal and administrative controls. The efficiency of the Census Bureau's operations is continually evaluated using its internal assessment functions and information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of Inspector General (OIG).

2010 Census

In response to the presence of the 2010 Decennial Census on the Inspector General's *Semiannual Report to Congress* (March 2010) as one of the Department of Commerce's major challenges, the IG's *Recommendations from 2010 Census: Quarterly Report to Congress* (December 2009 and May 2010), and continued placement on the U.S. Government Accountability Office's (GAO) "high-risk list" in 2010, the Census Bureau has taken a number of actions to act upon the recommendations and issues raised in these reports and other reviews. Most notably, the Census Bureau developed a High Risk Improvement Plan, and complementary lines of action, to include: (1) developing an integrated and comprehensive plan to control costs and manage operations, (2) strengthening risk-management activities, (3) strengthening systems testing, and (4) improving management of the FDCA contract effort.

In addition, in FY 2010 the Census Bureau continues planning for the 2020 Census. This robust effort includes strategic planning, formal governance and communication plans, and program management and operational design options. This early planning will ensure effective control over costs, operations, and risks.

American Recovery and Reinvestment Act (ARRA) of 2009

The Census Bureau was a recipient of ARRA funds in FY 2009 and has taken action to comply with agency reporting requirements issued by OMB on June 22, 2009 (M-09-21, Updated Recovery Act Guidance). The Census Bureau has worked with the DOC in making public information on spending (available obligations and expenditures), announcing significant activities on a weekly basis, configuring data input controls within systems of records to prevent erroneous or missing data, putting in place controls to validate receipt of transmitted data, and implementing an ARRA entity-level risk assessment.

Information Technology (IT) Security Controls

The Census Bureau places a high level of importance on providing the most secure IT environment possible to protect the sensitive information collected and processed under Title 13, U.S. Code, as well as the information resources critical to the day-to-day operation of the Census Bureau.

Improved Incident Reporting

The Census Bureau continued to improve its incident-reporting response of lost or stolen personally identifiable information (PII). It developed a strategy to prepare for the expected increase in reported decennial-related incidents. For example, a Decennial Computer Incident Response Team was created to handle the increased reporting of PII related to the Decennial.

Performed Technology Vulnerability Assessments

The Information Technology Security Office continued its use of the anytime self-scanning capability for system administrators using Security Console 4 from Tenable to conduct quarterly vulnerability assessments. The results of these assessments are tracked to ensure vulnerabilities are addressed with corrective actions.

Certification and Accreditations Improvement Process

The IT Directorate continued to improve the certification and accreditation methodology of all IT systems with the addition of a new annual continuous monitoring process in July of 2010.

Information Technology Security Office (ITSO) Outreach Program

The IT Directorate, under the direction of the ITSO, continues to improve its certification and accreditation methodology for all IT systems. The following were established during FY 2010:

- A new methodology was piloted on the Paper-Based Operation Control System that supports Decennial operations.
- ITSO has continued its outreach to the Census Bureau program areas with training and education in IT security roles and responsibilities.
- ITSO and the Policy Office partnered in FY 2010 to develop a combined IT Security Awareness and Title 13 training for all Census Bureau employees and contractors.
- ITSO also held five meetings in the auditorium throughout the year for the information security community with IT security topics presented by a variety of guest speakers.
- ITSO held an Innovative Workshop in March and the annual IT Security Conference and Expo in June that served as vehicles to educate Census Bureau employees about the latest in information security subjects.
- ITSO continues to keep the information security community up-to-date on the latest information security news and development via regular broadcasts using the information security community e-mail list.
- IT security role-based training program credit hours continue to be tracked, with close to 90 percent of the required staff completing training.

IT Security Compliance

In FY 2010, a total of thirteen systems were certified and accredited to include many systems that support Decennial operations.

A major revision to the IT Security Program Policy was developed, vetted, and finalized in FY 2009 in accordance with the DOC IT Security Program Policy and National Institute of Standards and Technology (NIST) Special Publication 800-53r2.

The ITSO conducted IT Security reviews for six of the twelve regional offices (ROs) as part of an administrative review process. The review process was started in 2007 and is ongoing. The IT security portion of the reviews is focused on RO compliance with a subset of NIST 800-53 security controls and the Census Bureau's IT Security Program. The ROs were generally in compliance with the subset of 800-53 controls reviewed. Any deficiencies identified were discussed with the RO director or staff and addressed. The ROs continue to monitor their compliance with federal and departmental IT policies and requirements as a result of the reviews.

Information Systems Security Line of Business

In FY 2009, the Census Bureau implemented a new DOC-mandated tool, Cyber Security Assessment Methodology (CSAM), to manage and track certification and accreditation artifacts. All system security weaknesses and remedial actions are tracked and managed using CSAM; quarterly and annual Federal Information Security Management Act reports to DOC come through CSAM. The Census Bureau developed a pilot of CSAM to evaluate the full capabilities of CSAM and continues to participate on interagency project teams to consider enhancements and uses of CSAM.

Other Internal Control Activities

The Census Bureau participated in the DOC's comprehensive effort to enhance management of internal controls under OMB Circular No. A-123 in FY 2010 and continues to participate in the DOC's Senior Management Council and Senior Assessment Team annual agenda of internal control reviews.

Fiscal Year 2010 Testing

Process	Issues Found to Date
Financial Reporting	None
Acquisition	None
Leases	None
Software	None
Depreciation	None
Disposal	None
Invoice Processing for Decennial Response Integration System (DRIS)	None
Invoice Processing for Field Data Collection and Analysis (FDCA)	None
Invoice Processing for Communication Contract	None
Decennial Applicant Personnel and Payroll System (DAPPS)	None
Personal Property Audit	None

Section 4 of the FMFIA—Internal Controls Over Financial Management Systems

In accordance with OMB Circular No. A-127, *Financial Management Systems*, the Census Bureau can provide reasonable assurance that the financial management system on which it relies to carry out its responsibilities conforms to government-wide requirements. The reasonable assurance is based on compliance with Financial Systems Integration Office (FSIO), GAO, and U.S. Standard General Ledger requirements.

The Census Bureau was considered stand alone in FY 2010 and was not part of the DOC Consolidated Financial Statements review. The audit was performed by KPMG LLP and conducted in accordance with OMB guidance and Government Auditing Standards. The audit is required annually to ensure we are in compliance with all appropriate rules and regulations. The Census Bureau received an unqualified audit opinion and had no material weaknesses.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

The FFMIA requires the U.S. Department of Commerce federal agencies to substantially comply with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The Census Bureau complied substantially with the FFMIA for FY 2010.

DEBT MANAGEMENT

The Census Bureau has debt which includes health benefits and other indebtedness for current and former employees. The Debt Collection Improvement Act (DCIA) of 1996 established the Treasury Department as the collection agency for eligible federal agency debts that are more than 180 days delinquent.

On September 30, of the \$2.7 million in gross receivables from the public, \$321 thousand was over 180-days delinquent. Debt delinquent for 180 days or more in the amount of \$9 thousand has been referred to Treasury. The amount of \$308 thousand is from foreign/sovereign debtors and is not covered by the Debt Collection Improvement Act of 1996.

The Census Bureau consistently met the Office of Management and Budget Performance Metric for delinquent debt referral in FY 2010. Delinquent debt (180 days or older) on average accounted for 4.17 percent of the Census Bureau's total receivables due from the public during FY 2010. Agencies maintaining their debt at less than 10 percent of their total receivables are considered fully successful by OMB standards.

PAYMENT PRACTICES

Central Contractor Registration (CCR) Policy

Pursuant to the Federal Acquisition Regulation (FAR) 4.11, prospective vendors must be registered in CCR prior to the award of a contract, basic agreement, basic ordering agreement, or blanket purchase agreement. According to FAR 52.204-7, to register in CCR, a firm must have a Data Universal Numbering System (DUNS) number. The DUNS number is assigned by Dun & Bradstreet, Inc. (D&B) to identify unique business entities. Electronic funds transfer (EFT) and assignment of claims are stated in FAR 52.232-33 Paragraph G: "EFT and assignment of claims. If the Contractor assigns the proceeds of this contract as provided for in the assignment of claims terms of this contract, the Contractor shall require as a condition of any such assignment, that the assignee shall register in the CCR database and shall be paid by EFT in accordance with the terms of this clause. In all respects, the requirements of this clause shall apply to the assignee as if it were the Contractor. EFT information that shows the ultimate recipient of the transfer to be other than the Contractor, in the absence of a proper assignment of claims acceptable to the Government, is incorrect EFT information within the meaning of paragraph (d) of this clause."

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 Census Bureau closely monitors its monthly EFT performance and submits consolidated monthly EFT activity reports to the Office of Management and Budget (OMB) as part of the Department of Commerce's Performance Metrics data.

The Census Bureau's vendor EFT percentage decreased from 98 percent for FY 2009 to 96.13 percent for FY 2010. The Census Bureau decline is largely due to how the employees were paid through the Decennial Applicant Personnel and Payroll System. Many of the employees were paid via check rather than EFT. Although there was a decline, the Census Bureau in FY 2010, on average, met OMB's vendor EFT performance goal of 96 percent. The Census Bureau has maintained its overall EFT percentage at 98 percent from FY 2009 to FY 2010. The Census Bureau believes its continued efforts to implement new or improved business processes will lead to further increases in vendor and overall EFT percentages.

Bankcards

The number of bankcards has fluctuated in proportion to the Census Bureau acquisition cycle. Reversing a long-term trend, the number of active bankcards increased from 190 on September 30, 2009, to 301 on September 30, 2010. The Census Bureau continues to monitor the internal controls surrounding bankcard purchases to ensure that all such purchases are legal and proper.

Prompt Payment

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

The Census Bureau has maintained its prompt payment performance at 99.7 percent from FY 2009 to FY 2010. Prompt payment performance percentages are maintained at a high level by working closely with program offices and departments.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Census Bureau has prepared its FY 2010 financial statements in accordance with the requirements of Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as amended, and guidance provided by the Department of Commerce. OMB Circular No. A-136 incorporates the concepts and standards

contained in the Statements of Federal Financial Accounting Concepts and the Statements of Federal Financial Accounting Standards recommended by the Federal Accounting Standards Advisory Board and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General.

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and status and availability of budgetary resources.

These financial statements have been prepared to report the overall financial position and results of operation of the Census Bureau, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared in accordance with the form and content prescribed by OMB Circular No. A-136, 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. Additionally, they have been prepared from the books and records of the Census Bureau in accordance with Generally Accepted Accounting Principles for federal entities.

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

GOVERNMENT ACCOUNTABILITY OFFICE (GAO) HIGH RISK ISSUES/2010 CENSUS

The High-Risk Series is a biennial report to Congress on major problems costing the federal government billions of dollars annually. GAO has placed the U.S. Census Bureau's 2010 Census program on this high risk list. Below is the issue raised by GAO, and the actions the Census Bureau has taken and continues to take to address these issues.

Issues

Automation problems and uncertain costs and plans may jeopardize the success of the 2010 Census. These issues warrant immediate attention. The decennial census is a constitutionally mandated activity that produces critical data used to apportion congressional seats and to allocate over \$400 billion in federal assistance each year.

Goal

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

Challenges/Actions

- **Develop an integrated and comprehensive plan to control costs and manage operations**
 - Improved management practices and communications by conducting regularly scheduled meetings with internal and external management/stakeholders.
 - Managed the schedule with weekly analysis of the activities and milestones contained in the integrated project schedule.
- **Strengthen risk management activities and systems testing**
 - Developed mitigation and contingency plans to accompany the risk management plan.
 - Reviewed and updated the risk register to ensure ongoing involvement of senior management in risk review.
 - Developed detailed testing plans, including gap analysis.
 - Conducted and monitored system testing across the 2010 Census program.

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

- Conducted and monitored extensive testing, including coding and unit testing, field testing, production integration testing, and operational readiness testing (by the Census Bureau and contractors).
- Successfully completed Address Canvassing ahead of schedule, using automated handheld computers supplied by the FDCA contractor.
- Oversaw successful deployment, by the FDCA contractor, of equipment and systems to the local census offices.

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (RECOVERY ACT)

The Recovery Act was signed into law by President Obama on February 17, 2009. It is an unprecedented effort to jumpstart the U.S. economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so the country can thrive in the twenty-first century. The Recovery Act is an extraordinary response to promote economic recovery and growth, and includes measures to modernize the nation's infrastructure, enhance energy independence, expand educational opportunities, preserve and improve affordable health care, provide tax relief, and protect those in greatest need.

Bureau	Census Bureau
Program	Periodic Censuses and Programs
Amount	\$1 billion
Description	<p>To ensure a successful 2010 Decennial Census, the Census Bureau received \$1 billion to hire new personnel for partnership and outreach efforts to minority communities and hard-to-reach populations, increase targeted media purchases, and ensure proper management of other operational and programmatic risks.</p> <p>The following four areas received the \$1 billion in funds: Early Operations (\$745.1 million), Partnership (\$117.4 million), Advertising (\$107.5 million), and Coverage Follow-Up (\$30 million).</p> <p>Early Operations activities included: Group Quarters Enumeration (college dormitories, military quarters, nursing homes, etc.), Update/Enumerate (an enumerator updates residential addresses and conducts an interview of the resident(s) using a paper questionnaire), Update/Leave (geographic areas where the type of address does not indicate the location of the housing unit or the delivery point for receiving mail does not ensure the mail gets to the correct unit, e.g., mail left at a central location because of broken mail banks), and Local Census Office Staffing Operation. Partnership staff provided information and training about the 2010 Census to community-based organizations, religious leaders, local businesses, and media outlets in designated hard-to-count areas. Advertising activities involved numerous paid media sources such as TV, radio, online, magazines, newspapers, and outdoor and commuter media. The Coverage Follow-Up Operation involved hiring and training approximately 1,250 additional temporary telephone interviewers to re-contact households, with available telephone numbers, to verify the information on the census form, make corrections as warranted, and obtain any missing demographic information—based on specific criteria.</p> <p>For more detailed information about the Census Bureau's Recovery Act Program plans, visit the following Web sites: www.census.gov/recovery or www.recovery.gov</p>

Performance Measures

The following measures applied to the respective activities:

Early Operations—No specific measures of the Early Operations identified above for Recovery Act funds, though the following measure applies to base funding of all 2010 Census operations: At least 90 percent of key activities completed on schedule.

These activities included the following:

- Complete Group Quarters validation and advanced visit operations.
- Conduct the 2010 Census.
- Conduct Census Operations in Puerto Rico and the Island Areas.
- Conduct Nonresponse Followup operations.
- Begin Coverage Measurement field operations.
- Conduct Coverage Followup field operations.

Partnership—Recovery Act and Base fund targets for 2010 included the following:

- Maintaining a diverse partnership staff of 2,707, with 100 languages spoken, to reach hard-to-count populations in an effort to positively affect response rates. More than 3,000 partnership staff were hired, speaking 145 languages.
- Partnership staff continuing to establish partnerships and work with approximately 120,000 active partner organizations in support of the 2010 Census. 230,750 partnerships were established.
- 30,000 joint Questionnaire Assistance Centers (QAC) and Be Counted (BC) sites and 10,000 stand alone BC sites ready to assist citizens in hard-to-count areas. More than 50,000 potential joint BC/QAC sites and 20,000 potential stand-alone BC sites were identified among partner organizations. From these sites, we selected 39,111 joint sites and 11,101 stand-alone BC site that met our needs based on location, access to the public, and who the organization served. Additional sites were held in reserve, if needed.
- 10,000 Complete Count Committees to educate the community on the importance of the 2010 Census and motivate residents to complete the questionnaire. 10,251 Complete Count Committees were formed and trained.
- Partnership staff thanking community organizations and other partners for their help with the 2010 Census. Staff are now conducting the Thank You effort.

Advertising—

Measure: Complete key activities for the combined 2010 Census Communications Campaign

2010 targets using Recovery and Reinvestment Act funding:

- For the Awareness Phase, reach 95 percent of the population at least 5 more times above base target through paid advertising. The launch of the Awareness Phase of the campaign began on January 17, 2010. During the Awareness Phase the plan was to reach 95 percent+ of the population at least 5 more times. The actual reach and frequency figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.
- For the Motivation Phase, reach 95 percent of the population at least 11 more times above base target through paid advertising. The Motivation Phase began on March 1, 2010, and the plan was to reach 95 percent+ of the population at least 11 more times. The actual reach and frequency figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.
- For the Support NRFU Phase, reach lowest responding population at least 2 more times through paid advertising. The actual reach figures will be determined following a post-media buy analysis that will be completed in the fall of 2010.

Coverage Follow-Up—

Measure: Complete 65 percent of Coverage Follow-Up cases by the end of production.

2010 targets using Recovery and Reinvestment Act funding:

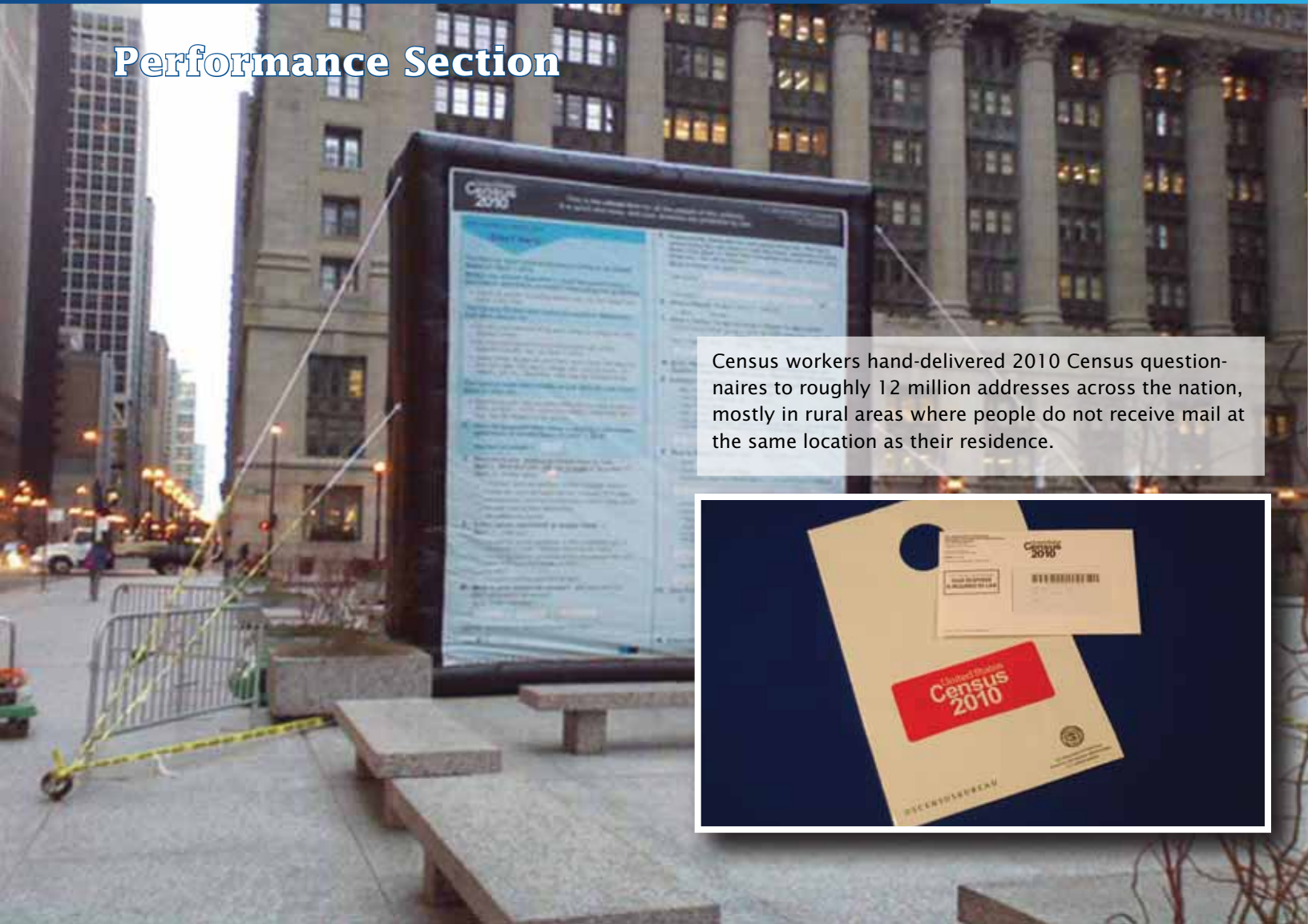
- Complete 65 percent of Coverage Follow-Up cases for approximately 1.1 million cases. As of August 9, 2010, 65 percent of all Coverage Follow-Up cases have been completed.
- Provide approximately 1,250 Coverage Follow-Up workers to support approximately 1.1 million Coverage Follow-Up cases. ARRA supported 1,250 Coverage Follow-Up workers.

Comments

All Early Operations and activities are complete.

It is difficult to know how each component of the Partnership Program influenced people to take part in the census, and a detailed assessment will be done later. However, the Census Bureau strongly believes that the integrated communications campaign contributed much to the American public's better than expected "participation" in the census. Seventy-two percent of American households that received a census form in the mail returned the completed questionnaire. This matched the Census 2000 participation rate despite a more challenging census environment in 2010; the fact that the public's participation in all types of surveys has declined since 2000; and the fact that the United States is a larger, more diverse population than in 2000, with more types of housing arrangements, and subject to more household dislocations due to the severe economic downturn.

Performance Section



Census workers hand-delivered 2010 Census questionnaires to roughly 12 million addresses across the nation, mostly in rural areas where people do not receive mail at the same location as their residence.

An inflatable, 20-foot census form looms over Daley Plaza in Chicago to raise awareness and encourage participation in the 2010 Census. These replicas were displayed in high traffic areas in cities across the country in March as part of the Census Bureau's multifaceted communications campaign.

INTRODUCTION TO THE PERFORMANCE SECTION

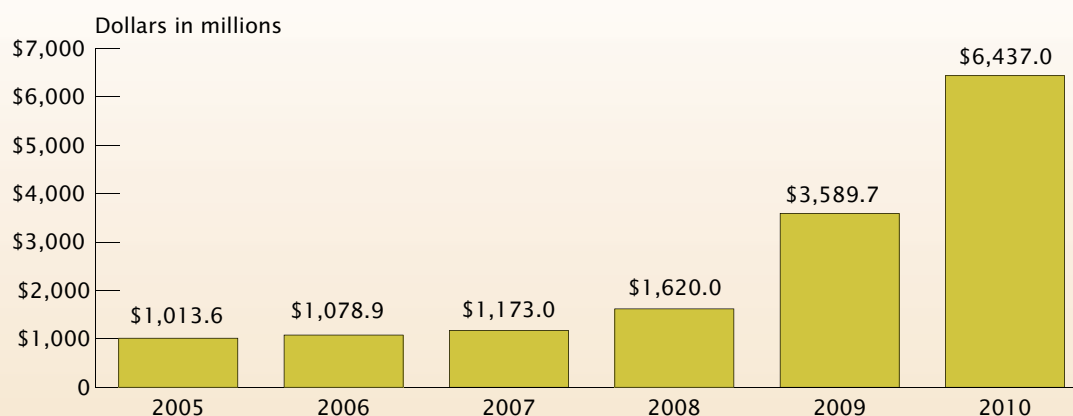
In FY 2010, the Census Bureau accomplished its mission through two strategic outcome goals that encompass shorter-term outcomes and priorities. These outcomes have specific performance targets within a given fiscal year.

The summary chart below provides the historical trend data for Census Bureau financial obligations and full-time equivalent (FTE) resources. A table summarizing the performance outcomes follows in the next subsection. Other tables in following subsections show the status of the performance measures associated with an outcome.

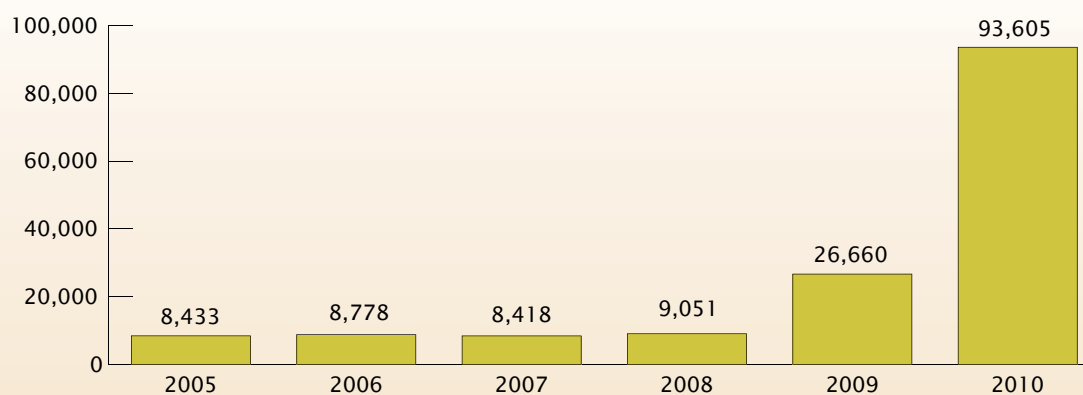
Historical details on each performance result are located in Appendix A, which provides individual measurement results and descriptions of actions to be taken if the measure does not achieve positive results. It includes explanations and strategies to address performance deficiencies. Appendix B presents definitions of the measures.

TOTAL BUDGETARY RESOURCES: 2005–2010

Fiscal Dollars



FTE¹



¹ FTE—Full-time equivalent

Note: Obligations differ from amounts shown in the Statement of Budgetary Resources because they do not include Expired and the Working Capital Funds. The FY 2009 Obligations have been restated to include Recovery Act Funding.

Public Benefits and Summary of Performance

Strategic Goal	Targets Met or Exceeded
Provide benchmark measures of the U.S. population, economy, and governments	2 of 3
Provide current measures of the U.S. population, economy and governments	2 of 2

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

The Census Bureau'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 Census Bureau provides the nation with the picture of its economic health.

Strategic Goal 1: Provide benchmark measures of the U.S. population, economy, and governments

The Census Bureau provides benchmark measures of the nation's population, economy and governments to help decision-makers and the public make informed decisions. The Census Bureau's cyclical programs provide the foundation for critical national, state, and local data. These include the economic census and census of governments, which are conducted every 5 years, the 2010 Census program, the Demographic Surveys Sample Redesign Program, and the Intercensal Demographic Estimates Program.

The decennial census is used to provide the official population counts for determining the allocation to states of seats in the U.S. House of Representatives and for determining how the boundary of districts are defined for those seats. The Census Bureau provides to each state the data to be used to determine congressional, state, and local legislative boundaries. The decennial census provides comprehensive and useful demographic information about all people living in the United States, Puerto Rico, and the associated Island Areas. The program also provides data for small geographic areas and population groups that federal agencies need to implement legally mandated programs. More than \$400 billion a year is distributed to state and local governments using formulas that are based on data such as Census Bureau data on state population and personal income.

The economic census provides comprehensive, detailed, and authoritative facts about the structure of the U.S. economy ranging from the national to the local level. The 2007 Economic Census covered nearly 29 million business locations and 84 percent of the nation's economic activity. The data help build the foundation for the gross domestic product (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. The 2007 Census of Governments covered about 90,000 local governments, including thousands of subordinate agencies. This complex and ever-changing government universe is a major economic factor totaling 12 percent of GDP and includes 14 percent of the U.S. workforce.

The Demographic Surveys Sample Redesign Program designs and selects samples for most major recurring national household surveys conducted by the Census Bureau to account for changes in the population and demographics, survey requirements and objectives, and survey methods and technology. The Intercensal Demographic Estimates Program provides updated estimates of the U.S. population for the nation, states, counties, cities, and townships.

Performance Measure	Target	Actual	Status
Correct street features in the TIGER (geographic) database – number of counties completed to more effectively support: Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local and tribal governments, and support the E-Government initiative in the President's Management Agenda	Increase TIGER update submissions electronically by 10 percent	50.87 Response Rate	Exceeded
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	At least 90 percent of key activities completed on schedule	93 percent of key activities completed on schedule	Met
Meet or exceed the overall federal score of customer satisfaction on the American Customer Satisfaction Index (ACSI). (This measure applies to the second performance outcome in this objective as well)	Meet or Exceed the overall Federal score of 74	Census Score: 69	Not met

FY 2010 Status

In FY 2010, the Census Bureau completed activities related to updates to street features in the Topologically Integrated Geographic Encoding and Referencing System (TIGER®) database for eligible counties in the United States, Puerto Rico, and the Island Areas.

The 2010 Census program:

- Completed the opening of the remaining local census offices.
- Successfully completed the Group Quarters Validation and Group Quarters Advanced Visit operations.
- Conducted the 2010 Census (including the Mailout/Mailback, Update Enumerate, Update Leave, Group Quarters Enumeration, Military Enumeration, Remote Alaska, Service Based Enumeration, and Enumeration at Transitory Locations operations).
- Conducted follow-up operations such as Nonresponse Followup, Coverage Followup, Vacant Delete Check, and Field Verification.
- Conducted census operations in Puerto Rico and the Island Areas.
- Completed data capture of the previously mentioned operations.
- Began Coverage Measurement field operations.

Key accomplishments of the economic census during FY 2010 included the continued delivery of some 1,600 data releases through the web-based American FactFinder dissemination system. The 2007 Economic Census Industry Series was released in November 2009, and the 2007 Economic Census Geographic Area Series was released in August 2010. The flow of 2007 Economic Census data products will continue through FY 2011.

During FY 2010, principal activities of the census of governments program included the release of the final census of governments component on local government finance, conducting a comprehensive evaluation of program components and content with data users and providers, preparing a detailed project plan for all phases of the 2012 census of governments, and continuing modernization and reengineering efforts of the business processes and corresponding software processing systems used for data entry, collection, processing, review, and analysis.

The Demographic Surveys Sample Redesign Program continued to make progress on moving toward using the Master Address File as the sampling frame for the surveys by devising a frame improvement strategy. This strategy, to continue address listing in limited situations, will meet the surveys' diverse requirements related to coverage, cost, and flexibility.

The Intercensal Demographic Estimates Program met the schedule for the release of the official set of July 2009 population estimates for the nation, states, counties, cities, and townships. Also in FY 2010, work continued on improving the estimates of net international migration. This work was included in the production of the July 2009 estimates series. The Census Bureau continues to work on the plans for evaluating the postcensal estimates relative to the 2010 Census results. To that end, the Census Bureau has awarded eight contracts to external experts for work on this evaluation.

The Census Bureau's target to meet or exceed the overall federal score of customer satisfaction on the E-government ACSI was not met. The Census Bureau believes this is because visitors who enter Web sites containing a wealth of information and who are not necessarily familiar with the data available tend to experience more challenges finding the information they seek. In October 2009, the Census Bureau launched its newly designed Web site and continues to expand its corporate look and feel across the site. It anticipates that these new designs will make it easier for visitors to find the information they seek.

Strategic Goal 2: Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)

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

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

- The Current Population Survey (CPS), which provides the official source of monthly labor force estimates, quarterly housing vacancy estimates, and annual estimates of work experience, income, poverty, migration, and school enrollment. In FY 2010, the CPS implemented some questionnaire changes to the Annual Social and Economic (ASEC) Supplement to the CPS in an effort to improve the annual poverty estimate. The CPS also continued use of the contact-history instrument to help the Census Bureau's Field Division better target the best time for staff to visit or call during the survey data collection operation.
- 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. In FY 2010, the Census Bureau completed data collection through wave 6 of the SIPP 2008 panel, which began in September 2008.
- Additionally, efforts continued to improve data collection and processing systems to better meet the policy and operational needs of the country. In FY 2010, these efforts included:
 - Evaluation of the 2008 Event History Calendar (EHC) Paper Test, which continued by comparing the actual 2004 Panel SIPP responses, the paper EHC responses, and administrative records data.
 - Completion of and field test with the 2010 Field Test prototype instrument.
 - Continued involvement of stakeholders in all aspects of the reengineering, including preparations for and holding of another meeting of the American Statistical Association/Statistical Research Methods subcommittee on SIPP, as well as numerous presentations describing progress on the reengineering at meetings and conferences.

Performance Measure	Target	Actual	Status
Achieve predetermined 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	At least 90 percent of key surveys meet or exceed their predetermined collection rates at planned levels of reliability	100 percent of key surveys meet or exceed their predetermined collection rates at planned levels of reliability	Met
Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public	(1) 100 percent of economic indicators released on schedule (2) At least 90 percent of other data products from key censuses and surveys released on schedule	(1) 100 percent of economic indicators released on schedule (2) 92 percent of other data products from key censuses and surveys released on schedule	Met

FY 2010 Status

In FY 2010, the Census Bureau released nearly 400 economic reports, including 118 principal economic indicators. Responses to censuses and surveys provide information on retail and wholesale trade and selected service industries, construction activity, quantity and value of industrial output, capital expenditure, e-commerce sales, foreign trade, and state and local government activities. All targeted current surveys programs achieved their response rate targets for FY 2010.

During FY 2010, the Census Bureau began the process of expanding the annual and quarterly surveys of service industries. Prior to the 2009 services expansion, the Service Annual Survey (SAS) coverage accounted for 30 percent of GDP and the Quarterly Services Survey (QSS) coverage comprised 17 percent of GDP. The SAS and the QSS, as fully expanded, will each achieve matching coverage with the services portion of the economic census (55 percent of GDP) by FY 2011. In FY 2010, the Census Bureau increased the quarterly services coverage of GDP from 17 percent to 36 percent while, at the same time, the Census Bureau will completely eliminate the annual data coverage gap with this year's collection and next year's publication of the 2009 SAS.

Also in FY 2010, the Quarterly Financial Report program expanded coverage to include the information, and professional, scientific, and technical services (excluding legal services) sector. This is the first expansion to the program in nearly 25 years.

In January 2010 the Census Bureau began releasing the U.S. State Import Data Series. These data will provide states and businesses an opportunity to track and analyze specific commodities and industries by ultimate destination. With this additional information, better economic forecasting and improved monitoring of goods imported into the United States will be possible.

For the SIPP survey, the Census Bureau achieved a 82 percent response rate, which met the target level. The CPS also met its target level response rate of at least 90 percent in FY 2010. CPS also met all of its data release targets, disseminating 12 data products and 5 supplement data products during the fiscal year.

The other Current Demographic Statistics programs also met their target response rates in FY 2010. Maintaining high response rates is especially important because it is a key measure of quality for Census Bureau customers.

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

The American Community Survey (ACS), which collects and tabulates long-form data every year throughout the decade, achieved a 97.5 percent weighted response rate, using three modes of data collection (mailout, telephone, and personal interview), exceeding its target of 92 percent. Core ACS tables were released in the fourth quarter of the fiscal year, thus achieving the target release date of September 30, 2010. In addition, in the first quarter 2010, ACS data were also released for all places with a population of 20,000 and larger.

The Boundary and Annexation Survey (BAS) program achieved a 92.9 percent response rate, exceeding the target of 85 percent. The BAS is used to update information about the legal boundaries and names of all governmental units in the United States.

Financial Section



Director Groves greets Nickelodeon's Dora the Explorer and families at Mary's Center in Washington, D.C., during the launch of "Children Count Too," a public awareness campaign reminding parents to include their young children on the 2010 Census form.



U.S. Census Bureau Director Robert M. Groves talks to a student at Bancroft Elementary School during a launch event for Census in Schools in Wilmington, Delaware. Census in Schools was designed to reach 118,000 schools and 56 million students in kindergarten through 12th grade nationwide.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The Census Bureau is proud to close the fiscal year having met the many challenges associated with the 2010 Decennial Census. We are privileged to provide the most accurate and reliable information about our nation's people in the local, state, and tribal levels of government. As the leading statistical agency in the government, we are committed to honoring the privacy and confidentiality of our citizens while conducting and communicating globally.

We are also committed to reporting timely and accurate financial information by efficiently collecting, recording, and processing all financial transactions on an accrual and budgetary basis. In FY 2009, the Census Bureau was recognized as a stand-alone entity and was given an unqualified opinion on the Consolidated Balance Sheet. Our financial system of record is the Commerce Business System (CBS). It is our means for preparing financial statements in conformity with generally accepted accounting principles for the federal government. Responsibility for the financial information presented rests solely with our management.

The Census Bureau continues to maintain its high standard of financial management and accountability in reporting. This fiscal year, the Census Bureau accomplished more than \$1.7 billion in operational savings in conducting the 2010 Decennial Census due to unused contingency funds and better management of operational and labor costs. Decennial employees worked efficiently and tirelessly in conducting the 2010 Decennial Census, which allowed for lower operational and labor costs. The cost of conducting the 2010 Decennial Census is reflected in our financial statements.

At September 30, 2010, the Census Bureau had \$3.3 billion in assets, representing an \$848 million increase from FY 2009 assets of \$2.5 billion. Liabilities owed to the public or other federal agencies, including wages and future benefits and other liabilities, totaled \$541.8 million. This represents an increase of \$116.4 million over the previous year total liabilities of \$425.4 million. The increase in assets and liabilities is primarily the result of conducting the 2010 Decennial Census.

The Census Bureau's *Performance and Accountability Report (PAR)* includes an analysis of our performance, financial operations for the fiscal year, and the independent auditors' report. The *PAR* highlights the individual programs that are supported by the Census Bureau. This report is in accordance with the Reports Consolidation Act of 2000, the Government Management Reform Act of 1994, the Government Performance and Results Act of 1993, the Chief Financial Officer's (CFO) Act of 1990, and the Federal Managers' Financial Integrity Act of 1982.

We look forward to continued success in the new fiscal year.

A handwritten signature in black ink that reads "Ted A. Johnson". The signature is written in a cursive, flowing style.

Ted A. Johnson
Associate Director for Administration and
Chief Financial Officer (CFO)
November 9, 2010

PRINCIPAL FINANCIAL STATEMENTS

United States Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Consolidated Balance Sheet As of September 30, 2010 and 2009

(In thousands)

	2010 Audited	2009 Audited
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$3,116,374	\$2,279,483
Accounts Receivable, Net (Note 3)	11,858	12,474
Advances and Prepayments	31,826	13,548
Total Intragovernmental	<u>3,160,058</u>	<u>2,305,505</u>
Accounts Receivable, Net (Note 3)	2,620	2,579
Operating Materials and Supplies, Net (Note 4)	167	45,242
General Property, Plant and Equipment, Net (Note 5)	180,267	141,710
Advances and Prepayments	1,153	1,239
TOTAL ASSETS	<u>\$3,344,265</u>	<u>\$2,496,275</u>
Stewardship PP&E (Note 12)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$8,964	\$24,694
Unearned Revenue	138,831	82,944
Accrued FECA Liability (Note 6)	13,534	12,952
Other (Note 6 and 7)	13,991	4,456
Total Intragovernmental	<u>175,320</u>	<u>125,046</u>
Accounts Payable	147,001	102,188
Actuarial FECA Liability (Note 6)	97,492	65,052
Accrued Payroll and Annual Leave (Note 6)	92,309	118,553
Unearned Revenue	2,686	2,630
Contingent Liabilities (Note 6 and 9)	11,443	4,000
Other (Note 6 and 7)	15,612	7,947
TOTAL LIABILITIES	<u>\$541,863</u>	<u>\$425,416</u>
Commitments and Contingencies (Note 9)		
NET POSITION		
Unexpended Appropriations	\$2,407,027	\$1,730,348
Cumulative Results of Operations	395,375	340,511
TOTAL NET POSITION	<u>\$2,802,402</u>	<u>\$2,070,859</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$3,344,265</u>	<u>\$2,496,275</u>

The accompanying notes are an integral part of these statements.

United States Department of Commerce
 Economics and Statistics Administration
 U.S. Census Bureau

**Consolidated Statement of Net Cost
 For the Period Ended September 30, 2010 and 2009
 (Note 10 and 11)**

(In thousands)

	2010 Audited	2009 Unaudited
Strategic Goal 1: Provide benchmark measures of the U.S. population, economy, and governments.		
Program Cost	\$6,345,003	\$2,548,395
Less: Earned Revenues	0	0
Total Net Program Cost	\$6,345,003	\$2,548,395
Strategic Goal 2: Provide current measures of the U.S. population, economy, and governments.		
Program Cost	\$357,244	\$377,743
Less: Earned Revenues	(229,415)	(238,281)
Total Net Program Cost	\$127,829	\$139,462
Total Entity		
Program Cost	\$6,702,247	\$2,926,138
Less: Earned Revenues	(229,415)	(238,281)
Net Cost of Operations	\$6,472,832	\$2,687,857

The accompanying notes are an integral part of these statements.

United States Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Consolidated Statement of Changes in Net Position For the Period Ended September 30, 2010 and 2009

(In thousands)

	2010 Audited	2009 Unaudited
Cumulative Results of Operations		
Beginning Balances	\$340,511	\$183,851
Budgetary Financing Sources:		
Appropriations Used	6,446,149	2,785,995
Other Financing Sources (Nonexchange)		
Transfers In/(Out) Without Reimbursement, Net	(13)	(151)
Imputed Financing Sources From Costs Absorbed by Others	81,560	58,673
Total Financing Sources	6,527,696	2,844,517
Net Cost of Operations	(6,472,832)	(2,687,857)
Net Change	54,864	156,660
Total Cumulative Results of Operations	\$395,375	\$340,511
Unexpended Appropriations:		
Beginning Balance	\$1,730,348	\$348,004
Budgetary Financing Sources:		
Appropriations Received	7,254,731	4,169,850
Appropriations Transferred In/(Out), Net	0	0
Other Adjustments	(131,903)	(1,511)
Appropriations Used	(6,446,149)	(2,785,995)
Total Budgetary Financing Sources	676,679	1,382,344
Total Unexpended Appropriations	2,407,027	1,730,348
Net Position	\$2,802,402	\$2,070,859

The accompanying notes are an integral part of these statements.

United States Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

**Combined Statement of Budgetary Resources (Note 13)
For the Period Ended September 30, 2010 and 2009**

(In thousands)

	2010 Audited	2009 Unaudited
BUDGETARY RESOURCES:		
Unobligated Balance, Brought Forward, October 1	\$1,163,997	\$280,643
Recoveries of Prior-year Unpaid Obligations	26,300	36,915
Budget Authority		
Appropriations	7,254,731	4,169,850
Spending Authority From Offsetting Collections		
Earned		
Collected	821,793	765,402
Change in Receivables From Federal Sources	(508)	1,792
Changes in Unfilled Customers Orders		
Advance Received	55,967	(7,480)
Without Advance	36,664	(11,968)
Subtotal Budget Authority	8,168,647	4,917,596
Nonexpenditure Transfers, Net	0	0
Permanently Not Available	(131,903)	(1,511)
TOTAL BUDGETARY RESOURCES	\$9,227,041	\$5,233,643
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred		
Direct	\$6,204,763	\$3,351,242
Reimbursable	725,495	718,404
Total Obligations Incurred	6,930,258	4,069,646
Unobligated Balance		
Apportioned	1,853,538	924,897
Exempt From Apportionment	429,093	230,120
Total Unobligated Balance	2,282,631	1,155,017
Unobligated Balance Not Available	14,152	8,980
TOTAL STATUS OF BUDGETARY RESOURCES	\$9,227,041	\$5,233,643

The accompanying notes are an integral part of these statements.

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

**Combined Statement of Budgetary Resources
For the Period Ended September 30, 2010 and 2009—Con.**

(In thousands)

	2010 Audited	2009 Unaudited
CHANGE IN UNPAID OBLIGATED BALANCE, NET:		
Unpaid Obligated Balance, Net, Brought Forward, October 1		
Unpaid Obligations, Brought Forward	\$1,129,791	\$448,869
Less: Uncollected Customer Payments, Brought Forward	(14,374)	(24,550)
Total Unpaid Obligated Balance, Net, Brought Forward	1,115,417	424,319
Obligations Incurred	6,930,258	4,069,646
Less: Gross Outlays	(7,163,718)	(3,351,809)
Less: Recoveries of Prior-year Unpaid Obligations	(26,300)	(36,915)
Change in Uncollected Customer Payments	(36,156)	10,176
Total Unpaid Obligated Balance, Net, End of Period	\$819,501	\$1,115,417
Unpaid Obligated Balance, Net, End of Period		
Unpaid Obligations	870,031	\$1,129,791
Less: Uncollected Customer Payments	(50,530)	(14,374)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$819,501	\$1,115,417
NET OUTLAYS:		
Gross Outlays	\$7,163,718	\$3,351,809
Less: Offsetting Collections	(877,760)	(757,922)
NET OUTLAYS	\$6,285,958	\$2,593,887

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

Reporting Entity

The Census Bureau is a component entity of the Economics and Statistics Administration, under the U.S. Department of Commerce (DOC). All Census Bureau funding is under the Commerce and Housing Credit budget functional classification. The Census Bureau collects and provides high-quality statistics about the American people and economy. To deliver high value, the Census Bureau must target measurements on those trends and segments of the population and economy most critical to continued American success and prosperity. The Congressional Act of March 6, 1902, established a Census Bureau and provides for various surveys and censuses. Title 13 of the U.S. Code regulates laws pertaining to the Census Bureau's statistical programs and ensures confidentiality of data. Section 401 of Executive Order 12656 directs the Secretary of Commerce to provide for the collection and reporting of census information on human and economic resources and to maintain a capability to conduct emergency surveys to provide information on the status of these resources as required for national security emergencies.

Budget Authority Sources

To support the mission, the Census Bureau uses financial resources from the following:

Salaries and Expenses (S&E) Appropriation

Annual 1-year appropriations are provided by Congress and are available for obligation in the fiscal year for which they are provided to fund many of the current surveys and other statistical services of the Census Bureau that are conducted each year.

Periodic Censuses and Programs (PCP) Appropriation

Congress provides 2-year appropriations to fund the decennial census conducted every 10 years; the economic censuses and the census of governments, which are conducted every 5 years; and other programs.

American Recovery and Reinvestment Act (ARRA) Appropriation

The ARRA is an economic stimulus package estimated at \$787 billion that was implemented by proposals from President Barack Obama and enacted by Congress in February 2009. The ARRA includes programs consisting of an expansion of unemployment benefits, domestic spending in education, health care, and infrastructure including the energy sector, to name a few. The ARRA provided \$1 billion to help the Census Bureau conduct a successful 2010 Census.

Working Capital Fund (WCF)

This is a non-appropriated account used to finance services within the Census Bureau. These services are more efficiently performed on a centralized basis and include reimbursable statistical work the Census Bureau performs for other federal agencies, state and local governments, foreign governments, and the private sector.

Census Programs

The Census Bureau is the largest statistical agency of the federal government. While best known for the decennial census, the Census Bureau conducts other surveys and censuses that measure changing individual and household demographics and economic conditions of the United States. Major program functions and activities include:

Decennial Census

The decennial census is authorized by Article 1, Section 2, of the U.S. Constitution. The decennial census is the nation's oldest and most comprehensive source of population and housing information. The decennial program consists of the:

- 2010 Census—which provides the official population counts for the United States.
- American Community Survey—which collects long-form data (detailed characteristics) every year throughout the decade using a large household survey.

- MAF/TIGER® (Master Address File/Topologically Integrated Geographic Encoding and Referencing) Enhancement Program—which works with private and public sectors to modernize and enhance the accuracy of the nation's road map.

Decennial census data provide the basis for apportioning among the states the seats in the U.S. House of Representatives and for developing the districts for those members of Congress and state legislatures. Census 2010 will be the largest in America's history.

Economic Programs

Economic programs produce information critical to the economic functioning of the United States and its citizens. Current data, such as housing starts, retail sales, wholesale trade, merchandise imports and exports, mining, and manufacturing, are collected each month. Data from the economic census and census of governments, which are conducted once every 5 years, provide comprehensive, detailed, and authoritative facts about the structure and function of the U.S. economy and its public sector.

Demographic Programs

Important demographic efforts include the preparation of official population estimates and projections, plus the collection of survey data for official statistics on income and poverty, families, race and ethnic groups, and the nation's housing characteristics.

Reimbursable and Other Programs

Reimbursable programs receive funds from private-sector businesses and from public-sector entities, such as the Departments of Labor, Health and Human Services, Housing and Urban Development, and Justice, in exchange for the Census Bureau's survey and data collection services. Other programs include Geographic Support, Data Processing Systems, Demographic Surveys Sample Redesign, and Intercensal Demographic Estimates.

Basis of Accounting and Presentation

The Census Bureau's fiscal year ends September 30. The Census Bureau records accounting transactions on both the accrual and budgetary basis of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is exclusive to governments. Its purpose is to record the status of appropriations and appropriation receipts, allocate budget authority, record valid obligations, and control the use of budgetary resources. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

The financial statements are prepared from the accounting records of the Census Bureau in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as well as the accounting policies of the Census Bureau. In addition, the Census Bureau continues to adhere to its current business practices as well as the current accounting policies. GAAP for federal entities are the principles prescribed by the Federal Accounting Standards Advisory Board, which is the official standard-setting body of the federal government.

Elimination of Intra-Census Transactions and Balances

All intra-Census transactions and balances among Census Bureau funds have been eliminated from the Census Bureau financial statements.

Revenues and Other Financing Sources

The Census Bureau receives the funding needed to support its programs through appropriations. Both annual and multiyear appropriations are received and used, within statutory limits, for operating and capital expenditures. Additional resources are obtained through the collection of amounts from reimbursable programs performed for other governmental and nongovernmental entities.

Appropriations are recognized as revenue at the time the related program or administrative expenses are incurred. The consumption of appropriations used to purchase property and equipment is recognized when the purchases are made.

- Appropriations—Through congressional appropriations, the Census Bureau is provided financing sources for its programs. The funds are warranted by the U.S. Department of Treasury and apportioned by the OMB.
- Recoveries—Funds are authorized by the OMB's Letter of Apportionment to expend recoveries from prior-years' obligations.
- Reimbursements—Reimbursements are authorized in various appropriations based on the Letter of Apportionment.
- Imputed Financing Sources—In accordance with federal GAAP, certain expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The Census Bureau's imputed expenses are for health care, life insurance, and pension plans for employees, which will be paid by the Department of Labor. Expenses are recorded at year-end for losses in litigation proceedings against the Census Bureau. The Census Bureau recognizes losses paid by the Treasury Judgment Fund as an imputed financing source.

Assets

Assets defined as Entity Assets, such as Fund Balance With Treasury, Property and Equipment, and Accounts Receivable, are available for use in Census Bureau operations. Most of the Census Bureau's assets are Entity Assets and are available to carry out the mission of the Census Bureau, as appropriated by Congress.

Nonentity Assets are assets for which an agency has fiduciary responsibility and are not available for use in the agency's operations. Nonentity Assets consist of suspense deposit funds and miscellaneous receipts that are not available to finance the Census Bureau activities. Fiduciary Cash and other assets are not assets of the federal government and accordingly are not recognized on the balance sheet. The Census Bureau fiduciary activity is not a significant amount.

Fund Balance With U.S. Treasury

Funds with the U.S. Treasury consist of appropriated and deposited funds that are available to pay current liabilities and finance authorized purchase commitments. The U.S. Treasury processes the Census Bureau's cash receipts and disbursements. The Census Bureau does not maintain cash in commercial bank accounts. Nonfederal receipts are deposited daily in commercial banks and the Federal Reserve Bank, which transfer the receipts to the U.S. Treasury. Funds with the U.S. Treasury represent appropriated and reimbursable funds available to finance expenditures. Included in the Fund Balance With Treasury are entity deposit funds for unfinished reimbursable work with other federal agencies and the public. Other funds include nonentity deposit funds, which are funds that are not available to finance the Census Bureau activities. (Note 2)

Accounts Receivable, Net of Allowance

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

The amounts due for public receivables are stated net of an allowance for uncollectible amounts. The Census Bureau estimates the allowance for uncollectible accounts receivable with the public through systematic methodology in accordance with SFFAS No. 1, Paragraph 46, *Accounting for Selected Assets and Liabilities*, based on historical collection information. This allowance is based on an analysis of the outstanding balances. No allowance for uncollectible accounts is recognized for intragovernmental accounts receivable because these accounts are due from other federal agencies and are deemed to be fully collectible. (Note 3)

The Census Bureau also records as accounts receivable amounts due from the public for employees' indebtedness and health benefits. Accounts receivable due from the public also include amounts owed by state and local governments and nonprofit organizations that are not allowed to pay for services in advance.

Advances and Prepayments

Advances are payments the Census Bureau has made to cover a part or all of the cost of goods and services to be acquired. Although payment has been made, the expense is not recorded until goods have been received or services have been performed. The Census Bureau has prepayments and advances with public, as well as intragovernmental, vendors.

Operating Materials and Supplies

Operating Materials and Supplies is comprised of employment forms, payroll forms, various other administrative forms, and training and production materials. Operating Materials and Supplies is stated at historical cost and is adjusted for changes related to consumption and acquisition. Operating Materials and Supplies is consumed on a first-in, first-out basis and is used entirely at the discretion of the Census Bureau without restriction. (Note 4)

General Property, Plant and Equipment

The General Services Administration provides the land and buildings that the Census Bureau operates in and charges the Census Bureau a standard level users charge that approximates the commercial rental rates for similar properties. (Note 5)

- Capitalization Thresholds—An asset purchased for \$25 thousand or more with a useful life of at least 2 years is recorded as a capital asset and depreciated/amortized over its estimated economic useful life. In establishing useful lives for assets, due consideration is given to the Census Bureau’s actual prior experiences on the replacement of similar assets. An asset purchased for less than the capitalization threshold will be expensed when purchased. Similar items purchased in bulk that are individually below \$25 thousand are capitalized when the total purchase is \$250 thousand or more.
- Internal Use Software—The Census Bureau records Internal Use Software (IUS) according to the SFFAS No. 10, *Accounting for Internal Use Software*. IUS includes software that is commercial off-the-shelf (COTS) purchased, contractor developed, or developed in-house by federal employees. The Census Bureau records COTS costs as PP&E. The Census Bureau also records COTS costs as IUS in development where costs are accumulated as work in progress until final acceptance testing has been successfully completed. Once completed, the costs are transferred to PP&E, with amortization expense recognized on a monthly basis.
- Leasehold Improvements—Leasehold improvements are expenditures relating to the alteration or modernization of a leased asset that appreciably broadens the asset’s period of usefulness or improves its functionality. The improvement is depreciated over the life of the lease.
- Construction in Progress (CIP)—CIP refers to the temporary classification of assets that are being built/ assembled before being placed in service. The Census Bureau accumulates the costs associated with improvements to leased property in the CIP account until the improvement is completed and is placed in service.

Stewardship PP&E

The Census Bureau’s stewardship PP&E consists only of 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. These items reflect the Census Bureau’s historic contribution to the nation’s growth and well-being and demonstrate milestones achieved throughout history. These items deemed to be the Census Bureau’s Heritage Assets are a compilation of equipment, books, artifacts, and plaques that are unique to the Census Bureau or have had a significant impact on accomplishing the mission of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The administration of Heritage Assets and the categories described as “Collectible Assets” and “Artwork, Books, and Gifts” follow the Department of Commerce, U.S. Census Bureau, Policies and Procedures Manual, Chapter K-9. These policies for Heritage Assets are in compliance with the goals and principles of the Census Bureau established to guide the acquisition, withdrawal, maintenance, use, and disposal of the Heritage Asset consistent with statutory requirements, prohibitions, and limitations governing the Census Bureau and its heritage assets.

The Census Bureau’s property management officer ensures all Heritage Assets are cataloged and stored in a safe, secure environment allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration due to environmental conditions and to limit damage, loss, and misuse of Heritage Assets. The current condition of Heritage Assets at the Census Bureau is deemed as “Good.” The Census Bureau expects that these assets will be preserved indefinitely.

Liabilities

Liabilities represent the amount of money or other resources that are owed by the Census Bureau as the result of transactions or events that have occurred. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities.

All expenses and related accrued liabilities are recorded and reported whether or not amounts are funded. Appropriations law, however, prohibits federal agencies from obligating or spending funds for which appropriations have not been authorized. Current unfunded expenses are reported in the Statement of Net Cost, and the related liabilities are included in the Balance Sheet to provide accountability for unfunded expenses anticipated to be funded by future appropriations.

Unearned Revenue

Intragovernmental Unearned Revenue includes advances from federal agencies for goods and/or services that have not yet been provided. Unearned Revenue with the public is comprised mostly of unfinished work for state and local governments, nonprofit organizations, and universities.

Accrued Payroll and Annual Leave

Accrued Payroll and Benefits represent salaries, wages, and benefits earned by the employees, but not disbursed as of September 30, 2010. The intragovernmental employees' benefits accrued are future retirement and social security benefits payable to other federal agencies, not to the employees.

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual and compensatory leave account is adjusted to reflect current leave balances and pay rates. To the extent current or prior-year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

Accrued payroll and benefit costs represent current liabilities. Census employees that are paid by the NFC are paid on a biweekly basis with a 2-week delay. The Census Bureau accrued NFC payroll costs for the period of September 12, 2010, through September 25, 2010, and the last 5 days of September 2010. Decennial Applicant Personnel and Payroll System (DAPPS) payroll is expended on a weekly basis. NFC payroll accrued at September 30, 2010, includes benefits that the Census Bureau pays to U.S. Office of Personnel Management for the Thrift Savings Plan and to the Social Security Administration, in addition to the amounts paid to employees. Census Bureau temporary employees working for the field decennial are paid by the DAPPS payroll system. (Note 6)

Federal Employees' Compensation Act (FECA) Liability

FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Census Bureau employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the Census Bureau.

FECA liability represents the accrued liability, which represents money owed for claims paid, and the actuarial liability, which represents the expected future liability for approved compensation claim cases.

Future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined utilizing historical benefit payment patterns related to a specific period to estimate the ultimate payments related to that period.

Employee Retirement Plans

Most employees of the Census Bureau participate in either the Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS) defined-benefit pension plans. FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and social security automatically cover most employees hired after December 31, 1983. Employees who had 5 years of federal civilian service prior to 1984 and who are rehired after a break in service of more than 1 year may elect to join the FERS and social security system or be placed in the CSRS offset retirement system.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees covered by either FERS or CSRS. The Census Bureau does not make contributions for CSRS employees. The Census Bureau makes a mandatory contribution of 1 percent of basic pay for FERS-covered employees and matching contributions of up to 5 percent of basic pay for FERS-covered employees who contribute to the TSP. The maximum amount that either FERS or CSRS employees may contribute to the plan in calendar year 2010 is \$22 thousand. This amount consists of the maximum amount of \$16.5 thousand that all employees may contribute and an additional "catch-up" amount of \$5.5 thousand that employees who are 50 years or older may contribute. The sum of employee and Census Bureau contributions for TSP is transferred to the Federal Retirement Thrift Investment Board to administer.

The Census Bureau financial statements do not report CSRS or FERS assets, accumulated plan benefits, or liabilities, if any, which are applicable to Census Bureau's employees. Such reporting is the responsibility of the U.S. Office of Personnel Management as the administration of these plans.

SFFAS No. 5, Accounting for Liabilities of the Federal Government, and OMB Circular No. A-136, Financial Reporting Requirements, require federal entities to recognize an expense for pension and other retirement benefits at the time employees' services are rendered.

Net Position

The Census Bureau's net position consisted of the following:

- **Unexpended Appropriations**—Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances, and undelivered orders of the Census Bureau's appropriated funds. Multiyear appropriations remain available to the Census Bureau for obligation in future periods. Unobligated balances associated with an appropriation that expires at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed; five years after the appropriation expires.
- **Cumulative Results of Operations**—Cumulative results of operations at September 30, 2010 and 2009, include the accumulated difference between expenses consuming budgetary resources and financing sources providing budgetary resources during the current and prior fiscal years; the Census Bureau's investment in capitalized assets, which increases as capital assets are acquired and decreases as capital assets are depreciated or disposed of; and the excess of certain liabilities not consuming budgetary resources, net of certain assets not providing budgetary resources, whose liquidation will require obligation of funds and may require funding from future congressional appropriations or other budgetary resources.

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. Commitments are disclosed in Note 9, Commitments and Contingencies.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2. Fund Balance with Treasury

As of September 30, 2010 and 2009, Fund Balance with Treasury consisted of the following:

	2010	2009
Fund Balance:		
General Funds	\$2,574,339	\$1,902,896
Revolving Funds	541,945	376,518
Other Fund Types	90	69
Total	\$3,116,374	\$2,279,483

Status of Fund Balance with Treasury

Unobligated Balance		
Available	\$2,282,631	\$1,155,017
Unavailable	14,152	8,980
Obligated Balance Not Yet Disbursed	819,501	1,115,417
Non-Budgetary	90	69
Total	\$3,116,374	\$2,279,483

Note 3. Accounts Receivable, Net

The Census Bureau maintains an accounts receivable subsidiary ledger for amounts due for goods and services provided to other federal agencies, the public, and foreign entities. In addition, the Department of Agriculture, National Finance Center (NFC), maintains an accounts receivable subsidiary ledger on behalf of the Census Bureau for salary overpayments, health benefits, and other indebtedness of most current and noncurrent employees. The NFC receivables include current receivables billed to employees and in the process of repayment as well as unbilled receivables that will not be billed until the employee returns to active status and a salary offset is initiated.

	Gross	Allowance	2010 Total
Intragovernmental	\$11,858	\$0	\$11,858
With the public	2,737	(117)	2,620
Total	\$14,595	(\$117)	\$14,478

	Gross	Allowance	2009 Total
Intragovernmental	\$12,474	\$0	\$12,474
With the public	2,585	(6)	2,579
Total	\$15,059	(\$6)	\$15,053

Note 4. Operating Materials and Supplies

The Census Bureau handles all functions related to the tracking and management of operating materials and supplies. This would include the monitoring of material moved into and out of stockroom locations and the reconciling of the operating materials and supplies balance. Operating materials and supplies at the Census Bureau represents goods and materials held available in stock and are not intended for sale. As of September 30, 2010 the operating materials and supplies balance at the Census Bureau has a net realized value of zero. The operating materials and supplies which were not used during the 2010 Decennial Census will be considered as excess. Until the completion of all efforts the operating materials and supplies balance will be considered obsolete.

	Cost Flow Assumption	2010	2009
Materials and Supplies For Use	First-in, first-out	\$26,089	\$50,183
Postal Meter	First-in, first-out	167	85
Allowance		(26,089)	(5,026)
Total		\$167	\$45,242

Note 5. General Property, Plant and Equipment, Net

The Census Bureau owns property and equipment that are essential to its operations. Property and equipment are capitalized and depreciated/amortized over the useful life of the asset and are applied on a straight-line basis. Information regarding the method of depreciation and the useful life is provided in the schedule below:

	Useful Life (years)	Acquisition Value	Accumulated Depreciation/Amortization	2010 Net Book Value
Other Personal Property	4	\$171,940	(\$93,759)	\$78,181
Leasehold improvements	2-20	20,809	(2,180)	18,629
Construction-in-Progress	NA	1,025	0	1,025
Internal Use Software	3-5	159,223	(88,044)	71,179
Internal Use Software-in-Progress	NA	11,253	0	11,253
Total		\$364,250	(\$183,983)	\$180,267

	Useful Life (years)	Acquisition Value	Accumulated Depreciation/Amortization	2009 Net Book Value
Other Personal Property	4	\$119,258	(\$84,021)	\$35,237
Leasehold improvements	5-20	5,434	(1,241)	4,193
Construction-in-Progress	NA	14,245	0	14,245
Internal Use Software	3-5	110,594	(70,990)	39,604
Internal Use Software-in-Progress	NA	48,431	0	48,431
Total		\$297,962	(\$156,252)	\$141,710

Note 6. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources result from the receipt of goods and services, or the occurrence of events, for which budgetary resources are not available. Liabilities not covered by budgetary resources as of September 30, 2010 and 2009, consist of the following:

	2010	2009
Intragovernmental:		
Accrued FECA Liability	\$13,534	\$12,952
Total Intragovernmental	\$13,534	\$12,952
With the Public		
Accrued Annual Leave	\$46,722	\$48,331
Actuarial FECA Liability	97,492	65,052
Contingent Liabilities	11,443	4,000
Other Liabilities	46	0
Total Liabilities Not Covered By Budgetary Resources	\$169,237	\$130,335
Total Liabilities Covered By Budgetary Resources	\$372,627	\$295,081
Total Liabilities	\$541,864	\$425,416

Actuarial FECA Liability:

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

	FY 2010	FY 2009
Year 1	3.65%	4.22%
Year 2 and Thereafter	4.30%	4.72%

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 dollar, were as follows:

FY 2010

Fiscal Year	Cost of Living Allowance	Consumer Price Index–Medical
2011	2.23%	3.45%
2012	1.13%	3.43%
2013	1.70%	3.64%
2014	1.90%	3.66%
2015	1.93%	3.73%

FY 2009

Fiscal Year	Cost of Living Allowance	Consumer Price Index–Medical
2010	0.47%	3.42%
2011	1.40%	3.29%
2012	1.50%	3.48%
2013	1.80%	3.71%
2014	2.00%	3.71%

Note 7. Other Liabilities

Other liabilities include measurable and probable expected future outflows of resources resulting from past transactions or events and the estimated cost of conditions, situations, or circumstances that will be resolved in the future. "Other Liabilities" represents the amounts not otherwise classified to specific liability accounts.

- Employer Contribution and Payroll Taxes—This is the Census Bureau's portion of payroll taxes and benefit contributions, such as health and life insurance for covered employees and retirement benefits, including the agency's contribution to the Thrift Savings Plan.
- Other Postemployment Benefits Due and Payable—This is the amount of defined contribution plans or defined benefit plans payable after employment.

	<u>2010</u>	<u>2009</u>
Intragovernmental		
Employer Contributions and Payroll Taxes	\$6,285	\$4,456
Other Postemployment Benefits Due and Payable	7,706	0
Total Intragovernmental	<u>\$13,991</u>	<u>\$4,456</u>
With the Public		
Employer Contributions and Payroll Taxes	\$4,566	\$7,947
Other Postemployment Benefits Due and Payable	11,000	0
Total Other Liabilities	<u><u>\$29,557</u></u>	<u><u>\$12,403</u></u>

Note 8. Leases

The Census Bureau has commitments under Occupancy Agreements (OAs) with the General Services Administration (GSA) for the majority of its leases. GSA leases are either federally owned or federally leased. In federally owned space, rent is appraisal-based with other applicable charges. In leased commercial space, rent is a direct pass through of the underlying GSA lease contract. The Census Bureau has unique operating space needs, usually during decennial, for which space is rented directly by the Census Bureau under its delegated authority. The GSA fee for the brokerage and other services provided to the Census Bureau is a flat 8 percent of the annual lease contract plus the cost of separately contracted services. Space in federal buildings is appraised every 5 years. Census Bureau leases are 10-year leases with 5- to 10- year firm terms.

Future lease payments are generally calculated based on the GSA annual rental rate adjustments for operating costs and real estate taxes.

Operating Leases

Expenses	2010	2009 Unaudited
Space Rentals		
GSA	\$218,007	\$74,100
Commercial Rentals	10	8
Total	\$218,017	\$74,108

Future Payments Due

Fiscal Year	GSA	Commercial	Total
2011	\$63,483	\$10	\$63,493
2012	26,393	10	26,403
2013	10,820	10	10,830
2014	10,820	6	10,826
2015	10,820	6	10,826
Total	\$122,336	\$42	\$122,378

Note 9. Commitments and Contingencies

Contingencies

The Census Bureau is party to various routine administrative proceedings, legal actions, and claims brought by or against it. It is the opinion of the Census Bureau management and legal counsel that the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or net costs of the Census Bureau.

The Census Bureau is subject to suits where an adverse outcome is probable. Accordingly, \$11.4 million and \$4 million were accrued on the Balance Sheet as of September 30, 2010 and 2009, respectively. Certain legal judgments against the Census Bureau are paid for in full from the Judgment Fund maintained by Treasury. Once the claims are settled or court judgments are assessed against the Census Bureau, the liability will be removed from the financial statements and an "other financing source" (representing the amount to be paid by the Judgment Fund) will be recognized.

The Census Bureau is party to other suits, with claim amounts of approximately \$12 million as of September 30, 2010. In addition, there are other suits with no claim amounts. For all of these suits, it is reasonably possible that an adverse outcome will result. However, it is not possible to estimate a range of loss. Of these claims, all had a high probability of being funded by Treasury's Judgment Fund.

Note 10. Intragovernmental Cost and Exchange Revenue

Earned revenue in reimbursable programs collected by the Census Bureau represent amounts collected, primarily from other federal agencies, for work completed on a reimbursable basis. The majority of the reimbursable agreements are based on preliminary cost estimates; therefore earned revenue is reflective of cost incurred. Intragovernmental expenses relate to source of goods or services.

Total intragovernmental costs and exchange revenue, by strategic goal, for the years ended September 30, 2010 and 2009, were as follows:

	2010	2009 Unaudited
Strategic Goal 1: Provide benchmark measures of the U.S. population, economy, and governments.		
Intragovernmental Cost	\$913,888	\$420,184
Public Cost	5,431,115	2,128,211
Program Cost	6,345,003	2,548,395
Intragovernmental earned Revenue	0	0
Public Earned Revenue	0	0
Program Revenue	0	0
Total Program Cost	\$6,345,003	\$2,548,395
Strategic Goal 2: Provide current measures of the U.S. population, economy, and governments.		
Intragovernmental Cost	\$89,049	\$90,148
Public Cost	268,195	287,595
Program Cost	357,244	377,743
Intragovernmental Earned Revenue	(225,331)	(233,225)
Public Earned Revenue	(4,084)	(5,056)
Program Revenue	(229,415)	(238,281)
Total Program cost	\$127,829	\$139,462
Total Entity		
Program Cost	\$6,702,247	\$2,926,138
Less: Earned Revenues	(229,415)	(238,281)
Net Cost of Operations	\$6,472,832	\$2,687,857

Note 11. Statement of Net Cost by Major Programs

The following table further illustrates the Census Bureau's Statement of Net Cost by Major Programs.

	2010	2009 Unaudited
Strategic Goal 1: Provide benchmark measures of the U.S. population, economy, and governments.		
<i>Decennial Censuses</i>		
Gross Costs	\$5,421,638	\$2,520,945
Less: Earned Revenue	0	0
Net Program Costs	5,421,638	2,520,945
<i>Recovery Act Programs</i>		
Gross Costs	923,365	27,450
Less: Earned Revenue	0	0
Net Program Costs	923,365	27,450
Net Program Costs for Strategic Goal 1	\$6,345,003	\$2,548,395
Strategic Goal 2: Provide current measures of the U.S. population, economy, and governments.		
<i>Demographic Programs</i>		
Gross Costs	\$28,611	\$32,323
Less: Earned Revenue	0	0
Net Program Costs	28,611	32,323
<i>Economic Programs</i>		
Gross Costs	84,879	69,982
Less: Earned Revenue	0	0
Net Program Costs	84,879	69,982
<i>Reimbursable and Other Programs</i>		
Gross Costs	243,754	275,438
Less: Earned Revenue	(229,415)	(238,281)
Net Program Costs	14,339	37,157
Net Program Costs for Strategic Goal 2	\$127,829	\$139,462
Total Entity		
Program Cost	6,702,247	2,926,138
Less: Earned Revenues	(229,415)	(238,281)
Net Cost of Operations	\$6,472,832	\$2,687,857

Note 12. Stewardship PP&E

The Census Bureau's stewardship PP&E consists only of Heritage Assets. They reflect the Census Bureau's historic contribution to the nation's growth and well-being and demonstrate milestones achieved throughout history.

Collection-type Heritage Assets					
Category	Description of Assets	Quantity of Items Held September 30, 2009	2010 Additions	2010 Withdrawals	Quantity of Items Held September 30, 2010
Collectable Assets	Publication, books, manuscripts, photographs, and maps.	19	3	0	22
Artwork and Gifts	Artifacts, artwork, books, films, instruments, records	132	0	0	132
Total		151	3	0	154

Note 13. Apportionment Categories of Obligations Incurred and Undelivered Orders at the End of the Period

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

	FY 2010		
	Direct	Reimbursable	Total
Category A	\$6,174,915	\$0	\$6,174,915
Category B	29,848	0	29,848
Exempt from Apportionment	0	725,495	725,495
Total	\$6,204,763	\$725,495	\$6,930,258

	FY 2009		
	Direct	Reimbursable	Total
Category A	\$3,320,617	\$0	\$3,320,617
Category B	30,625	0	30,625
Exempt from Apportionment	0	718,404	718,404
Total	\$3,351,242	\$718,404	\$4,069,646

In addition to the future lease commitments discussed in Note 8, the Census Bureau is obligated for the purchase of goods and services that have been ordered, but not yet received. Total undelivered orders for all of the Census Bureau activities were \$668.1 million and \$935.1 million as of September 30, 2010 and 2009, respectively.

Note 14. Reconciliation of Net Cost of Operations (Proprietary) to Budget

Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The following reconciliation provides a means to identify the relationships and differences that exist between the aforementioned budgetary and proprietary accounts. The reconciliation of net cost of operations to budget for the years ended September 30, 2010 and 2009 are as follows:

	2010	2009
		Unaudited
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$6,930,258	\$4,069,646
Less: Spending Authority From Offsetting Collections and Recoveries	(940,216)	(784,660)
Obligations Net of Offsetting Collections and Recoveries	5,990,042	3,284,986
Less: Offsetting (Receipts)/Outlays, Net	0	0
Net Obligations	5,990,042	3,284,986
Other Resources		
Transfers In/Out without Reimbursement, Net	(13)	(151)
Imputed Financing From Costs Absorbed by Others	81,560	58,673
Net Other Resources used to Finance Activities	81,547	58,522
Total Resources Used to Finance Activities	\$6,071,589	\$3,343,508
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	\$263,172	(\$581,345)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Resources That Finance the Acquisition of Assets	(102,336)	(123,666)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations:		
Transfers In/Out without Reimbursements, Net	13	151
Change in Unfilled Customer Orders	92,632	(19,448)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$253,481	(\$724,308)
Total Resources Used to Finance Net Cost of Operations	\$6,325,070	\$2,619,200

Note 14. Reconciliation of Net Cost of Operations (Proprietary) to Budget—Con.

	2010	2009 Unaudited
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	(\$1,610)	\$8,332
Increase (Decrease) in Contingent Liabilities	7,443	2,600
Increase (Decrease) in Accrued and Actuarial FECA Liability	33,021	5,238
Increase (Decrease) in Other Liabilities without related Budgetary Obligations	46	0
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Period	\$38,900	\$16,170
Components Not Requiring or Generating Resources:		
Depreciation, Amortization, and Depletion	\$47,622	\$34,142
Revaluation of Assets or Liabilities	543	14,796
Bad Debt Expense	112	(25)
Other	60,585	3,574
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	\$108,862	\$52,487
Total Components of Net Cost of Operations That Will Require or Generate Resources in Current Period	\$147,762	\$68,657
NET COST OF OPERATIONS	\$6,472,832	\$2,687,857

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Required supplementary information includes financial information and disclosures that are required by the Federal Accounting Standards Advisory Board (FASAB) but are not considered a part of the basic financial statements. The amounts in the following table include both appropriated and reimbursable resources. In 2010, the Census Bureau had four budget authority sources: (1) Salaries and Expenses; (2) Periodic Censuses and Programs; (3) Recovery Act; and (4) Working Capital Fund. The detail of these sources can be found in Note 1. The amounts of Budgetary Resources by Major Account follows.

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Schedule of Budgetary Resources by Major Account for Fiscal Year Ended September 30, 2010

(In thousands)

	Salaries and Expenses	Periodic Censuses and Programs	Recovery Act	Working Capital Fund	Combined Total
Budgetary Resources					
Unobligated Balance, Brought Forward, October 1	\$5,420	\$28,895	\$899,562	\$230,120	\$1,163,997
Recoveries of Prior-year Unpaid Obligations Budget Authority	471	10,327	2,947	12,555	26,300
Appropriations	289,024	6,965,707	0	0	7,254,731
Spending Authority From Offsetting Collections					
Earned					
Collected	7	1,317	679	819,790	821,793
Change in Receivables	0	0	0	(508)	(508)
Change in Unfilled Customer Orders					
Advances Received	0	0	0	55,967	55,967
Without Advances	0	0	0	36,664	36,664
Subtotal Budget Authority	289,031	6,967,024	679	911,913	8,168,647
Nonexpenditure Transfers Net	0	0	0	0	0
Permanently Not Available	(752)	(131,151)	0	0	(131,903)
TOTAL BUDGETARY RESOURCES	\$294,170	\$6,875,095	\$903,188	\$1,154,588	\$9,227,041
STATUS OF BUDGETARY RESOURCES:					
Obligations Incurred					
Direct	\$289,062	\$5,012,516	\$903,185	\$0	\$6,204,763
Reimbursable	0	0	0	725,495	725,495
Total Obligations Incurred	289,062	5,012,516	903,185	725,495	6,930,258
Unobligated Balance					
Apportioned	3,352	1,850,183	3	0	1,853,538
Exempt From Apportionment	0	0	0	429,093	429,093
Total Unobligated Balance	3,352	1,850,183	3	429,093	2,282,631
Unobligated Balance Not Available	1,756	12,396	0	0	\$14,152
TOTAL STATUS OF BUDGETARY RESOURCES	\$294,170	\$6,875,095	\$903,188	\$1,154,588	\$9,227,041

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Schedule of Budgetary Resources by Major Account for Fiscal Year Ended September 30, 2010—*Con.*

(In thousands)

	Salaries and Expenses	Periodic Censuses and Programs	Recovery Act	Working Capital Fund	Combined Total
CHANGE IN UNPAID OBLIGATED BALANCE, NET:					
Unpaid Obligations, Brought Forward	\$19,790	\$872,166	\$77,063	\$160,772	\$1,129,791
Less: Uncollected Customer Payments, Brought Forward	0	0	0	(14,374)	(\$14,374)
Total Unpaid Obligated Balance, Net, Brought Forward	19,790	872,166	77,063	146,398	\$1,115,417
Obligations Incurred	289,062	5,012,517	903,185	725,494	\$6,930,258
Less: Gross Outlays	(282,490)	(5,228,711)	(942,187)	(710,330)	(\$7,163,718)
Less: Recoveries of Prior-year Unpaid Obligations	(471)	(10,327)	(2,947)	(12,555)	(\$26,300)
Change in Uncollected Customer Payments	0	0	0	(36,156)	(\$36,156)
Total Unpaid Obligated Balance, Net, End of Period	\$25,891	\$645,645	\$35,114	\$112,851	\$819,501
Unpaid Obligated Balance, Net, End of Period					
Unpaid Obligations	\$25,891	\$645,645	\$35,114	\$163,381	\$870,031
Less: Uncollected Customer Payments	0	0	0	(50,530)	(\$50,530)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$25,891	\$645,645	\$35,114	\$112,851	\$819,501
NET OUTLAYS:					
Gross Outlays	\$282,490	\$5,228,711	\$942,187	\$710,330	\$7,163,718
Less: Offsetting Collections	(7)	(1,317)	(679)	(875,757)	(\$877,760)
NET OUTLAYS	\$282,483	\$5,227,394	\$941,508	(\$165,427)	\$6,285,958

Independent Auditors' Report



To prepare for the 2010 Census, approximately 140,000 Census Bureau employees checked 145 million addresses, covering virtually every street in the United States along the way. More than 120 million questionnaires were delivered by mail to U.S. residential addresses between March 15 and March 17, 2010.



April 10 was the national "March to the Mailbox" day, where communities across the country reminded residents, through marches, walks, rallies and motorcades, to mail in their 2010 Census forms.



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
 Washington, D.C. 20230

November 12, 2010

MEMORANDUM FOR: Dr. Robert M. Groves, Director
 U.S. Census Bureau

FROM: Todd J. Zinser

SUBJECT: FY 2010 Financial Statements
 Final Report No. 11-008-FS

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the U.S. Census Bureau's fiscal year 2010 consolidated financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In its audit, KPMG found

- that the financial statements were fairly presented in all material respects and in conformity with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting; and
- no instances of reportable noncompliance with applicable laws, regulations, and contracts.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance these standards; it was not intended to enable us to express—nor do we express—any opinion on the U.S. Census Bureau's financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws, regulations, and contracts. KPMG is solely responsible for the attached audit report, dated November 9, 2010, and the conclusions expressed in the report.

If you wish to discuss the contents of this report, please call me at (202) 482-4661, or Ann C. Eilers, Principal Assistant Inspector General for Audit and Evaluation, at (202) 482-2754.

We appreciate the cooperation and courtesies the U.S. Census Bureau extended to both KPMG and my staff during the audit.

Attachment



cc: Ted A. Johnson, Associate Director for Administration and Chief Financial Officer, Census
Rebecca M. Blank, Under Secretary for Economic Affairs, Economics and Statistics
Administration
Scott B. Quehl, Chief Financial Officer and Assistant Secretary for Administration



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
Director, U.S. Census Bureau:

We have audited the accompanying consolidated balance sheets of the U.S. Census Bureau (Census Bureau) as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year ended September 30, 2010 (hereinafter referred to as "consolidated financial statements"). 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 2010 audit, we also considered the Census Bureau's internal control over financial reporting and tested the Census Bureau's compliance with certain provisions of applicable laws, regulations, and contracts 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 Census Bureau's consolidated financial statements referred to above are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the U.S. Census Bureau's consolidated financial statements; our consideration of the Census Bureau's internal control over financial reporting; our tests of the Census Bureau's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the U.S. Census Bureau as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position and the combined statement of budgetary resources for the year ended September 30, 2010.



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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Census Bureau as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the year ended September 30, 2010, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit the accompanying consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the year ended September 30, 2009, and accordingly, we do not express an opinion on these financial statements.

The information in the Management's Discussion and Analysis and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Statement From the Director, Message From the Chief Financial Officer, Performance Section, and Appendixes 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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the Census Bureau in two separate documents addressing information technology and other internal control matters, respectively.

Compliance and Other Matters

The results of our tests of compliance described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.



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* * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to the Census Bureau.

Auditors' Responsibilities. Our responsibility is to express an opinion on the Census Bureau's consolidated financial statements referred to in the first paragraph above based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 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 Census Bureau'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 2010 audit, we considered the Census Bureau's internal control over financial reporting by obtaining an understanding of the Census Bureau's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Census Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Census Bureau's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether the Census Bureau's fiscal year 2010 consolidated financial statements are free of material misstatement, we performed tests of the Census Bureau's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Census Bureau. However, providing an opinion on



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compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Census Bureau management, the U.S. Department of Commerce management, the U.S. Department of Commerce 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 9, 2010

Appendixes



Greg Biffle (right) drove the 2010 Census-sponsored No. 16 Ford Fusion in the three Sprint Cup Series races in March.

The 2010 Census Portrait of America Road Tour national vehicle sits in New York City's Times Square on January 4, ready to begin its cross-country journey to promote participation in the 2010 Census. The road tour was part of the largest civic outreach and awareness campaign in U.S. history—with 13 vehicles stopping and exhibiting at more than 800 events nationwide and traveling for a total of 1,547 days and more than 150,000 miles across the country to provide the public with an educational, engaging, and interactive experience that brought the 2010 Census to life.

APPENDIX A. PERFORMANCE AND RESOURCE TABLES

PERFORMANCE OUTCOME: PROVIDE BENCHMARK MEASURES OF THE U.S. POPULATION, ECONOMY, AND GOVERNMENTS (ESA/CENSUS)

PERFORMANCE OUTCOME RESOURCES						
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	\$1,013.6	\$1,078.9	\$1,173.0	\$917.9	\$2,873.8	\$5,704.9
FTE	8,433	8,778	8,418	5,979	20,007	87,418

In FY 2008, the Census Bureau split the outcome, "Meet the needs of policymakers, businesses, nonprofit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments," into this outcome and the performance outcome, "Provide current measures of the U.S. population, economy, and governments." Funds for the years prior to FY 2008 are shown in this outcome and reflect both outcomes. Obligations differ from amounts shown in the Statement of Budgetary Resources because they do not include Expired and the Working Capital Funds.

MEASURE: Correct street features in the TIGER® (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local, and tribal governments, and support the E-Government initiative in the President's Management Agenda.

Year	Status	Actual	Target
FY 2010	Exceeded	50.87 percent response rate	Increase TIGER update submissions electronically by 10 percent

Performance was not met because:

--	--	--	--

Strategies for improvement:

--	--	--	--

Year	Status	Historical Results	Historical Target
FY 2009	Met	Completed updates to eligible counties in the United States, Puerto Rico, and Island Areas	Completed updates to eligible counties in the United States, Puerto Rico, and Island Areas
FY 2008	Met	320	320
FY 2007	Met	737	690
FY 2006	Met	700	700
FY 2005	Met	623	610

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 2010	Met	93 percent of key activities completed on schedule	At least 90 percent of key activities completed on schedule

Performance was not met because:

Strategies for improvement:

Year	Status	Historical Results	Historical Target
FY 2009	Met	At least 92 percent of key activities completed on time	At least 90 percent of key activities completed on schedule
FY 2008	Not Met	Some of the planned dress rehearsal activities were cancelled	At least 90 percent of key prep activities completed on time
FY 2007	Met	>90 percent of key prep activities completed on time	At least 90 percent of key prep activities completed on time
FY 2006	Met	100 percent of activities completed on time	At least 90 percent of key prep activities completed on time
FY 2005	Met	Activities completed on time	Various activities with different dates

MEASURE: Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI).

Year	Status	Actual	Target
FY 2010	Not Met	Census Score: 69	Meet or exceed the overall federal score of 74

Performance was not met because: First time visitors who enter Web sites containing a wealth of information, may not be familiar with the data available and tend to experience more challenges finding the information they seek.

Strategies for improvement: In October 2009 the Census Bureau launched a newly designed Web site and is continuing its efforts to improve the navigation and functionality components of the system.

Year	Status	Historical Results	Historical Target
FY 2009	Not Met	68.0	Meet or exceed overall federal score of 75.2
FY 2008	Not Met	66.0	73.9
FY 2007	Met	74.0	71.0
FY 2006	Met	72.0	71.3
FY 2005	Met	73.0	73.0

This measure applies to the second outcome as well.

**PERFORMANCE OUTCOME:
PROVIDE CURRENT MEASURES OF THE U.S. POPULATION, ECONOMY, AND
GOVERNMENTS (ESA/CENSUS)**

PERFORMANCE OUTCOME RESOURCES						
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual
Funding	New	New	New	\$703.1	\$715.9	\$733.1
FTE	New	New	New	5,979	6,231	6,187

In FY 2008, Census Bureau split the outcome, "Meet the needs of policymakers, businesses, nonprofit organizations, and the public for current and benchmark measures of the U.S. population, economy, and governments," into this outcome and the performance outcome, "Provide current measures of the U.S. population, economy, and governments." Funds for the years prior to FY 2008 are shown in this outcome and reflect both outcomes. Obligations differ from amounts shown in the Statement of Budgetary Resources because they do not include Expired and the Working Capital Funds.

MEASURE: Achieve predetermined 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 2010	Met	100 percent of key surveys meet or exceed their predetermined collection rates at planned levels of reliability	At least 90 percent of key censuses and surveys meet/exceed collection rates/levels of reliability

Performance was not met because:

--	--	--	--

Strategies for improvement:

Year	Status	Historical Results	Historical Target
FY 2009	Met	100 percent of key censuses and surveys met/exceeded collection rates/levels of reliability	At least 90 percent of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2008	Met	Met percentages	At least 90 percent of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2007	Met	Met percentages	At least 90 percent of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2006	Met	Met percentages	At least 90 percent of key censuses and surveys meet/exceed collection rates/levels of reliability
FY 2005	Met	Met percentages	Various percents—see FY 2006 APP

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 2010	Met	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ 92 percent of other data products from key censuses and surveys released on schedule 	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ At least 90 percent of other data products from key censuses and surveys released on schedule
<i>Performance was not met because:</i>			
<i>Strategies for improvement:</i>			
Year	Status	Historical Results	Historical Target
FY 2009	Met	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ 100 percent of other data products from key surveys released on schedule 	<ul style="list-style-type: none"> ▪ 100 percent of economic Indicators released on schedule ▪ At least 90 percent of other data and products from key censuses and surveys released on schedule
FY 2008	Met	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ >89 percent of key censuses and surveys released on schedule 	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ At least 90 percent of key censuses and surveys released on schedule
FY 2007	Met	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ >89 percent of other key censuses and surveys released on schedule 	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ >89 percent of other key censuses and surveys released on schedule
FY 2006	Met	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ 100 percent of other key censuses and surveys released on schedule 	<ul style="list-style-type: none"> ▪ 100 percent of economic indicators released on schedule ▪ >89 percent of other key censuses and surveys released on schedule
FY 2005	Met	22 products	22 products

APPENDIX B. DEFINITION OF PERFORMANCE MEASURES AND VALIDATION AND VERIFICATION INFORMATION

PERFORMANCE OUTCOME:

Provide benchmark measures of the U.S. population, economy, and governments (ESA/CENSUS)

Correct street features in the TIGER® (geographic) database (number of counties completed) to more effectively support Census Bureau censuses and surveys, facilitate the geographic partnerships between federal, state, local, and tribal governments, and support the E-Government initiative in the President's Management Agenda.

It is essential that the Census Bureau correctly locate every street in the MAF/TIGER® system to provide geographic products and services that meet the accuracy expectations of the 2010 Census field data collection staff, the Census Bureau's data product customers, and the needs of the U.S. Geological Survey/The National Map. Many local and tribal governments that participated in the Census 2000 geographic partnership programs and many potential customers for MAF/TIGER® geographic products indicated that they would not consider future geographic partnerships or use without substantial improvements in location accuracy. Investing in the identification and correct location of new housing units and streets or roads in small towns and rural areas will ensure uniform address and street coverage in the MAF/TIGER® database and in the Census Bureau's data products, both for the American Community Survey (ACS) and the 2010 Census.

Data Source	MAF/TIGER® activity schedule
Frequency	As scheduled
Data Storage	Census Bureau MAF/TIGER® database
Internal Controls	The Census Bureau compares actual completion dates with scheduled dates
Data Limitations	None
Actions to Be Taken	Continue quarterly reviews of performance data

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.

Due to the cyclical nature of these programs, it is important for the Census Bureau to track annual key activities that support the programs. The Census Bureau tracks the internal activities that are considered to be the most important in meeting the long-term goals of the cyclical census programs.

Data Source	Activity schedules kept by each of the cyclical census programs
Frequency	Ongoing, based on activity schedules
Data Storage	The Census Bureau program offices maintain activity schedules and performance data
Internal Controls	The Census Bureau compares actual completion dates with scheduled dates Performance data is reviewed quarterly
Data Limitations	None
Actions to Be Taken	Continue quarterly reviews of performance data

Meet or exceed the overall federal score of customer satisfaction on the E-Government American Customer Satisfaction Index (ACSI).

The ACSI is a survey conducted since 1994 by the University of Michigan in cooperation with other groups. It tracks trends in customer satisfaction and provides benchmarks that can be compared across industries and between the public and private sectors. FY 2008 begins the benchmarking year for the Census Bureau's participation in the E-Government ACSI. Based on responses to the former annual ACSI and the Census Bureau's Corporate Annual Survey of Web Site Visitors, the Census Bureau anticipates meeting or exceeding the average federal government customer satisfaction levels and will identify and make iterative adjustments to processes or custom questions asked to focus on improving overall quality and satisfaction.

Data Source	Census Bureau data users at State Data Centers, Business Information Data Centers, Census Information Centers, and Regional Federal Depository Libraries
Frequency	Annually
Data Storage	Primary storage is at the University of Michigan
Internal Controls	Data are collected electronically and cross-tabulated. Interviewers are continuously monitored, with supervisors randomly listening in on interviews
Data Limitations	Sample size determines the limits of statements that can be made based on the data. All Census Bureau-related ACSI reports are careful to report confidence intervals
Actions to Be Taken	Continue quarterly reviews of performance data

PERFORMANCE OUTCOME:

Provide current measures of the U.S. population, economy, and governments (ESA/CENSUS)

Achieve predetermined 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.

This measure focuses on maintaining a high level of response for both demographic and economic surveys to ensure that information from Census Bureau surveys and censuses are always reliable and widely accepted by customers over the long term. Reliability of Census Bureau statistics is essential to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, the American public, and others.

Data Source	Census Bureau surveys are the initial collection source. Internal control files and systems are the source of the response-rate data
Frequency	Response rates are tied to data collection. Frequency varies by survey
Data Storage	All data are stored in Census Bureau databases and are published in public press releases
Internal Controls	Quality assurance analyses, Automated Data Processing (ADP) routines, and peer reviews
Data Limitations	Data that are released must adhere to Title 13 requirements to protect respondents' confidentiality
Actions to Be Taken	Continue quarterly reviews of performance data

Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public.

It is essential that the Census Bureau release data products on schedule to enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public. This measure focuses on two parts: economic indicators and other key surveys and reports. OMB Statistical Directive No. 3 requires that the Census Bureau release principal economic indicator data within prescribed time periods. Thus, the impact of not meeting release dates for the economic indicators is much more serious.

Data Source	Actual data releases by Census Bureau programs
Frequency	The frequency of data releases varies. Release dates are often published in advance
Data Storage	Data release information is stored in Census Bureau systems and public data releases
Internal Controls	Performance data are verified by comparing actual release dates with scheduled release dates. Methodological standards for surveys are publicly reported
Data Limitations	Data that are released must adhere to Title 13 requirements to protect respondents' confidentiality
Actions to Be Taken	Continue quarterly reviews of performance data

APPENDIX C. IMPROPER PAYMENTS INFORMATION ACT (IPIA) REPORTING DETAILS

IPIA was enacted to provide for estimates and reports of improper payments by federal agencies. The act requires that federal agencies estimate improper payments and report on actions to reduce them. A review of all programs and activities that the Census Bureau administers is required annually to assist in identifying and reporting improper payments. The Census Bureau has not identified any significant problems with improper payments; however, the Census Bureau recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the Census Bureau's commitment to the continuous improvement in the overall disbursement management process remains very strong. Each of the Census Bureau's payment offices has implemented procedures to detect and prevent improper payments.

I. Risk Assessment(s)

Employees such as contracting officer representatives (COR), administrative offices staff, receiving dock staff, or those at other points of receipt who accept delivery of goods and services must document receipt at the time of delivery of the goods or completion of services and, in turn, forward this information to the Census Bureau's Finance Division by the fifth business day after receipt or acceptance of the goods or services.

When goods procured by three-way match Purchase Orders are received (ones used to order supplies, equipment, and services on a nonrecurring basis), divisions and offices should access the Administrative and Customer Services Division's (ACSD's) Automated Property Management System (APMS) to generate a Form BC-1766, Receiving Report. For goods acquired through the General Services Administration's Federal Standard Requisitioning and Issue Procedure (FEDSTRIP), divisions and offices must prepare Form CD-391, Receiving Report. Access to APMS can be obtained by contacting the Property Records and Transportation Management Branch in ACSD. The procedures for accessing and using this system are documented in the APMS Users Guide.

For services acquired by contract, the current process requires the COR to validate receipt by certifying a copy of the invoice submitted by the vendor for the services provided. For services acquired by two-way match Purchase Orders (ones generally used for recurring payments), divisions and offices must prepare Form BC-1891, Invoice Cost Allocation Receiving Report.

For a certification to be valid, the Census Bureau program offices must include the following information on the receiving report or certified copy of the invoice:

- Contract, delivery order, task, purchase order, or other authorization number.
- Description of the goods or services that reference the line item on the source document (with the line item numbers and dollar amount for each specific line on the receiving report listed).
- Quantities received, if applicable.
- Date(s) the goods or services were received and accepted.
- Signature, or electronic alternative when supported by appropriate internal controls; printed name; title; phone number; and mailing address of the receiving/approving official.
- Name of the vendor.
- Date the invoice was received. (This is the responsibility of the office designated in the purchase agreement that first receives the invoice.)

The results of the Census Bureau assessments revealed no risk-susceptible programs and demonstrated that, overall, the Census Bureau has strong internal controls over the disbursement process, the amounts of improper payments are immaterial, and the risk of improper payments is low.

II. Sampling Process

In FYs 2006 through 2009, there have been no Government Accountability Office or Department of Commerce/ Office of Inspector General audits of the Census Bureau's disbursements processes. During the same period, the DOC's *Performance and Accountability Report* revealed no risk-susceptible programs and no significant improper payments responsive to OMB Circular No. A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*. In 2005, Horn & Associates, Inc., completed a Recovery Audit of 30 folders and reported no findings. Noting its Improved Financial Performance initiative on the President's Management Agenda scorecard submissions, the Census Bureau reported participation with the DOC on its Audit Recovery Program.

III. Corrective Action Plans

To assist Census Bureau programs and activities, staff responsible for payments can refer questions concerning the validity of a payment to the appropriate offices. They can also obtain guidance concerning management of disbursements from Census Bureau and DOC budget and finance procedures from several sources, such as Federal Acquisition Regulations and OMB Circular No. A-11 section titled "Information on Erroneous Payments," the *Commerce Acquisition Manual (CAM)*, and the *Accounts Payable Procedures Manual*. The Census Bureau maintains policy and procedures manuals (PPMs) concerning disbursements, such as, F-23, *Prompt Payment Guidance* (updated February 2009), which discusses how to handle improper invoices, and F-6, *Gifts and Bequests*, which discusses under- and overpayment. Other PPM chapters delineate signatory authorities for levels of disbursements. Administrative offices and officers work with divisions and their staff on financial procedures and processes for making disbursements. CORs engaged in contract administration receive required training to ensure they understand their responsibilities to safeguard the government's assets and funds. CORs receive appointment letters from the chief acquisition officer, which list their responsibilities, and CORs are encouraged to work closely with acquisition personnel. Purchase card policy and procedures are available in "DOC Purchase Card Procedures" outlined in CAM 1313.301. The Travel Management Team interprets the Federal Travel Regulations, DOC and Census Bureau policy/procedures, and other applicable laws governing official travel. The Finance Division's Web page provides links and instructions to staff responsible for making, approving, and recovering payments to help prevent the likelihood and negative impact of improper payments.

IV. Auditing Effort

Risk Factor #	Specific Risk Factors to This Program/Activity	Control Environ.	Internal Controls Evaluation		Monitoring/Evaluation	Probability of Improper Payments	Risk Assessment		Risk Score
			Control Activities	Information and Communication			Impact of Improper Payments	Risk Level (Low, Medium, High)	
1	Payments are made for services or products not received.	Effective	Effective	Effective	Effective	Rare	Insignificant	Low	1
2	Payments are not made for services or products received.	Effective	Effective	Effective	Effective	Rare	Insignificant	Low	1
3	Disbursements made to the vendor for the incorrect amount or, for example, duplicate invoices.	Effective	Effective	Effective	Effective	Rare	Insignificant	Low	1
4	Payment is made on unsupported or inadequately supported claims.	Effective	Effective	Effective	Effective	Rare	Insignificant	Low	1
5	Funds used for other than intended purposes by participating divisions, offices, or external bureaus.	Effective	Effective	Effective	Effective	Rare	Insignificant	Low	1
Total Risk Score for All Specific Risk Factors								N/A	5
Average Risk Score for All Specific Risk Factors (divide above by # of Specific Risk Factors)								N/A	1
Risk Level for All Specific Risk Factors (Low, Medium, High)								Low	N/A

For the table above, Average Risk Score for All Specific Risk Factors converts to Risk Level for All Specific Risk Factors as follows:

Average Risk Score of 1.0–1.7 = Risk Level of Low

Average Risk Score of 1.8–2.2 = Risk Level of Medium

Average Risk Score of 2.3–3.0 = Risk Level of High

V. Action Plan for Accountability

There is low inherent risk that the following would go undetected: unfunded or unauthorized purchases; mis- or understated obligations; unpaid invoices; infractions of the Prompt Payment Act; duplicate invoices; or payments are made for goods and services not received. The work is under control of the government and transactions are not complex. A number of control risk measures are taken to monitor disbursements. At the activity level program managers and offices track progress against budgets to ensure accurate and timely control over budget resources. They use financial management and budget progress and status reporting—for instance, Finance Management, Other Objects, and Undelivered Order Reports generated from the Commerce Business Systems. Program offices are staffed with trained CORs (e.g., task managers) and managers who are responsible for monitoring the accuracy of disbursements. A Finance Division quality control section performs monthly reviews, as does the Travel and Conference Services Office.

VI. Information Systems Corrective Measures

The Commerce Business System produces a number of reports available to staff and offices to track and check disbursements. For example, staff and offices receive monthly Financial Management Reports and Other Objects Reports with which to track disbursements.

The Data Warehouse Budget and Expense Query Application is a tool for the enhanced query and analysis of budget and expense data. This tool is used to investigate questionable amounts or charges at a transaction level.

The Economic Directorate uses a number of reports to track payments under interagency agreements, for example, the Reimbursable Project Management Report and Monthly Cost Analysis Report.

VII. Statutory/Regulatory Guidelines

The Census Bureau has not identified any significant barriers to date, but will notify the Office of Management and Budget and Congress of any barriers that inhibit actions to reduce improper payments if they occur.

VIII. Guidelines to Avoid Improper Payments

- Limited/controlled access to vendor files and basic vendor information (e.g., name, address, taxpayer identification number, business size) is available to financial system users; access to banking information, however, is strictly limited by system to certain finance departments.
- Controlled access to financial system accounts payable screens—authority to create, edit, approve, process, and amend payment records—is limited to certain financial system users. Also, authority to add or revise records in the vendor database is limited to the Census Bureau's Table Maintenance Team within the Finance Division.
- Daily prepayment audit of invoices for accuracy is done and corrective actions taken prior to disbursement, thereby preventing improper payments from occurring.
- The monthly vendor statement for purchase cards is interfaced into the financial system, thereby reducing data entry error.

APPENDIX D. MANAGEMENT CHALLENGES

Each year the Department of Commerce'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 INSPECTOR GENERAL'S STATEMENT OF MANAGEMENT CHALLENGES

As FY 2011 begins, advancing economic growth and creating job opportunities remain two of the Department of Commerce's overarching goals. For the upcoming fiscal year, the Department plans to spend about \$9 billion on a wide range of programs and initiatives to meet these objectives, and the Office of Inspector General (OIG) continues to support its efforts through our audits, evaluations, and investigations. In late November 2010, we will issue our annual report on Commerce's top management challenges. The purpose of the report is to identify what we consider, from our oversight perspective, the most significant management and performance issues facing Commerce in the coming fiscal year.

In the November 2010 report, we will identify eight management challenges. Several of these challenges are longstanding concerns. They include strengthening Department-wide information security, managing the cost and technical performance of the National Oceanic and Atmospheric Administration's (NOAA) environmental satellite acquisition programs, and reducing patent and trademark application backlogs. At the same time, the Department must address new concerns, such as overseeing the rapid disbursement of billions of dollars to stimulate the economy as a result of the American Recovery and Reinvestment Act (ARRA) of 2009. We are performing an ongoing body of work, and planning additional efforts, to help the Department effectively manage these and other emerging issues. Table 1 compares the FY 2011 management challenges with those identified in FY 2010.

Additionally, as required by the Office of Management and Budget (OMB) Circular A-136, our top management challenges report from FY 2010 briefly assessed the Department's progress in addressing the challenges identified. This appendix contains a summary of the challenges from FY 2010 along with the Department's response describing the actions it has taken. Our FY 2010 management challenge report is available on our website at www.oig.doc.gov.

The management challenges are not easily resolved; they may require the Department or its operating units to invest in new technologies or substantially change such areas as procedures, program activities, or organizational culture. To completely address a management challenge typically takes several fiscal years. The Department has been proactive in its efforts to address several challenges we have identified in previous years. For example, we recognize the commitment of the Secretary and his staff to the Office of the Secretary's restructuring initiatives, including establishing new leadership positions for performance management and program evaluation. Additionally, the Secretary recently began a comprehensive review of Department-wide acquisition processes to identify ways to strengthen and improve the quality of its acquisitions. While these initiatives should help to improve performance accountability, sustained leadership attention is needed to ensure desired results are achieved.

We welcome the opportunity to discuss these challenges and any comments you might have.

Todd J. Zinser
Inspector General

TOP MANAGEMENT CHALLENGES FOR FY 2010

Challenge 1: Decennial Census: Mitigate Issues with the 2010 Decennial While Addressing Future Census Challenges

The mission of the 2010 Census—to succeed in counting each of the over 300 million people in more than 130 million households in the United States once, only once, and in the right place—is a massive undertaking with many moving parts. With a projected life-cycle cost estimate of \$14.7 billion, the bureau must integrate 44 separate operations (with a total of some 9,400 program- and project-level activities).

U.S. residents have by now received their forms, and the Census Bureau has built an extensive communications campaign and partnership program to encourage a prompt and accurate decennial response. The rate at which responses are returned will be critical in determining the overall cost of the census. Households that do not mail back forms will be visited by an enumerator during nonresponse follow-up (NRFU) operations. The most expensive decennial operation, NRFU is now estimated to cost \$2.3 billion. The bureau cannot predict with certainty the public's response rate and thus the total number of housing units that will have to be visited during this phase. Census estimates that costs will increase by about \$85 million for every percentage point of addresses that census takers have to visit.

While much of the bureau's plan appears to be on schedule, the efficiency and accuracy of NRFU are at some risk, and final decennial costs remain uncertain. The bureau's ability to manage NRFU effectively, and thus control its cost, hinges on two systems: the paper-based operations control system (PBOCS) and the Decennial Applicant, Personnel, and Payroll System (DAPPS). Described by the bureau as the "nerve center" of its field offices, PBOCS manages enumerator assignments and provides current information on enumerator productivity. DAPPS supports recruiting, applicant, personnel, and payroll processing and is therefore also critical to the smooth functioning of NRFU. Both systems support smaller early field operations such as those in rural areas where Census leaves a form for households to mail back (known as update/leave), doorstep interviews occurring in places such as Native American reservations (update/enumerate), and counting residents living in group situations and nontraditional households (group quarters enumeration, service-based enumeration, and enumeration of transitory locations). Both systems have experienced problems in testing and, more importantly, during field operations.

Census is on a very tight schedule to complete the PBOCS capabilities needed for NRFU and to resolve existing problems. Once NRFU begins, the system has no margin for error. Yet PBOCS development and testing remain behind schedule, and frequent outages and slow performance are impacting early operations. If not revamped for NRFU, these problems place the schedule

Table 1. Comparison of FY 2011 and FY 2010 Top Management Challenges

Challenge	Report	
	FY2011	FY2010
Department-Wide: Strengthening Information Security	x	x
NOAA: Development and Acquisition of Environmental Satellite Programs	x	x
Department-Wide: Managing Acquisition and Contract Operations ¹	x	x
ARRA: Enhancing Accountability and Transparency	x	x
USPTO: Improving the Efficiency of the Patent Office and Mitigating Financial Vulnerabilities	x	x
NOAA: Protecting Environment while Promoting Fishing Industry	x	
Department-Wide: Commerce Headquarters Renovation	x	x
Census: 2020 Decennial Planning	x	x
Census: Mitigate Issues with the 2010 Decennial		x
Department-Wide: Centralized Management and Oversight		x
NOAA: Headquarters Leadership Structure		x
Department-Wide: Major Systems Acquisitions		x
Department-Wide: Grant and Contract Management Workforce		x
¹ This FY 2011 challenge combines elements from two FY 2010 challenges: <i>Major Systems Acquisitions</i> and <i>Grant and Contract Management Workforce</i> .		

and cost of this massive operation at serious risk. As a core requirement with a high level of uncertainty late in the decennial life cycle, PBOCS is one of the most significant decennial challenges facing the Department. While DAPPS also experienced outages and slow performance in early operations, a recent hardware upgrade appears to have significantly improved performance.

To contain decennial costs, better management of census fieldwork is essential. We found inefficiencies in wages, travel, and training during the address canvassing operation. Given the significantly larger scale of NRFU, Census must have effective internal controls in place and ensure that managers meticulously follow them during this operation.

Calendar year 2010 is also a critical time for the 2020 Census. The bureau must begin to develop its 2020 decennial Census plans even though its workforce is already stretched thin by 2010 operations. Our work throughout the decade demonstrates that Census needs to identify more cost-effective approaches to the decennial and seriously consider using such alternatives as administrative records, the Internet, and targeted address canvassing. These and other possible approaches could contain costs while increasing accuracy and efficiency.

Challenge 2: IT Security: Continue Enhancing the Department's Ability to Defend Its Systems and Data Against Increasing Cyber Security Threats

Cyber attacks and other security threats persistently challenge the Department in ensuring information confidentiality, integrity, and availability. Commerce continues to invest in and otherwise enhance IT security, but more work is needed. The annual Performance and Accountability Report has reported IT security as a material weakness since FY 2001. Based on our FY 2009 FISMA assessments, we again recommended—and the Department agreed—that the material weakness remain until more improvements are made.

We completed two United States Patent and Trademark Office assessments during this reporting period. While both revealed improvements, we did not have sufficient evidence of consistent, effective security practices to support removing USPTO's IT security material weakness. However, USPTO's management concluded that IT security issues had been resolved and did not report the material weakness in its FY 2009 Performance and Accountability Report.

Our evaluations have focused on the Department's process for planning, implementing, and assessing security controls, including continuous monitoring, for the more than 300 systems employed by various operating units (including USPTO), each with its own management structure. We found deficiencies in security planning (including defining security requirements and

implementing controls), assessments (leaving risks inadequately understood), vulnerability remediation (through required plans of action and milestones), and continuous monitoring. In recent years we have increased our efforts to independently assess technical security controls and have consistently found vulnerabilities requiring remediation.

We also found, in an FY 2009 audit, that the Department needs to improve the development, guidance, and performance management of its IT security workforce. The Department has taken positive steps in response, including plans to enhance employee development and training as well as to require professional certifications for employees with significant IT security responsibilities.

Challenge 3: NOAA Environmental Satellites: Effectively Manage Technical, Budgetary, and Governance Issues Surrounding the Acquisition of NOAA's Two Environmental Satellite Systems

NOAA is modernizing its environmental monitoring capabilities, in part by spending an estimated total of nearly \$20 billion on two critical satellite systems: the Joint Polar Satellite System (JPSS) and the Geostationary Operational Environmental Satellite-R Series (GOES-R). Both JPSS' predecessor program, the National Polar-orbiting Operational Environmental Satellite System (NPOESS), and GOES-R have a history of cost overruns, schedule delays, and reduced performance capabilities.

As a result of the fall 2009 decision to significantly restructure the NPOESS program, JPSS was established as NOAA's component of the polar environmental satellite system, which is designed to provide global environmental data to monitor Earth, support the nation's economy, and protect lives and property. JPSS is intended to meet a portion of the requirements originally established under the NPOESS program. NPOESS was managed jointly by NOAA, the National Aeronautics and Space Administration (NASA), and the Department of Defense, with NOAA and Defense equally sharing NPOESS costs. Under the restructuring, NOAA/NASA and Defense will acquire satellites separately. The life-cycle cost estimate for JPSS is \$11.9 billion.

At its 1995 inception, NPOESS planned to purchase six satellites at a \$6.5 billion cost, with a first launch in 2008. But problems with a key sensor raised costs and delayed the date of the first launch, even as the number of satellites in the system was reduced to four. In March 2009, with estimated life-cycle costs totaling \$14 billion, the first launch was delayed to 2014 because of continuing sensor problems; the NASA-led NPOESS Preparatory Project (NPP) launch date was also delayed, from 2010 to 2011. NPP was planned as a risk-reduction effort to test NPOESS' new instruments in flight, but will now be used operationally as a gap-filler between the current NOAA polar-orbiting operational environmental satellite and the first JPSS satellite.

The transition to the restructured program will continue into FY 2011. The JPSS program will continue to develop instruments needed to fulfill NOAA's responsibilities. The JPSS management structure will be similar to GOES-R, in which NOAA manages the overall program with assistance from NASA. NOAA will acquire two JPSS satellites and will continue climate sensor acquisitions under the NOAA climate program. Defense is evaluating the best approach for maintaining continuity of its polar satellites. It is critical that NOAA and Defense implement their satellite programs on schedule to reduce the risk of gaps in coverage.

Budget increases, capability reductions, and delays have also plagued the GOES-R program. The projected cost has increased from \$6.2 billion to \$7.7 billion; a major sensor was removed; the number of satellites to be purchased was reduced from four to two; and the launch readiness dates for the first two satellites have slipped by 6 months to October 2015 and February 2017. The GOES-R system is intended to offer an uninterrupted flow of high-quality data for short-range weather forecasting and warning, as well as provide climate research data through 2028. Working with NASA, NOAA is responsible for managing the entire program and for acquiring the ground segment, which is used to control satellite operations and to generate and distribute instrument data products.

According to program documentation, overall GOES-R program acquisition is on track and within budget to meet the revised launch schedule. However, any further delays in the satellite's launch readiness will increase NOAA's risk of not meeting its requirement to have an on-orbit spare and two operational GOES satellites available to monitor the Pacific and Atlantic basins in 2015.

Both the JPSS and GOES-R programs will continue to require close oversight to minimize further disruption to programs and prevent any satellite coverage gaps, which could compromise the United States' ability to forecast weather and monitor climate. Such a compromise would have serious consequences for the nation's safety and security.

Challenge 4: American Recovery and Reinvestment Act: Meet the Challenges of Accountability and Transparency with Effective Oversight of Program Performance, Compliance, Spending, and Reporting

The Department continues to implement programs under the Recovery Act, which provided Commerce with \$7.9 billion. The OIG Recovery Act oversight priorities include agency and recipient reporting, the Broadband Technology Opportunities Program (BTOP), and National Institute of Standards and Technology (NIST) and NOAA construction contracts and grants.

The sheer amount of ARRA money received by Commerce, coupled with the act's unique requirements, makes ensuring appropriate spending—while also providing economic stimulus as quickly as possible—a

particular challenge. Commerce operating units must spend funds appropriately with little time to prepare for the many new and expanded programs, grants, and contracts established under the act.

As of March 31, 2010, the Department had obligated approximately \$2.8 billion and spent approximately \$890 million. Although spending volumes are relatively low, all funds must be obligated by September 30, 2010. The need to distribute funds quickly to communities and businesses increases the risks of fraud, waste, and abuse in both Recovery Act-funded activities and those Commerce operations with more traditional funding mechanisms. Recovery Act operating units need sufficient resources to ensure that programs deliver as intended, while providing oversight to guard against misuse of funds.

The ARRA substantially increases the Department's contracting and grants workload, particularly at NIST and NOAA, whose grants and contracts offices must manage not only the more than \$1.4 billion they received under the Recovery Act, but the \$4.7-billion BTOP program as well. NTIA relies on NIST and NOAA for grants administration because it does not have its own staff and systems for this purpose. Such increases place added pressure on these operating units to hire and retain qualified personnel.

The ARRA provided a relatively significant funding increase for NIST and NOAA construction projects. To complete them successfully, NIST and NOAA need to dedicate construction managers across ARRA grants, contracts, and regular appropriation-funded projects. Our oversight will focus on this high-risk area, including assessments of compliance with contract and grant requirements and project results.

We recently reviewed the adequacy of key IT and operational controls of the primary (source) grants, contracts, and/or financial systems for Census, the Economic Development Administration (EDA), NIST, NOAA, and NTIA to determine whether their controls ensure that the Commerce reports posted on Recovery.gov are complete, accurate, and reliable. Generally, the Commerce systems we reviewed had adequate data input/edit controls. However, the lack of automated data transmission or interfaces from the grants systems to Commerce's financial system could lead to errors.

Without additional automation, it will be more difficult for Commerce operating units to effectively manage their own reporting with the increased volume of grants and contracts. Ensuring complete and accurate recipient reporting will also be difficult. Additional automation would add reporting process efficiencies and would decrease the risks of reporting errors and delays.

We identified several concerns in the BTOP pre-award process and expressed concern with whether NTIA has identified and obtained needed resources to execute a grant program of BTOP's magnitude in the Recovery Act's timeframe. According to the act, BTOP must spend

all of its \$4.7 billion in grant funding by September 30, 2010. Over the next 6 months, NTIA must address several challenges as it concurrently monitors first-round grant awards and issues new awards. Challenges include (1) coordinating with other federal organizations supporting contract and grants management and (2) overseeing contractors implementing BTOP. In the next semiannual period, we will issue a report detailing our concerns with BTOP's program management and pre-award process.

Challenge 5: United States Patent and Trademark Office: Address the Patent Office's Resource and Process Issues

With an enacted budget of \$1.7 billion in FY 2010 and a \$2 billion FY 2011 budget request for patent operations, USPTO continues to struggle with increasing patent backlogs and the need to improve patent examination efficiency and quality.

Since FY 2000, the number of patent examiners has more than doubled, from 2,900 to 6,200. But the length of time to process a patent has increased 40 percent from 25 to 35 months. Further, the backlog of applications awaiting review increased 139 percent, from 308,000 to 736,000.

Over the years, USPTO has increased the number of patent examiners to address the growing backlog; however, simply adding to the workforce will not suffice. USPTO must consider how to reform and reengineer various components of the patent application process and must update its IT systems to ensure timely and high-quality application review.

USPTO must also address funding mechanisms and fee structure challenges. USPTO is now funded entirely by application, maintenance, and other fees paid by patent and trademark applicants and owners. Congress sets many of the fees legislatively and establishes a ceiling, through the appropriations process, for the maximum amount of fees USPTO can spend in a given year. For FY 2011, the Administration proposes a 15-percent increase in certain patent fees to generate additional revenue to cover operating expenses. It also proposes that USPTO have authority to set fees and to establish an operating reserve to manage operations on a multiyear basis.

In November 2008, our Top Management Challenges report suggested that USPTO's unique financing structure could become increasingly risky. Subsequent downturns in the U.S. and global economies quickly showed the structure's vulnerabilities. In the President's FY 2009 budget, USPTO estimated that it would collect over \$1.8 billion in patent fees. However, by the end of that year, patent fee collections totaled just over \$1.6 billion. Multiple factors contributed to the difference, including a reduction in the number of patent applications filed and a decline in maintenance fees collected for existing patents. To align expenses with actual patent fee collections, USPTO deferred hiring patent examiners and

curtailed or suspended overtime and training. USPTO currently projects a FY 2010 surplus, but does not have authority to spend above its legislatively mandated appropriation ceiling.

Potential fee shortfalls and fluctuations introduce inherent instability to the funding structure. This unstable structure increases the risk to USPTO's ability to operate effectively in current and future years, and its capacity to ensure that America's intellectual property system encourages investment in innovation and contributes to a strong global economy. More immediately, USPTO may not be able to process as many patent applications, which will add to the backlog instead of working toward reducing it. In effect, fewer maintenance fees will be available to collect in the future because fewer patents are being issued today.

The Under Secretary of Commerce for Intellectual Property, who is also the Director of USPTO, has publicly acknowledged these and other difficulties. A 5-year plan in the President's FY 2011 budget sets forth bold goals, such as reducing the time it takes for initial patent application review to 10 months (from the present 26 months) by FY 2013. Similarly, by FY 2014, USPTO's goal to decide a patent application is 20 months, down from the present 35.

Other Issues Requiring Significant Management Attention

Centralized Management and Oversight It will be a complex, but necessary, organizational challenge for the Department to establish consistent internal operations to support all of its operating units. However, by doing so, it will be better positioned to provide efficient and reliable support to the Secretary's priorities. The Department needs to continue its efforts to centralize management and oversight in order to make the whole organization more efficient, consistent, and productive. The Department's operating units have long-standing and independent business models, cultures, and practices. This decentralized structure has created obstacles to Department efforts to integrate and administer internal processes like financial services, human resources, grant and contract management, and major acquisitions.

For example, the administrative management structure of the Department gives its Chief Information Officer (CIO) little authority over the IT security operations of Commerce's operating units, making the cyber security challenge even more difficult to manage. In addition, prior to the ARRA, the Department awarded an average of \$1.5 billion in grants to over 1,600 recipients annually and approximately \$2 billion in contracts to nearly 6,000 contractors annually. Yet the Department's Office of Acquisition Management has similarly limited authority over the various operating units' grants and procurement offices, resulting in inconsistent approaches to grant and contract management across the Department and adding to the difficulty in overseeing the effectiveness of these operations and programs.

Efforts to achieve greater consistency have been slow. To illustrate, grants are managed by three of the Department's seven grant-making agencies, which cross-service the other grant agencies using three different IT systems. The Department has been working since 2003 to migrate all Department grants management operations to NOAA's Grants Online system, but this effort is not projected to be completed until 2011.

Major Systems Acquisition In a related challenge, the Department and its operating units must develop effective processes for planning, managing, and overseeing major system acquisitions. In FY 2010, the Department plans to spend \$3 billion on IT investments (excluding grants). The lack of cohesive policies and procedures for program and project management and oversight has contributed to many of these acquisitions—such as the decennial handheld computers, as well as the NPOESS and GOES-R environmental satellite programs—becoming mired in cost overruns and developmental delays. This weakness also leaves the Department without adequate visibility into progress and risks on major system acquisitions, which results in costly delays in identifying and correcting problems.

The Department has not been successful in updating its policies and oversight approach for major systems acquisition. The effort was begun in 2006 in response to OIG and GAO recommendations, and while some improvements in Departmental oversight have been made, formal policies and governance have yet to be established. The Deputy Secretary has recently convened a steering committee to develop a Department-wide major investment oversight policy. Developing formal, unified policies and procedures for complicated acquisitions will ultimately save time, money, and effort in all of the Department's operating units. The Department must exercise effective oversight to ensure system acquisitions are adequately planned and conducted according to best practices, and that they meet their cost, schedule and performance goals.

Contracts and Grants Management Workforce

Sufficient contracts and grants management workforce staffing has been a long-standing issue for the Department. Now, primarily as a result of the ARRA, the Department and its operating units issue more grants and contracts than ever.

According to Department data, more than 1,500 Commerce employees hold certifications in various acquisition positions. While the Department does not track the number of grants personnel, we recently conducted a survey of the sufficiency and qualifications of the Recovery Act acquisition and grants workforce.

Based on our survey, the grants workforce for the five Commerce operating units receiving Recovery Act funding totaled over 800 employees. This includes grant officers, grants program managers, and grants specialists.

Despite these numbers, however, a serious shortage of skilled, specially trained staff hampers the Department's ability to appropriately issue and oversee grants and contracts. To ensure that grants and contracts are issued effectively and funds are properly spent, the Department must build up the size and skill of this workforce and improve its oversight processes.

NOAA Headquarters Leadership Structure NOAA continues to face the challenge of carrying out its multifaceted mission to understand and predict changes in Earth's environment and to conserve and manage coastal and marine resources to meet our nation's economic, environmental, and recreational needs. NOAA is realigning its headquarters leadership structure to streamline decision making and provide greater policy-level attention to day-to-day management and oversight of its programs. The realignment is intended to provide additional strategic guidance and leadership direction for NOAA's stewardship responsibilities, including fisheries.

One of the key mission components is management, research, and services related to the protection and rational use of living marine resources. Our 2008 Top Management Challenges report discussed NOAA's need to balance conservation and commercial fishing. Over the past 18 months, we have issued several reports that demonstrate, in particular, the difficulty of achieving this balance. In a 2009 report, we evaluated a series of issues regarding the work and scientific methods of the National Marine Fisheries Service's (NMFS) Northeast Fisheries Science Center. In 2010, we issued three reports on the programs and operations of the Office of Law Enforcement within NMFS and NOAA's Office of General Counsel for Enforcement and Litigation.

Department Headquarters Renovation The Department's headquarters, the General Services Administration (GSA)-owned Herbert C. Hoover Building in Washington, D.C., is undergoing an extensive renovation. The renovation will take about 13 years and is estimated to cost almost \$960 million. The project is being funded mostly by GSA and the Recovery Act. Because of its scale, the renovation has the potential to disrupt Commerce operations and affect its workforce. Accordingly, the Department has a primary interest in ensuring that the renovation is completed on time, within budget, and free of fraud. To meet this goal, Commerce and GSA need to provide comprehensive oversight throughout the project's life cycle.

*U.S. Census Bureau's Statement on Actions Taken to Address the FY 2010
Management Challenge Related to the 2010 Decennial Census*

The Paper-Based Operations Control System (PBOCS) received daily executive-level attention and review via the Application Readiness and Infrastructure Stability group as well as constant attention from the development team and technical contractors. In April, we implemented a number of fixes focusing on system stability with the help of high-level technical engineers from the vendors whose hardware and software comprise the PBOCS. We also developed and implemented a contingency system outside of the PBOCS to track the shipping of questionnaires from the Local Census Offices (LCOs) to the Paper Data Capture Centers.

Since late May, the PBOCS was generally stable and highly productive for Nonresponse Followup (NRFU), NRFU Re-interview, and the Vacant Delete Check (VDC) Operation. We checked-in and data captured a total of more than 165 million questionnaires. The PBOCS Vacant Delete Check software was successfully used during field operations. VDC material printing and assignment preparation went smoothly, with many offices completing material printing on the first day. VDC production completed over 8.7 million VDC cases.

On June 18, after careful consideration of the risks and costs, the decision was made to move Field Verification (FV) to the contingency application developed in parallel with PBOCS. The contingency application was built on the control system that supported the Census Coverage Measurement (CCM) Independent Listing (IL) operation and made use of specific modules of the Census 2000 Operations Control System that supported the Field Verification. This decision allowed PBOCS developers to concentrate on VDC. The FV contingency was used successfully for the field operation.

Though the PBOCS system fell short in some areas, we completed the NRFU operation on time and under budget. Additionally, initial quality indicators from the reinterview program were all positive compared to Census 2000. We also would like to note that PBOCS was used quite successfully to assign and manage the work for a number of operations earlier this year: Enumeration of Remote Alaska, Group Quarters Advance Visit, Group Quarters Enumeration, Update/Leave, and Update/Enumerate. PBOCS reached a state of stability that allowed us to complete 2010 field operations successfully.

APPENDIX E. STAKEHOLDERS AND CROSSCUTTING PROGRAMS

The Census Bureau has numerous crosscutting programs involving multiple bureaus: other federal, state, and local agencies; foreign governments; and private enterprise. Federal programs dealing with economic and technological development, international trade, and demographic and economic statistics play a major role in advancing the welfare of all Americans. The Census Bureau continues to work with other government agencies in furthering efforts in these areas of importance to the American public. Crosscutting programs include the following federal, state, and local agencies:

OTHER FEDERAL AGENCIES AND ORGANIZATIONS	
Department of Defense	Bureau of Labor Statistics
Department of Energy	Council of Economic Advisors
Department of Justice	Agency for International Development
Department of State	Federal Reserve Board
Department of Treasury	Bureau of Transportation Statistics
Department of Labor	National Institute of Health
Department of Housing and Urban Development	Federal Emergency Management Agency/ Homeland Security
Department of Agriculture	National Science Foundation
Department of Transportation	U.S. Postal Service
Department of Education	Federal Bureau of Investigation
Department of Health and Human Services	Agency for Health Care Research and Quality
Department of Homeland Security	Federal Deposit and Insurance Corporation
Environmental Protection Agency	National Academy of Science
Small Business Administration	State Data Centers
National Imagery and Mapping Agency	Federal Geographic Data Committee
U.S. Geological Survey	Interagency Council on Statistical Policy

Note: This is not an all-inclusive listing.

APPENDIX F. SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCE

Presented below is a summary of financial statement audit and management assurances for FY 2009 for the Census Bureau as a component of the Department of Commerce. Table 1 relates to the Census Bureau's FY 2009 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Census Bureau under Section 2 of the Federal Manager's Financial Integrity Act (FMFIA)—either with regard to internal controls over operations or financial reporting—and Section 4, which relates to internal controls over financial management systems; as well as the Census Bureau's Compliance with the Federal Financial Management Improvement Act (FFMIA) at department level.

Table 1. Summary of Financial Statement Audit

▪ Audit Opinion: Unqualified					
▪ Restatement: No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance: Unqualified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Material Weaknesses	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance: Unqualified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Certification and Accreditation	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance: Systems conform with financial management system requirements						
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No Non-Conforming Issues	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0
COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)						
	AGENCY			AUDITOR		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements				Yes		
2. Accounting Standards				Yes		
3. USSGL at Transaction Level				Yes		

APPENDIX G. LIST OF KEY ACRONYMS

ABBREVIATION	TITLE
ACS	American Community Survey
ACSI	American Customer Satisfaction Index
APMS	Automated Property Management Systems
APP	Annual Performance Plan
ARRA	American Recovery and Reinvestment Act
ASA	American Statistical Association
BAS	Boundary Annexation Survey
BEA	Bureau of Economic Analysis
CAM	Commerce Acquisition Manual
CBP	County Business Patterns
CBS	Commerce Business Systems
CCR	Central Contractor Regulations
CFO	Chief Financial Officer
CORs	Contracting Officer's Representatives
COTS	Commercial Off-The-Shelf
CPS	Current Population Survey
CSAM	Cyber Security Assessment Methodology
CSRS	Civil Service Retirement System
DAPPS	Decennial Applicant Personnel and Payroll System
DOC	U.S. Department of Commerce
DOL	U.S. Department of Labor
DR	Dress Rehearsal
DRIS	Decennial Response Integrated System
DUNS	Data Universal Numbering System
EDA	Economic Development Administration
EFT	Electronic Funds Transfer
EHC	Event History Calendar
ESA	Economics and Statistics Administration
FAR	Federal Accounting Regulations
FASAB	Federal Accounting Standards Advisory Board
FDCA	Field Data Collection Automation
FECA	Federal Employees' Compensation Act
FEDSTRIP	Federal Standard Requisitioning and Issue Procedure
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FTE	Full-Time Equivalent

ABBREVIATION	TITLE
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPRA	Government Performance and Results Act of 1993
GPS	Global Positioning System
GSA	U.S. General Services Administration
IA	Interagency Agreement
IG	Inspector General
IPIA	Improper Payments Information Act
IT	Information Technology
ITSO	Information Technology Security Office
IUS	Internal Use Software
MAF	Master Address File
NAICS	North American Industry Classification System
NFC	National Finance Center
NIST	National Institute of Standards and Technology
OA	Occupancy Agreement
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
PAR	<i>Performance and Accountability Report</i>
PC&P	Periodic Censuses and Programs
PII	Personally Identifiable Information
PMO	Program Management Office
PPM	Policy And Procedures Manual
QSS	Quarterly Service Survey
RO	Regional Office
SAS	Service Annual Survey
S&E	Salaries and Expenses
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SIPP	Survey of Income and Program Participation
TIGER®	Topologically Integrated Geographic Encoding and Referencing System
Treasury	U.S. Department of Treasury
TSP	Thrift Savings Plan
WCF	Working Capital Fund

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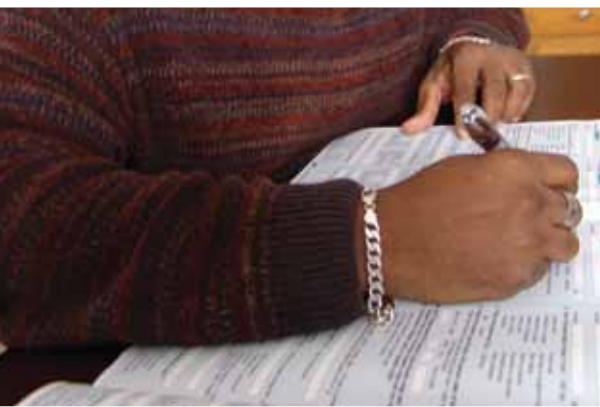
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To send comments or obtain additional information about this report, please e-mail Census Performance Accountability Report Workgroup at <FIN.PAR.List@census.gov>.

