

# U.S. DEPARTMENT OF COMMERCE

## CITIZENS' REPORT

*FY 2008 Summary of Performance and Financial Results*



AMERICAN JOBS, AMERICAN VALUES

# THE DEPARTMENT AT A GLANCE



The FY 2008 Department of Commerce Citizens' Report provides a summary of the Department's budget, financial and performance information. It is designed to assist the Congress and general public in understanding the Department and its role within American society by providing a short, succinct picture of the agency.

## Employees and Location

The Department is headquartered at Herbert Clark Hoover Building in Washington, D.C. and employs approximately 37,000 people, 62% of which are in Washington D.C. and the neighboring states of Maryland and Virginia. The Department also has over 600 field offices in all states and maintains offices in 75 countries and territories worldwide. The following map shows the number of facilities in each state. A complete listing of the facilities in each state can be found at <http://www.commerce.gov/Services/index.htm>.

## Strategic Goals

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

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

**Goal 3:** Promote environmental stewardship

**Management Integration Goal:** Achieve organizational and management excellence

## FY 2008 Budget

The Department's FY 2008 budget was \$8.2 billion (outlays).

## Internet

The Department's Internet address is [www.commerce.gov](http://www.commerce.gov). The back cover includes a list of internet addresses for the bureaus.

## DEPARTMENT OF COMMERCE FACILITIES BY STATE



# STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's FY 2008 Citizens' Report. This report summarizes the Department's budget, financial and performance position for FY 2008 and goals and our progress in meeting them. The data and details in this report provide an account of the Department's accomplishments in maximizing U.S. competitiveness, enabling economic growth, fostering U.S. leadership in science and technology, and promoting environmental stewardship.

## *Trade, Competitiveness, and Economic Growth*

For the first time, the U.S. trade balance in manufactured goods with our 14 Free Trade Agreement (FTA) partners is in a surplus, with the trade balance in manufactured goods with our FTA partners rising to a \$2.7 billion surplus from a \$12.3 billion deficit during the same period in 2007. The Department through the International Trade Administration (ITA) has made strong progress toward improving trade for U.S. industries and workers, particularly in the areas of increasing exports to commercially significant markets and broadening and deepening the U.S. exporter base.

In FY 2008, the Economics and Statistics Administration's (ESA) Bureau of Economic Analysis (BEA) and Census Bureau continued to increase and improve the quality and availability of economic and demographic information used as a basis for important decisions by business leaders, policymakers, and the U.S. public.

The Department also assists U.S. industries, communities, and workers through investments in public infrastructure and technology which, in turn, attract private capital investment and new jobs. The Economic Development Administration's (EDA) investments since FY 2001 of \$2 billion realized \$8 billion in private investments and over 600,000 jobs, using grantee estimates. Similarly, the Minority Business Development Agency (MBDA) helped obtain \$1.85 billion in transactions for minority firms and created 4,603 jobs during FY 2008, largely through MBDA's Strategic Growth Initiative to attract firms capable of competing for larger contracts.

## *Innovation and Intellectual Property Protection*

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

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

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

*Environmental Stewardship*

In FY 2008, the National Oceanic and Atmospheric Administration (NOAA) continued its strong performance from a year ago, meeting 90 percent (27 of 30) of its targets for the year. In FY 2008, NOAA continued to improve its Fish Stock Sustainability Index (FSSI), its comprehensive measure of reducing overfishing with overfishing of three commercially valuable stocks ending: Petrale Sole, Bigeye Tuna (Atlantic), and Finetooth Shark (Atlantic). Further progress on eliminating overfishing is anticipated from the implementation of annual catch limits (ACL) for all currently managed stocks per the provisions of the Magnuson-Stevens Reauthorization Act.

The U.S. Climate Reference Network (USCRN) is a network of climate stations now being developed as part of a NOAA initiative. Its primary goal is to provide future long-term homogeneous observations of temperature and precipitation that can be coupled to long-term historical observations for the detection and attribution of present and future change. In FY 2008, NOAA finished installing the last 9 of the 114 stations as part of its new, high-tech climate monitoring network. These 114 stations track national average changes in temperature and precipitation trends with exceptional precision and accuracy, helping to pinpoint the shifts in America's changing, often unpredictable, climate.

NWS began an initiative to improve aviation weather services for the Federal Aviation Administration (FAA). In response to FAA's request for improved services, NWS will deliver new Advanced Weather Interactive Processing System (AWIPS) Remote Display (ARD) capabilities for the aviation weather forecasts. Our long-term goal is to increase the accuracy of aviation forecasts to 80 percent. Efforts initiated by NOAA's Aviation Weather Program have led to a dramatic reduction in the false alarm rate (FAR) for NWS aviation forecasts of ceiling and visibility lower than Instrument Flight Rules (IFR) minimums.

*Program Data, Department-wide Management, and Financial Performance*

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

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

*In Conclusion*

Again, I am proud to submit this report summarizing budget, financial, and performance aspects in FY 2008 of the Department of Commerce. I hope the report will provide a useful look at the activities of the Department and its 37,000 employees, whose work continues to result in improvements in the Nation's economic situation, and in scientific progress and environmental stewardship that benefit people around the globe.



*Carlos M. Gutierrez*  
Secretary of Commerce  
November 15, 2008

**BUDGET, PERFORMANCE, AND FINANCIAL SNAPSHOT**

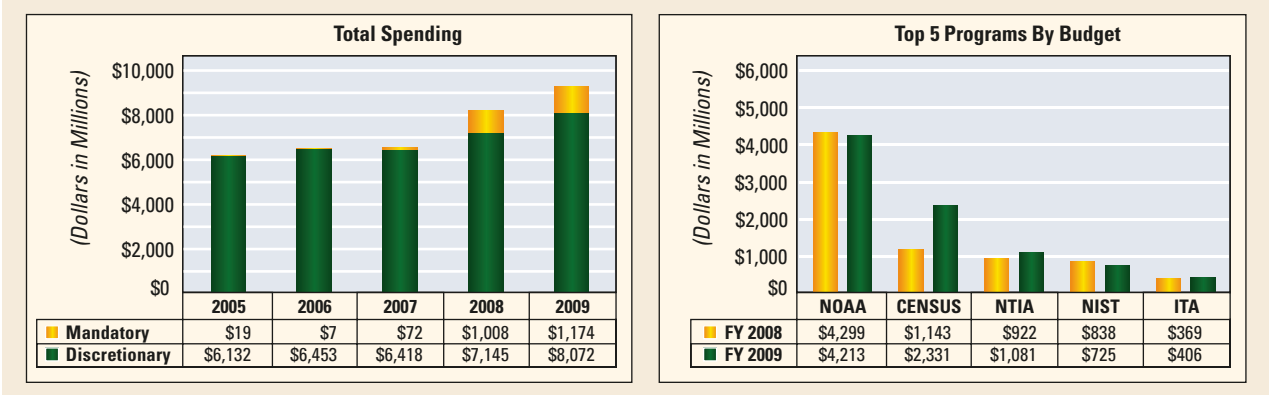
**Mission:** The Department of Commerce (DoC) creates the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and environmental stewardship.

**Organization:** The Department consists of thirteen bureaus ranging in size from 100 employees to over 12,000, with the Census Bureau expanding to over 110,000 in 2010. A list of all the bureaus appears on page 6.

**Personnel:** The Department is an agency with over 37,000 employees, expanding to over 130,000 employees during a Decennial year.

**Budgetary Resources:** The budget for FY 2008 was approximately \$8.2 billion in outlays with a substantial portion (\$1.2 billion) occurring only in FY 2008 and FY 2009 for the Digital Television Transition and Public Safety Fund. In FY 2010, when this funding drops from the budget, the Department anticipates that the budget still will expand significantly to fund the Decennial Census. This does not include \$1.85 billion in obligations for the USPTO, which is fee funded.

**BUDGET SNAPSHOT**



**PERFORMANCE SNAPSHOT**

**Accomplishments:** In FY 2008, the Department continued to improve its weather prediction capability, especially of severe storms such as tornadoes and hurricanes, thus both saving lives and minimizing property loss. For the first time, the U.S. trade balance in manufactured goods with our 14 FTA partners is in a surplus, with the trade balance in manufactured goods rising from a deficit of \$12.3 billion to a surplus of \$2.7 billion. Since 2002, FTAs have helped U.S. manufactured exports grow steadily, and at a faster rate than imports. Year-to-date through May 2008 (when compared to the same period of 2002), U.S. manufactured exports to FTA countries have grown 63 percent, compared to only 42 percent growth in imports. By FY 2008 EDA had generated \$4.173 billion in private investment and 57,701 jobs as a result of \$370 million in investments made in FY 1999. MBDA activities generated \$1.85 billion in terms of the dollar value of contract and financial awards. The Department encouraged research and innovation by offering more than 500 different types of physical calibrations and conducting more than 27,000 calibration tests. In support of Digital Television Transition, the Department developed and implemented a coupon program so that Americans who do not have digital T.V. capability (required in February 2009), can obtain it at little or no cost.

**Challenges:** The Decennial Census continues to pose a major challenge for the Department, with the Department seeking to achieve the most accurate Decennial Census ever. The OIG identified nine other major challenges which are described (along with actions taken as a result of those challenges) at <http://www.osec.doc.gov/bmi/budget/FY08PAR.htm>.

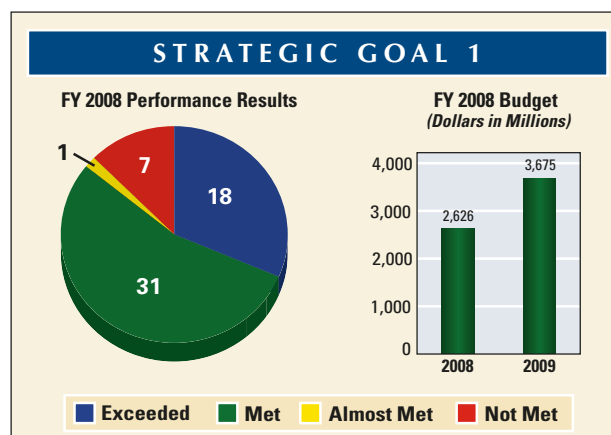
FINANCIAL SNAPSHOT

Clean Opinion on Financial Statements	Yes
Timely Financial Reporting	Yes
Material Weaknesses	1
Improper Payment Rate	NA
Total Assets	\$33.7B
Total Liabilities	\$21.5B
Net Cost of Operations	\$7.7B

SUMMARY OF COMMERCE PERFORMANCE RATINGS FOR FY 2008

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

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



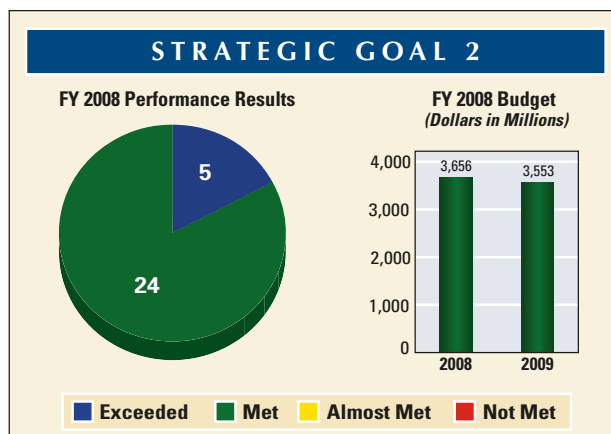
Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target
Jobs created / retained - 9 year results (EDA)	50,546	73,559	56,900	57,701	Met	56,500
Investment leveraged - 9 year results (EDA)	\$2,331M	\$1,937M	\$2,080M	\$4,173M	Exceeded	\$2,040M
Number of export successes made as a result of ITA involvement	11,919	11,974	11,385	12,659	Met	12,600
Annual savings from adoption of MAS rec. (ITA)	\$287M	\$413M	\$350M	\$497M	Exceeded	\$350M
\$ value of financial awards obtained (MBDA)	\$0.41B	\$0.55B	\$0.50B	\$0.94B	Exceeded	\$0.5B
Value of market access & compliance cases resolved successfully (ITA)	NA	NA	\$1.5B	\$12.3B	Exceeded	\$2.0B
Actions resulting in deterrence/prevention of an export violation (BIS)	872	930	675	881	Exceeded	850
Percent of GDP estimates correct (BEA)	96%	93%	> 85%	94%	Met	> 85%
Increased sales attributed to MEP centers (NIST/MEP)	\$2,842M	\$3,100M	\$762M	\$5,069M	Exceeded	\$630M <sup>1</sup>
Cost savings attributed to MEP centers (NIST / MEP)	\$1,304M	\$1,100M	\$521M	\$1,096M	Exceeded	\$330M <sup>1</sup>

<sup>1</sup> For FY 2009, projected funding was substantially less than that in FY 2008.

Note: Additional information on federal spending can be found at <http://www.usaspending.gov/index.php>. Additional information on the performance of federal programs can be found at <http://www.whitehouse.gov/omb/expectmore/>.

**STRATEGIC GOAL 2: *Promote U.S. innovation and industrial competitiveness***

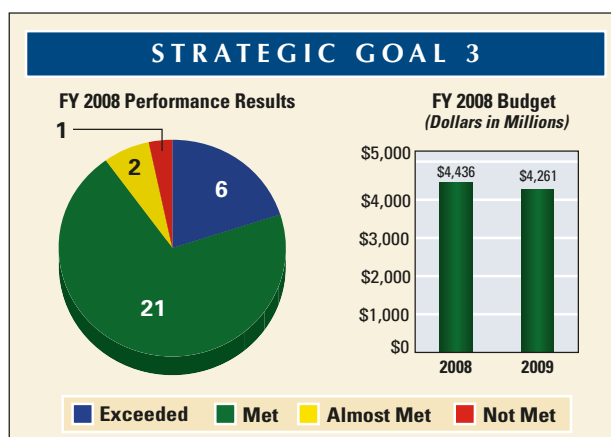
The Department promotes innovation through research and the development of new applications of research (e.g., quantum mechanics) to assist the private sector. The Department also encourages the development of new technology and the protection of intellectual property (IP) through the issuance of patents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



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target
Calibration tests performed (NIST)	NA	27,489	12,000	25,944	Exceeded	12,000
Patent average total pendency (months) (USPTO)	31.1	31.9	34.7	32.2	Met	37.9
Trademark average total pendency (months) (USPTO)	18.0	15.1	16.3	13.9	Met	16.0

**STRATEGIC GOAL 3: *Promote environmental stewardship***

The Department promotes the use of the environment to assist the American people while maintaining U.S. natural resources. The Department monitors the fishing industry and U.S. marine habitats to prevent overfishing and preserve U.S. natural marine habitats. The Department also researches long-term effects of climate change. In addition, the Department provides daily weather reports and warnings, and tracks the progress of severe storms such as hurricanes and tornadoes. The Department also encourages trade and shipping by providing essential navigation maps to the private sector.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Rating	2009 Target
Fish stock sustainability index	501	524	530.5	535	Met	542
Habitat acres restored	7,598	5,974	9,000	11,254	Exceeded	9,000
Tornado lead time (min)	13	14	11	15	Exceeded	12
Hurricane forecast track error	97	97	110	86	Exceeded	108
% of U.S. counties rated as fully or substantially enabled with accurate positioning capability	43.3%	51.6%	60.0%	60.2%	Met	75%

ORGANIZATION

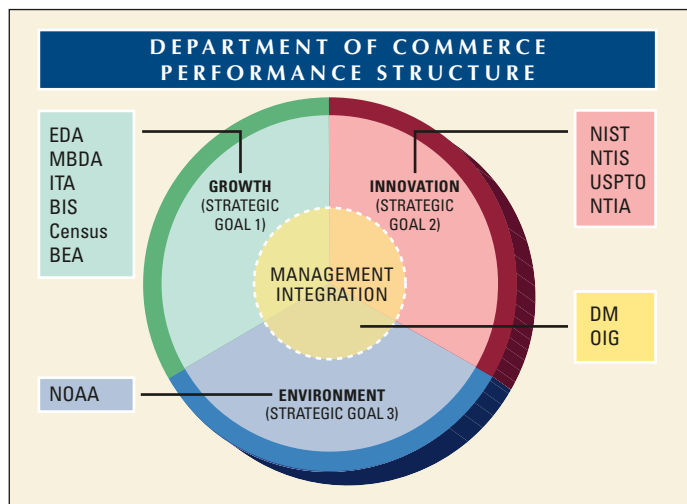
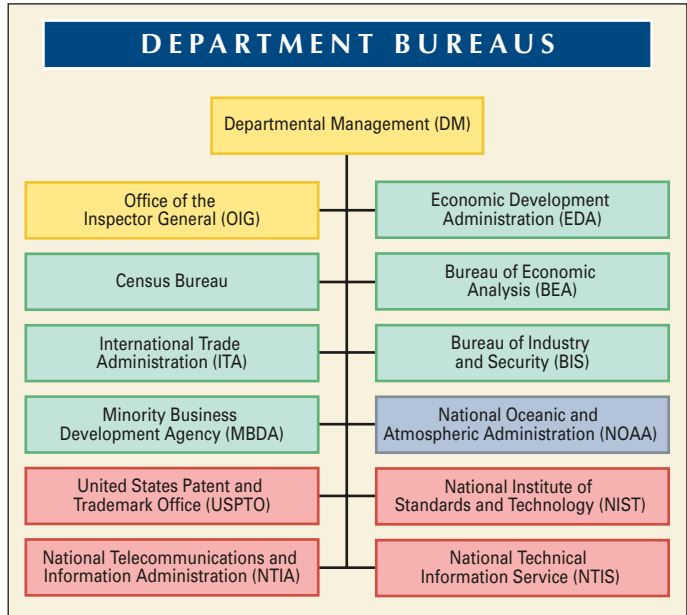
The Department has thirteen bureaus, with each of these bureaus supporting one strategic goal (with the exception of NIST which crosses Strategic Goals 1 and 2). The colors in the chart to the right correspond to the strategic goals: Green = Strategic Goal 1; Red = Strategic Goal 2; Blue = Strategic Goal 3; and Yellow = Management Integration Goal.

The Department focuses on three different, yet inter-related aspects of economic health and opportunity—growth, innovation, and environment—with each aspect highlighted in one of the Department’s strategic goals. A fourth goal—management integration—is linked to all three goals, focusing on various aspects of improving the management of the Department. This structure is shown below, and to the right.

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

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

The Department promotes the use of the environment that both assists the American people while maintaining U.S. natural resources. The Department monitors the fishing industry and U.S. marine habitats to prevent overfishing and maintain and preserve U.S. natural marine habitats (objective 3.1). The Department also researches long-term effects of climate change





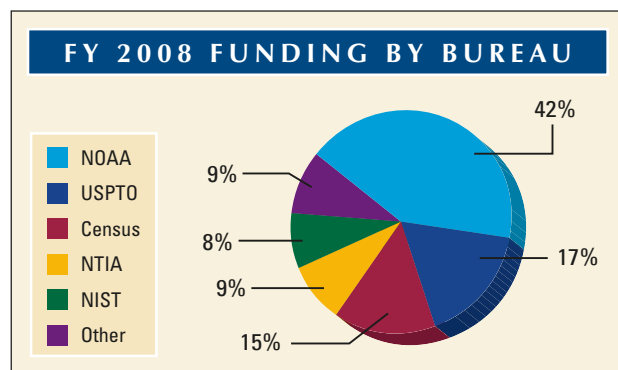
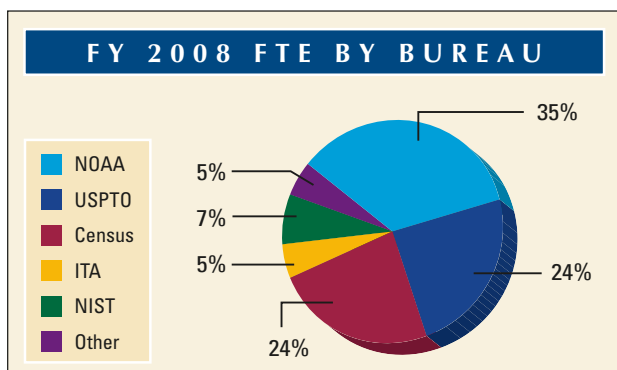
(objective 3.2) while providing daily weather reports and warnings (objective 3.3). The Department encourages trade and shipping by providing essential navigation maps to the private sector (objective 3.4).

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

In terms of funding and Full-Time Equivalent (FTE) Employment, no strategic goal dominates another, though occasional fluctuations occur which reflect current priorities and change the respective percentages. For example, in 2007 the National Telecommunications and Information Administration (NTIA) received an authorization of \$2.136 billion for Digital Conversion. Likewise as 2010 approaches, Census Bureau funding will increase to approximately half the Department's entire budget.

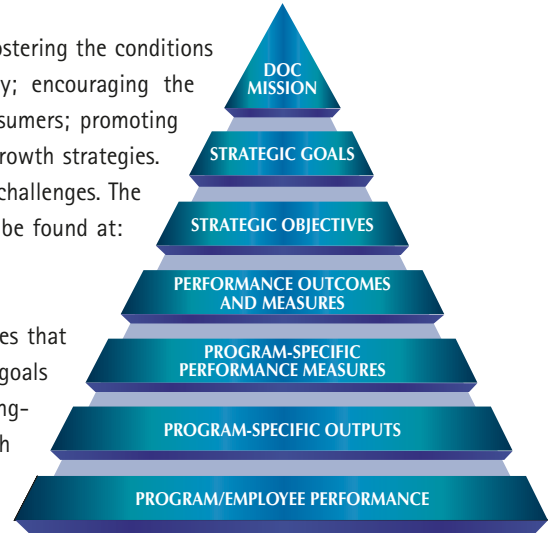
(Dollars In Millions)	Obligations by Strategic Goal		Full-Time Equivalents (FTEs)	
	Percent of Total	FY 2008	Percent of Total	FY 2008
<b>For the Year Ended September 30, 2008</b>				
<i>Strategic Goal 1: Provide the Information and Tools to Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	24%	\$ 2,626.2	33%	12,259
<i>Strategic Goal 2: Foster Science and Technological Leadership by Protecting Intellectual Property, Enhancing Technical Standards, and Advancing Measurement Science</i>	34%	3,656.3	32%	11,965
<i>Strategic Goal 3: Observe, Protect, and Manage the Earth's Resources to Promote Environmental Stewardship</i>	41%	4,436.0	34%	12,637
<i>Management Integration Goal: Achieve Organizational and Management Excellence</i>	1%	68.6	1%	291
<b>TOTAL OBLIGATIONS</b>	100%	<b>\$10,787.1</b>	100%	<b>37,152</b>

The following charts reflect the distribution of obligations and FTEs by bureau for FY 2008.



PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE GOALS

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



The Department's goal structure has three levels. Strategic goals describe outcomes that emerge from the Department's mission. Each of these goals in turn has outcome goals or objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve more than one Department bureau. Within each strategic objective are performance outcomes tied to specific bureaus that support each strategic objective goal and provide program-level clarity of purpose. Each has associated indicators and targets to continuously measure the Department's impact. Because Strategic Goal 3 relates entirely to one bureau (NOAA), and doesn't cross bureaus, only performance objectives (and not outcomes) appear. Likewise, because the Management Integration Goal is so small (representing 1% of the budget), and refers only to Departmental Management (DM) and the Office of the Inspector General (OIG), only objectives appear.

GOAL	OBJECTIVES
<b>1</b>	1.1 Foster domestic economic development as well as export opportunities (EDA, ITA, MBDA)
	1.2 Advance responsible economic growth and trade while protecting American security (ITA, BIS)
	1.3 Enhance the supply of key economic and demographic data to support effective decision-making of policymakers, businesses, and the American public (Census/BEA)
	1.4 Position small manufacturers to compete in a global economy (NIST)
<b>2</b>	2.1 Advance measurement science and standards that drive technological change (NIST, NTIS)
	2.2 Protect intellectual property and improve the patent and trademark system (USPTO)
	2.3 Advance the development of global e-commerce as well as telecommunications and information services (NTIA)
<b>3</b>	3.1 Protect, restore and manage the use of coastal and ocean resources
	3.2 Advance understanding of climate variability and change
	3.3 Provide accurate and timely weather and water information
	3.4 Support safe, efficient and environmentally sound commercial navigation

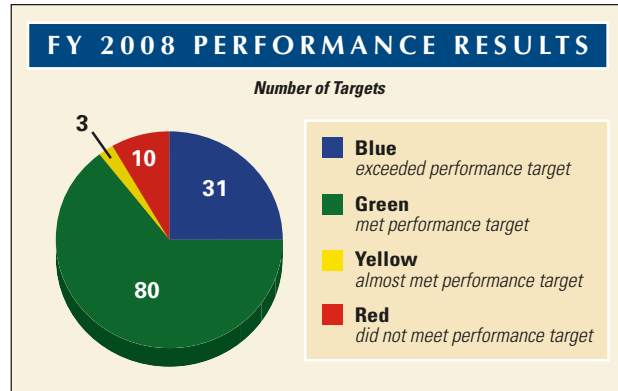
The Strategic Plan and Bureau Annual Performance Plans (APP) provide the Department's bureau-specific performance goals and measures that align with the Department's strategic goals and objectives. These performance goals are linked with the resource requirements for the past, current, and upcoming fiscal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

The Performance and Accountability Report (PAR) provides a public accounting of the Department's FY 2008 performance results and completes the Department's performance management process. The Web address of the FY 2008 PAR is: <http://www.osec.doc.gov/bmi/budget/>. Appendix A of the FY 2008 PAR provides details of the Department's performance and explanatory materials supporting the program results, while additional links at this website provide details of changes between the FY 2007 and FY 2008 PARs, definitions of measures and a list of program evaluations, inspections and audits of all the Departmental bureaus between FY 2002 and FY 2008.

**FY 2008 PERFORMANCE**



Overall performance results for the Department show that of the 124 performance targets, 90 percent were at or above target, one percent slightly below target, and seven percent not on target.



**STRATEGIC GOAL 1**

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

In FY 2008, the Department met or exceeded 84 percent of the targets it had set for Strategic Goal 1. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

- As a result of \$370 million in investments made in FY 1999, by FY 2008, EDA programs generated \$4.173 billion in private investment, and 57,701 jobs, an 11 to 1 benefit-to-cost ratio, and a cost of \$6,400 per job.
- EDA investments in FY 2005, FY 2002, and FY 1999 (three, six, and nine years prior to FY 2007) generated \$6.6 billion in private investment and created or retained 103,239 jobs.
- EDA anticipates that investments of \$200 million made in FY 2008 will recoup the original amount by 2011, generating \$245 million, and then continue to increase to \$612 million by FY 2014, and \$1,223 million by FY 2017. EDA expects that those same investments will create or retain 6,256 jobs by 2011, 15,640 jobs by FY 2014, and 31,280 jobs by FY 2017.
- MBDA programs generated \$1.85 billion in terms of the dollar value of contract and financial awards to minority businesses.
- ITA has continued to lower trade barriers through Free Trade Agreements (FTAs) during FY 2008. Since 2001, the United States has signed over a dozen FTAs and has also sought to improve already existing FTAs. Although countries that the United States has FTAs with only represent 7.1 percent of world GDP, they represent more than 42 percent of U.S. trade. These FTAs are helping strengthen the U.S. manufacturing sector. For example, in 2005, prior to the implementation of the Central American-Dominican Republic FTA (CAFTA-DR), the United States had a trade deficit in manufactured goods of \$1.2 billion with these countries. In 2007, after implementation with five of the CAFTA-DR countries, the U.S. trade balance in manufactured goods improved markedly to a \$2.8 billion surplus. Based on the performance of the first five months of 2008, that surplus with CAFTA-DR countries is on pace to exceed \$4.5 billion this year.



- ITA has also maintained a concerted effort to open up large, developing markets like China and India. Exports to both of these markets are significant. During this past year, China has become the second largest export market for the United States and exports to India grew by more than 32 percent. These two countries have been designated as high priority markets.
- In FY 2008, the Department successfully promulgated regulations that adapted export controls to the evolving national security and economic situation. Noteworthy regulations published include multilateral export control regime changes from 2007/2008, plenary meetings, extension of the Validated End-User (VEU) program to India, identification of the first VEUs for China, revisions of encryption rules and an expansion of the Entity List to provide exporters with information on end-users involved in proliferation and other (e.g., conventional arms, terrorism support) activities contrary to U.S. interests.
- The Department, through the Census Bureau and the Bureau of Economic Analysis (BEA), provides vital statistical information on the economy and the demographics of the Nation. Statistics affect all aspects of public and private sectors, including the distribution of funds to various geographic districts. The Decennial Census, mandated by the Constitution, affects the political makeup of every state in the union and reflects the shifting political power among the states.
- In FY 2008, the Census Bureau released nearly 400 economic reports, including 118 principal economic indicators, providing information on retail and wholesale trade and selected service industries, construction activity, quantity and value of industrial output, capital expenditure information, e-commerce sales, foreign trade, and state and local government activities.
- In the past year, BEA accelerated the release of metropolitan area personal income statistics and further improved its estimates of foreign transactions by utilizing data from the Census Bureau's Company Organization Survey to improve sample frames for BEA surveys of international trade in services.
- The Department, through the Hollings Manufacturing Extension Partnership (MEP), plays a role in raising the productivity and competitiveness of small manufacturers. Funding for Hollings MEP Centers in FY 2007 generated approximately \$5 billion in increased sales, \$1.7 billion in capital investment, and \$1.1 billion in cost savings.

Key measures of this strategic goal are noted on page 4, while the following table illustrates the Department's progress in meeting the targets for each outcome

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote private investment and job creation in economically distressed communities (EDA)	6 of 6
Improve community capacity to achieve and sustain economic growth (EDA)	5 of 6
Strengthen U.S. competitiveness in domestic and international markets (ITA)	3 of 4
Increase exports to commercially significant markets including FTA countries, China, and India (ITA)	1 of 2
Broaden and deepen U.S. exporter base (ITA)	4 of 6
Increase access to the marketplace and financing for minority-owned businesses (MBDA)	4 of 4
Identify and resolve unfair trade practices (ITA)	5 of 5
Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system (BIS)	7 of 7
Integrate non-U.S. actors to create a more effective global export control and treaty compliance system (BIS)	0 of 1
Ensure continued U.S. technology leadership in industries that are essential to national security (BIS)	1 of 1
Provide benchmark measures of the U.S. population, economy, and governments (ESA/Census)	1 of 3
Provide current measures of the U.S. population, economy, and governments (ESA/Census)	2 of 2

(continued on next page)

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Provide timely, relevant, and accurate economic statistics (ESA/BEA)	6 of 6
Raise the productivity and competitiveness of small manufacturers (NIST)	4 of 4
<b>TOTAL</b>	<b>49 of 57</b>

**STRATEGIC GOAL 2**

*Promote U.S. innovation and industrial competitiveness*

In FY 2008, the Department met or exceeded 100 percent of the targets it had set for Strategic Goal 2. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

- NIST Standard Reference Materials (SRM) are among the most widely distributed and used products from NIST. The Agency prepares, analyzes, and distributes well over a thousand different materials that are used throughout the world to check the accuracy of instruments and test procedures used in manufacturing, clinical chemistry, environmental monitoring, electronics, criminal forensics, and dozens of other fields.



- Each year the National Research Council (NRC) evaluates approximately half of the NIST laboratory programs, making recommendations for improvements while citing their performance. NIST laboratory programs have consistently done well in these evaluations. NRC issued their on-site reviews for the FY 2008 assessments of the Physics Laboratory, the Manufacturing Engineering Laboratory, the Materials Science and Engineering Laboratory, the Building and Fire Research Laboratory, and the NIST Center for Neutron Research.
- People worldwide benefit from innovations, both directly on a personal level, and indirectly through economic growth fueled by innovation. Continual development of a vigorous, flexible, and efficient Intellectual Property (IP) system protects individual rights, encourages investment in innovation, and fosters entrepreneurial spirit. The Department promotes the IP system through the protection of inventions or creations via patent, trademark, trade secret, and copyright laws. Under this system of protection, industry in the United States has flourished, creating employment opportunities for millions of Americans. Through the U.S. Patent and Trademark Office (USPTO), the Department examines patent and trademark applications and disseminates patent and trademark information. Patents provide incentives to invent and invest in new technology by allowing innovators the opportunity to benefit from their discoveries. Trademarks assists businesses in protecting their investments and safeguards consumers against confusion and deception in the marketplace by providing notice of marks in use. Through dissemination of patent and trademark information, the Department promotes a global understanding of IP protection and facilitates the development and sharing of new technologies worldwide.
- Telecommunications play a key role in U.S. society as the economy expands into the digital age. The Department, through NTIA, is at the forefront of this expansion. In FY 2008, NTIA examined an array of spectrum management policy issues dealing with innovative approaches to spectrum management and the effectiveness of current processes. NTIA coordinated with federal agencies on the Spectrum Reform Initiative implementation plan with 54 milestones to be completed by FY 2010. This initiative

will fundamentally change the business of spectrum management for the federal government. The purpose of the initiative is to promote the development and implementation of a U.S. spectrum policy that will foster economic growth; ensure U.S. national and homeland security; maintain U.S. global leadership in communications technology development and services; and satisfy other vital U.S. needs in areas, such as public safety, scientific research, federal transportation infrastructure, and law enforcement. In FY 2008, NTIA completed and released the first Federal Strategic Spectrum Plan, which is a major result of the Spectrum Reform Initiative. The plan provides extensive data on federal spectrum use and plans, including frequency bands, radiocommunication services, and spectrum-dependent systems.

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

Key measures of this strategic goal are noted in the introductory Budget, Performance and Financial Snapshot section, while the following table illustrates the Department's progress in meeting the targets for each outcome.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Promote innovation, facilitate trade, and ensure public safety and security by strengthening the Nation's measurements and standards infrastructure (NIST)	6 of 6
Increase public access to worldwide scientific and technical information through improved acquisition and dissemination activities (NTIS)	3 of 3
Optimize patent quality and timeliness (USPTO)	5 of 5
Optimize trademark quality and timeliness (USPTO)	5 of 5
Improve intellectual property and enforcement domestically and abroad (USPTO)	3 of 3
Ensure that the allocation of radio spectrum provides the greatest benefit to all people (NTIA)	5 of 5
Promote the availability, and support new sources, of advanced telecommunications and information services (NTIA)	2 of 2
<b>TOTAL</b>	<b>29 of 29</b>

## STRATEGIC GOAL 3

*Promote environmental stewardship*

In FY 2008, the Department met or exceeded 90 percent of the targets it had set for Strategic Goal 3. Through NOAA, the Department impacts all Americans. From the development and protection of fisheries to the prediction of severe storms such as hurricanes and tornadoes, NOAA programs impact the lives of Americans across the country. Some of the significant accomplishments and impacts that the Department had on the U.S. public include the following:

- NOAA continued its efforts to eliminate overfishing of stocks important to commercial, recreational, and subsistence fisheries. In FY 2008, overfishing of three commercially valuable stocks ended: Petrale Sole, Bigeye Tuna (Atlantic), and Finetooth Shark (Atlantic). NOAA also set management measures to constrain harvest of red snapper and gray triggerfish to their respective catch levels and added annual catch limits and accountability measures for each species. It also established a gray triggerfish rebuilding plan. In addition, NOAA took important steps to end overfishing of the bottomfish stock complex in the Main Hawaiian Islands, including the establishment of permits and reporting for non-commercial fishermen, total annual catch management, and annual closure and bag limits. Further progress on eliminating overfishing is anticipated from the implementation of annual catch limits for all currently managed stocks per the provisions of the Magnuson-Stevens Reauthorization Act.
- In FY 2008, NOAA finished installing the stations comprising the U.S. Climate Reference Network (USCRN). These 114 stations track national average changes in temperature and precipitation trends with exceptional precision and accuracy. The USCRN is helping to pinpoint the shifts in the Nation's changing, often unpredictable, climate. The placement of each USCRN station is crucial to obtaining accurate information on current and likely future climatic conditions. All stations are constructed in rural environments, away from urban areas that could confound the interpretation of any precipitation and/or temperature trends observed. Each USCRN station logs real-time measurements of surface temperature, precipitation, wind speed, and solar radiation. NOAA's geostationary satellites relay the data from these ground-based stations to the National Climatic Data Center, which posts the observations online. As a result of installing the additional stations, NOAA exceeded its goal of improving the percentage of explained variance for temperature and precipitation. Its goal was to reach at least 98 percent explained variance for temperature, and it actually reached 98.04 percent; its goal was to reach at least 95 percent explained variance for precipitation, and it actually reached 95.1 percent. (Derived in part from [http://www.noaanews.noaa.gov/stories2008/20080424\\_climatechange.html](http://www.noaanews.noaa.gov/stories2008/20080424_climatechange.html))
- The February 5-6, 2008 tornado outbreak that swept across the southeast United States was anticipated by National Weather Service (NWS) forecasters several days in advance. NOAA's Storm Prediction Center began focusing on the possible affected areas six days prior to the event. The Storm Prediction Center continued emphasizing and refining the threat right through the event, ultimately advising the public of a high risk of severe storms within a large area. The initial lead time allowed the Weather Forecast Offices (WFO) to gradually ramp up for severe weather operations and tailor their Hazardous Weather Outlooks to include the risk of severe weather and tornadoes as much as four days in advance. All of the offices were also in contact with emergency managers and media the morning of the event. All of the tornado fatalities occurred within the boundaries of Tornado Watches and were preceded by Tornado Warnings. The average Storm Prediction Center Tornado Watch lead time to the first tornado within the watch was two hours. The preliminary average lead time for all verified Tornado Warnings from the



WFOs evaluated during this event was 18 minutes, with a 17-minute preliminary average lead time for those warnings which covered deadly tornadoes. The national average lead time for Tornado Warnings for 2007 was 13 minutes.

- In FY 2008, through August 8, Search and Rescue Satellite-Aided Tracking System (SARSAT) has led to the rescue of 264 people. Over the years, NOAA's satellites have helped to save people from potentially life-jeopardizing emergencies throughout the United States and its surrounding waters. NOAA currently has over 212,000 406 MHz emergency beacons in their registration database and is currently registering record numbers each month. Older emergency beacons operating on the 121.5 MHz and 243 MHz frequency will cease to be monitored as of February 1, 2009. Mariners, aviators, and individuals using emergency beacons will need to switch to those operating at 406 MHz to continue to be detected by satellites.
- On June 20, 2008, the Ocean Surface Topography Mission (OSTM)/Jason-2 spacecraft launched from the Vandenberg Air Force Base. OSTM/Jason-2 is an international effort between NOAA, the National Aeronautics and Space Administration (NASA), France's Centre National d'Etudes Spatiales (CNES), and the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT). The OSTM/Jason-2 satellite will monitor the rate of sea-level rise and help measure the strength of hurricanes. NOAA will use data from the OSTM/Jason-2 to extend a 15-year record from its predecessor missions Topex/Poseidon and Jason-1, which shows that sea level is rising at a rate of 3.4 millimeters per year—nearly twice as fast as the previous 100 years. If this rate of sea-level rise continues, it will have a large impact on coastal regions, causing more erosion and flooding. OSTM/Jason-2 will also be used to help scientists predict short-term, severe weather events, such as hurricanes and tropical storms that are fueled by heat energy stored in the upper layer of the ocean.

Key measures of this strategic goal are noted in the introductory Budget, Performance and Financial Snapshot section, while the following table illustrates the Department's progress in meeting the targets for each outcome.

STRATEGIC OBJECTIVE	TARGETS MET OR EXCEEDED
Protect, restore, and manage the use of coastal and ocean resources (NOAA)	8 of 8
Advance understanding of climate variability and change (NOAA)	6 of 6
Provide accurate and timely weather and water information (NOAA)	9 of 10
Support safe, efficient, and environmentally sound commercial navigation (NOAA)	4 of 6
<b>TOTAL</b>	<b>27 of 30</b>

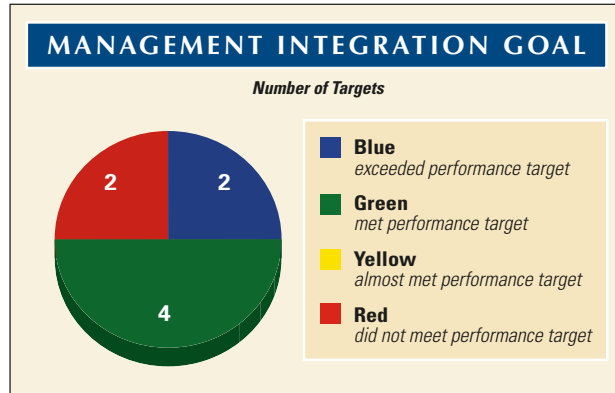


MANAGEMENT INTEGRATION GOAL

*Achieve organizational and management excellence*

Two organizations support the Management Integration goal: Departmental Management (DM) and the Office of Inspector General (OIG). In FY 2008, the Department met 75 percent of the Management Integration targets it had set for the year.

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



The following table illustrates the Department's progress in meeting the targets for each outcome.

PERFORMANCE OUTCOME	TARGETS MET OR EXCEEDED
Ensure effective resource stewardship in support of the Department's programs (DM)	1 of 3
Ensure retention of highly qualified staff in mission-critical positions (DM)	1 of 1
Acquire and manage the technology resources to support program goals (DM)	1 of 1
Promote improvements to Department programs and operations by identifying and completing work that (1) promotes integrity, efficiency, and effectiveness; and (2) prevents and detects fraud, waste, and abuse (OIG)	3 of 3
<b>TOTAL</b>	<b>6 of 8</b>

**THE PRESIDENT'S MANAGEMENT AGENDA**

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

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

The table that follows shows the Department's most recently published progress and status ratings for government-wide initiatives. A more detailed presentation of the Department's accomplishments for each of the PMA initiatives is available at <http://www.osec.doc.gov/bmi/budget/FY08PAR.htm>.

DEPARTMENT OF COMMERCE RATINGS AS OF 9/30/2008			
INITIATIVE	DESCRIPTION	STATUS	PROGRESS
Strategic Management of Human Capital	Build, sustain and deploy effectively a skilled, knowledgeable, diverse and high-performing workforce aligned with mission objectives and goals		
Commercial Services Management	Achieve efficient, effective competition between public and private sources and establish infrastructure to support competitions		
Improved Financial Performance	Implement world-class financial services that support strategic decision-making, mission performance and improved accountability to the American people		
Electronic Government	Expand the federal government's use of electronic technologies so that Americans can receive high-quality government service		
Improved Program Performance	Improve the performance and management of the federal government by linking performance to budget decisions and improve performance tracking and management.		

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

-  **GREEN** Implementation is proceeding according to plans agreed upon with the agencies;
-  **YELLOW** Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis; and
-  **RED** Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.

## MANAGEMENT CHALLENGES

The following is a list and short description of the top ten management challenges as identified by the OIG. It should be noted that the only High Risk Issue that the Government Accountability Office (GAO) has identified for the Department of Commerce is the Decennial Census. A more extensive description of these management challenges and the actions that the bureaus have taken in response to them can be found in the Management's Discussion and Analysis of the FY 2008 PAR along with a list of program evaluations, inspections, and audits, all of which can be found at <http://www.osec.doc.gov/bmi/budget/FY08PAR.htm>.

### **Challenge 1: Control the cost and improve the accuracy of the Decennial Census (This is the Department's single high-risk issue)**

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This past April, Secretary Gutierrez informed Congress that the Census Bureau was abandoning plans to automate a major decennial operation—nonresponse follow-up—a major setback in its efforts to reengineer decennial operations. During nonresponse follow-up, a half-million temporary workers go door-to-door in communities around the nation to collect census data from households that do not mail back their questionnaires. The bureau had intended to equip these workers with handheld computers as part of a redesign of traditional census-taking operations proposed at the conclusion of Census 2000. Officials believed such reengineered processes would improve data accuracy while containing costs. Census will now conduct such operations using paper forms. Prior to the April decision, costs for the entire 2010 decennial program were estimated to be roughly \$11.5 billion over the course of the decade. However, the problems encountered in developing handheld capabilities and the cost of reverting to paper processes and retooling associated systems and procedures at this late date are expected to add as much as \$3 billion to the final decennial tab. The Census Bureau has instituted a new management approach to strengthen planning and oversight relative to risk management, issue identification, product testing, communications, and budget/cost management. The goal is to strengthen management and oversight, and reduce risks for the 2010 Census and involves the following challenges / actions:

- Develop an integrated and comprehensive plan to control costs and manage operations
- Strengthen risk management activities and systems testing
- Improve management of the Field Data Collection Automation (FDCA) effort

### **Challenge 2: Strengthen Department-wide information security**

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The Federal Information Security Management Act (FISMA) and OMB policy require agencies to certify that their systems and data are protected with adequate, functioning security controls before authorizing (accrediting) the system to operate. For the past 7 years, information security has been reported as a material weakness at the Department, despite fairly substantial spending to secure its 300-plus information systems. Commerce's IT security budget for FY 2008 totals \$131 million—roughly 7 percent of its nearly \$1.8 billion IT budget. The material weakness is the result of poor certification and accreditation (C&A) processes: year after year, our reviews of the Department's C&A efforts find a process that does not adequately identify and assess needed controls. As a result, authorizing officials do not have the information they need to make sound decisions for allowing systems to operate, and some systems are at risk for compromise.

### **Challenge 3: Effectively manage departmental and bureau acquisition processes**

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The Department spends nearly \$2 billion a year to procure goods and services, so management and oversight of the processes used must be superior. Past OIG audits and evaluations have identified improvements the Department needs to implement to fortify the acquisition process. Continuity and consistency in acquisition management and oversight are essential to ensuring the government timely and cost-effectively gets what it pays for especially when making complex and costly acquisitions. Commerce must ensure that high turnover in upper management and other key acquisition positions at the Department and several of its agencies do not affect the quality of the procurement process. In addition, the Department has had a difficult time achieving discipline in the acquisition process over the past few years. Senior management must take a serious look at the planning and execution processes for procurements and ensure agencies have the ability to promptly hire and adequately train qualified acquisition staff.

### **Challenge 4: Strengthen internal controls over financial, programmatic, and business practices**

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

### **Challenge 5: Ensure that USPTO uses its authorities and flexibilities as a performance-based organization to achieve better results**

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Over seven years ago, the Patent and Trademark Office Efficiency Act transformed USPTO into a performance-based organization. USPTO's task of promoting the nation's technological progress and protecting intellectual property rights, is often viewed as daunting given the increasing number and complexity of patent applications. The agency's 21st Century Strategic Plan, outlined numerous initiatives to help reduce its large backlog of applications, ensure the quality of granted patents, and improve the productivity of its examiner corps. Still, examiners often cite production goals as a primary reason for leaving the agency. Attrition is continuing to offset USPTO's hiring progress even with the use of many incentives and flexibilities (e.g., the telework program) to retain the workforce for longer periods. Lost laptops and data security problems at other Commerce bureaus underscore the need for strong policies, procedures, and controls at USPTO to avoid similar problems and the potential compromise of sensitive patent information.

### **Challenge 6: Effectively manage the development and acquisition of environmental satellites**

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NOAA is in the midst of modernizing its environmental monitoring capabilities, spending billions of dollars on two critical satellite systems: the National Polar-orbiting Operational Environmental Satellite System (NPOESS) and the next-generation Geostationary Operational Environmental Satellite (GOES-R). The \$12.5 billion NPOESS project will provide continuous weather and environmental data for civilian and military needs through the coming 2 decades. The \$7.7 billion GOES-R system will offer an uninterrupted flow of high-quality data for weather forecasting, severe storm detection, and climate research through 2028.

### **Challenge 7: Promote fair competition in international trade**

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The Department of Commerce accomplishes its goals of promoting trade, opening overseas markets to American firms, and protecting U.S. industry from unfair trade practices primarily through the work of ITA. This challenge reflects the Department's and ITA's responsibilities for promoting exports and reducing trade barriers.

### **Challenge 8: Effectively manage NOAA's stewardship of ocean and living marine resources**

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NOAA supports programs that protect and enhance the resources in 3.5 million square miles of coastal and deep ocean waters and the Great Lakes. These programs require long-term commitments and years of funding to show their full effect, while operating in balance with the economic interests of the nation: one of every six jobs is marine related and more than one-third of the gross national product is generated by economic activity tied to coastal areas. NOAA offers programs to support the commercial fishing industry's viability while working to reduce overfishing and rebuild compromised fisheries. The National Marine Sanctuary Program manages and protects 13 sanctuaries and a marine national monument in northwestern Hawaii, which is the largest protected marine area in the world. While the program's focus is resource protection, it must also facilitate compatible public and commercial uses. The National Data Buoy Center manages four marine observation systems: weather buoys, coastal marine observing stations, tsunami detection buoys, and climate monitoring buoys. Weather forecasting depends on the reliability and accuracy of these systems. In addition, the Tropical Atmosphere and Ocean buoys and weather buoys with oceanographic sensors provide climate data and information for researchers.

### **Challenge 9: Aggressively monitor emergency preparedness, safety, and security responsibilities**

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The Department of Commerce has more than 37,000 employees and hundreds of facilities to protect. As a cabinet-level Department, it also has a number of programs critical to national preparedness and recovery efforts, and it must support U.S. efforts to prepare for, respond to, and recover from major disasters. Commerce, like all federal agencies, must be vigilant in maintaining effective oversight of emergency plans and programs, identifying and mitigating new security vulnerabilities, and protecting critical assets. It must be able to continue essential operations under all circumstances.

### **Challenge 10: Enhance export controls for dual-use commodities**

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Commerce's Bureau of Industry and Security (BIS) is responsible for the federal government's export licensing and enforcement system for goods and technologies with both civilian and military uses. Because of the importance of export controls to national security, OIG has focused on challenges facing BIS. For example, the OIG has closely followed the activities and deliberations of the Deemed Export Advisory Committee, which is reviewing BIS' deemed export control policy and relevant recommendations made by OIG. Deemed export controls are designed to prevent the transfer within the United States of controlled U.S. technologies and technical information to foreign nationals from countries or entities of concern.

## PROGRAM ASSESSMENT RATING TOOL (PART) STATUS



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

Since 2002, OMB has conducted 33 PART reviews of Commerce programs. A summary of the results appears below. More details are at <http://www.whitehouse.gov/omb/expectmore/agency/006.html>.

## PART RATINGS AND SCORES BY PROGRAM FOR 2002-2008

YEAR	PROGRAM NAME	SCORE	RATING
2008	Tsunami Monitoring, Forecasting and Warning Program (NOAA)	93%	Effective
	Patents (USPTO)	73%	Moderately Effective
	Intellectual Property Protection Activities (USPTO)	67%	Adequate
	U.S. and Foreign Commercial Service (ITA)	68%	Adequate
2007	Decennial Census (CENSUS)	83%	Moderately Effective
	Hydrology (NOAA)	74%	Moderately Effective
	Market Access and Compliance (ITA)	72%	Moderately Effective
	National Marine Fisheries Service (NOAA)	72%	Moderately Effective
	Minority Business Development Agency (MBDA)	60%	Adequate
	Import Administration (ITA)	52%	Adequate
2006	Navigation Services (NOAA)	84%	Moderately Effective
	Pacific Coast Salmon Recovery Fund (NOAA)	77%	Moderately Effective
	Marine and Aviation Operations (NOAA)	71%	Moderately Effective
	Manufacturing and Services (ITA)	67%	Adequate
2005	Current Economic Statistics and Census of Governments (CENSUS)	83%	Moderately Effective
	Weather and Related Programs (NOAA)	76%	Moderately Effective
	Bureau of Industry & Security (BIS)	72%	Moderately Effective
	Ecosystem Research (NOAA)	63%	Adequate
	National Telecommunications and Information Administration (NTIA)	62%	Adequate
2004	Economic Census (CENSUS)	90%	Effective
	Current Demographic Statistics (CENSUS)	87%	Effective
	Climate Program (NOAA)	78%	Moderately Effective
	Economic Development Administration (EDA)	77%	Moderately Effective
	Protected Areas (NOAA)	68%	Adequate
2003	Bureau Of Economic Analysis (BEA)	92%	Effective
	Survey Sample Redesign (CENSUS)	86%	Effective
	Laboratories (NIST)	85%	Effective
	Intercensal Demographic Estimates (CENSUS)	82%	Moderately Effective
	Trademarks (USPTO)	72%	Moderately Effective
	Coastal Zone Management Act Programs (NOAA)	46%	Results Not Demonstrated
	Commerce Small Business Innovation Research Program (NIST, NOAA)	27%	Results Not Demonstrated
2002	Manufacturing Extension Partnership (NIST)	75%	Moderately Effective
	Advanced Technology Program (NIST)	66%	Adequate

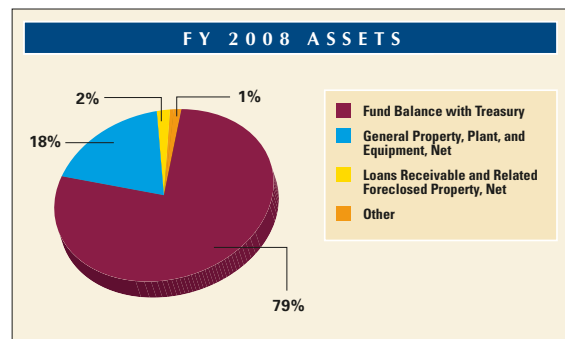
FINANCIAL HIGHLIGHTS

(Dollars In Millions)	Percentage Change	FY 2008	FY 2007
<b>As of September 30, 2008 and 2007</b>			
<b>Condensed Balance Sheets:</b>			
<b>ASSETS:</b>			
Fund Balance with Treasury	+251%	\$ 26,633.4	\$ 7,596.7
General Property, Plant, and Equipment, Net	+8%	6,190.4	5,729.8
Loans Receivable and Related Foreclosed Property, Net	-2%	511.0	519.9
Other	+8%	382.0	354.5
<b>TOTAL ASSETS</b>	<b>+137%</b>	<b>\$ 33,716.8</b>	<b>\$ 14,200.7</b>
<b>LIABILITIES:</b>			
Unearned Revenue	-1%	\$ 1,418.4	\$ 1,427.2
Spectrum Auction Proceeds Liability to Federal Communications Commission	N/A	17,177.7	—
Federal Employee Benefits	+7%	666.6	625.8
Accounts Payable	+5%	455.1	432.2
Accrued Grants	-8%	373.5	404.9
Debt to Treasury	-26%	476.7	646.0
Accrued Payroll and Annual Leave	+14%	452.1	396.4
Other	+63%	480.9	295.5
<b>TOTAL LIABILITIES</b>	<b>+409%</b>	<b>\$ 21,501.0</b>	<b>\$ 4,228.1</b>
<b>NET POSITION:</b>			
Unexpended Appropriations	+14%	\$ 5,180.4	\$ 4,528.9
Cumulative Results of Operations	+29%	7,035.5	5,443.7
<b>TOTAL NET POSITION</b>	<b>+22%</b>	<b>\$ 12,215.8</b>	<b>\$ 9,972.6</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>+137%</b>	<b>\$ 33,716.8</b>	<b>\$ 14,200.7</b>
<b>For the Years Ended September 30, 2008 and 2007</b>			
<b>Condensed Statements of Net Cost:</b>			
<i>Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers</i>	+20%	\$ 2,198.1	\$ 1,834.9
<i>Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness</i>	+75%	1,422.8	814.2
<i>Strategic Goal 3: Promote Environmental Stewardship</i>	+8%	4,077.9	3,785.8
<b>TOTAL NET COST OF OPERATIONS</b>	<b>+20%</b>	<b>\$ 7,698.8</b>	<b>\$ 6,434.9</b>
Total Gross Costs	+15%	\$ 10,330.1	\$ 8,977.5
Total Earned Revenue	+3%	(2,631.3)	(2,542.6)
<b>Total Net Cost Of Operations</b>	<b>+20%</b>	<b>\$ 7,698.8</b>	<b>\$ 6,434.9</b>

REVIEW OF FINANCIAL POSITION AND RESULTS

Assets

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



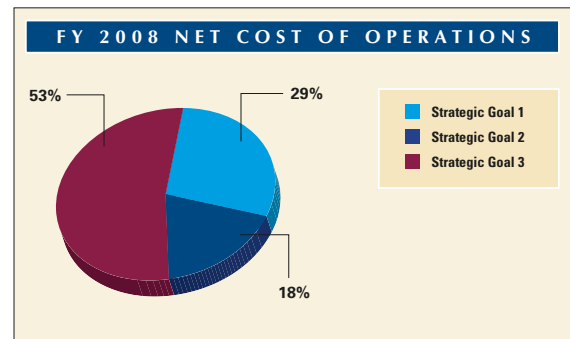
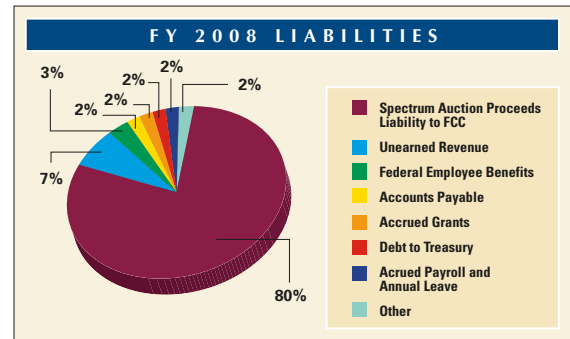
Liabilities

The Department had total liabilities of \$21.5 billion as of September 30, 2008. This represents an increase of \$17.3 billion (409 percent) over the previous year's total liabilities of \$4.2 billion. The increase is primarily the result of the Spectrum Auction Proceeds Liability to FCC of \$17.2 billion as of September 30, 2008, resulting from the FCC auction of licenses for recovered analog spectrum held in March 2008. Accrued Payroll and Annual Leave increased \$56 million mainly due to an increase in the number of days accrued and normal salary increases. Debt to Treasury decreased \$169 million due to significant Digital Television Transition and Public Safety

Fund borrowing repayments. Other liabilities increased \$185 million primarily due to accrued coupons of \$166 million for converter box coupons not yet redeemed for the NTIA's Digital-to-Analog Converter Box Program.

**Net Cost of Operations**

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



**SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES**

A summary of financial statement audit and management assurances for FY 2008 appears below. Table 1 relates to the Department's FY 2008 financial statement audit, which resulted in an unqualified opinion with no material weaknesses. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA) —either with regard to internal controls over operations or financial reporting— and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

The Department had one recurring material weakness under FMFIA, Section 2 relating to information technology (IT) certification and accreditation (C&A). Though significant progress has been made, work still remains on fully implementing corrective actions. Efforts to fully resolve this material weakness are being monitored by the Department's senior management.

**Table 1. Summary of Financial Statement Audit**

<b>Audit Opinion:</b>	Unqualified				
<b>Restatement:</b>	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No Material Weaknesses	0	0	0	0	0
<b>Total Material Weaknesses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Table 2. Summary of Management Assurances

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

REPORT ON AUDIT FOLLOW-UP

The Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. This report covers Commerce Department audit follow-up activities for the period June 1, 2007, through May 31, 2008.

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

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

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

## INDEPENDENT AUDITORS' REPORT

**Summary**

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In the FY 2008 Department of Commerce FY 2008 Performance and Accountability Report, KPMG stated that:

"We concluded that the Department's consolidated financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

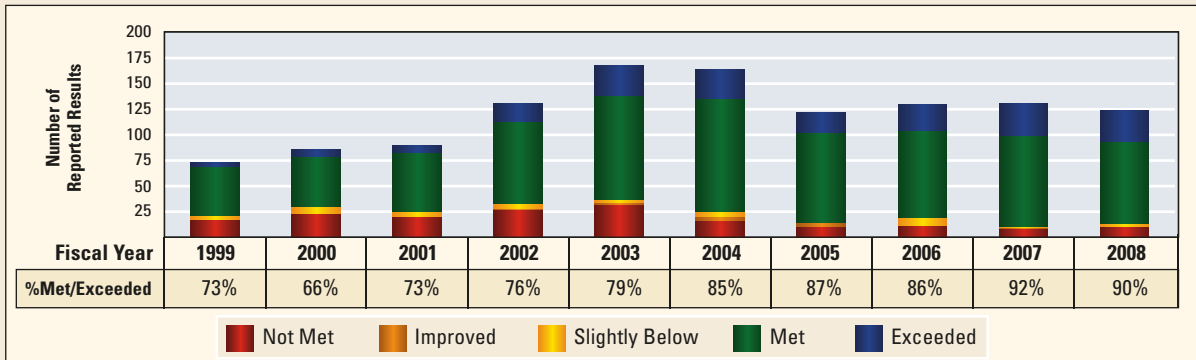
Our consideration of internal controls over financial reporting resulted in the identification of two significant deficiencies related to weaknesses in (1) the Department's general information technology controls, and (2) accounting for personal property at the National Oceanic and Atmospheric Administration (NOAA). However, we do not consider these significant deficiencies to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed one matter of noncompliance with the *Anti-Deficiency Act* that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended."

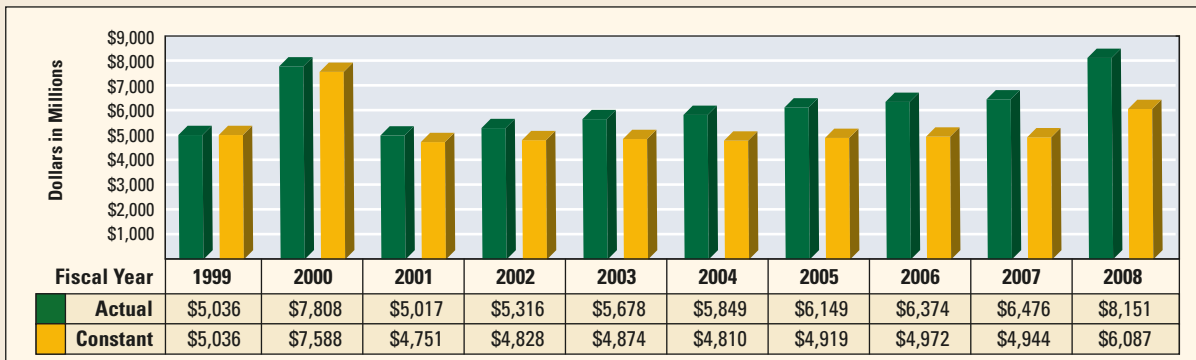
The full text of this auditors' report can be found in the Financial Section of the FY 2008 PAR, located at [http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm).

# 10 YEAR HISTORY OF PERFORMANCE, FUNDING, AND FTE

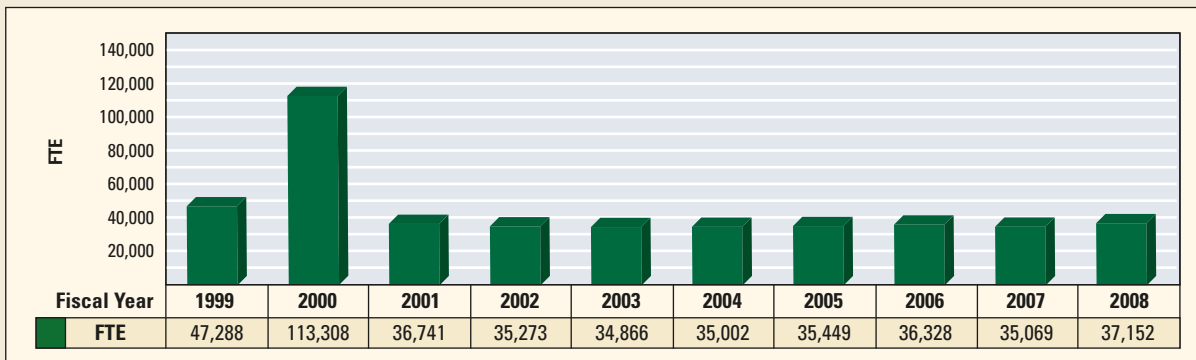
## PERFORMANCE RESULTS



## FUNDING (OUTLAYS)



## FULL-TIME EQUIVALENT (FTE)





## DEPARTMENT OF COMMERCE WEB ADDRESSES

### FOR PLANNING AND PERFORMANCE

Department of Commerce  
<http://www.commerce.gov/>

Department of Commerce Strategic Plan, Performance Reports and Performance Plans  
[http://www.osec.doc.gov/bmi/budget/budgetsub\\_perf\\_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm)

Economic Development Administration Annual Reports  
<http://www.eda.gov/AboutEDA/Annualreport.xml>

International Trade Administration Strategic Plan  
[http://trade.gov/ITA\\_stratplan2007.pdf](http://trade.gov/ITA_stratplan2007.pdf)

Minority Business Development Agency Portal/Annual Report  
<http://www.mbda.gov>

Bureau of Industry and Security Annual Report  
<http://www.bis.doc.gov/>

Census Bureau  
<http://www.census.gov>

Economics and Statistics Administration  
<http://www.esa.doc.gov/>

Bureau of Economic Analysis  
<http://www.bea.gov>

- ◆ BEA's Mission, Vision, Values, and Role  
<http://bea.gov/about/mission.htm>
- ◆ BEA Strategic Plan for FY 2008–FY 2012  
[http://bea.gov/about/pdf/strategic\\_plan\\_matrix\\_2008-2012.pdf](http://bea.gov/about/pdf/strategic_plan_matrix_2008-2012.pdf)
- ◆ Release Dates for 2008  
<http://www.bea.gov/bea/newsrelease/2008rd.htm>

National Institute of Standards and Technology

- ◆ NIST Performance Evaluation  
[http://www.nist.gov/director/planning/impact\\_assessment.htm](http://www.nist.gov/director/planning/impact_assessment.htm)
- ◆ NIST Strategic Planning  
<http://www.nist.gov/director/planning/strategicplanning.htm>
- ◆ NIST Technology Innovation Program  
<http://www.nist.gov/tip/>
- ◆ NIST Manufacturing Extension Partnership – Making a Difference Brochure  
<http://www.mep.nist.gov/impacts/making-a-difference.pdf>
- ◆ NIST Baldrige National Quality Program – Program Information and Award Statistics  
<http://www.quality.nist.gov/>

National Technical Information Service  
<http://www.ntis.gov/>

- ◆ Annual Report  
<http://www.ntis.gov/pdf/annrpt2007.pdf>

U.S. Patent and Trademark Office  
<http://www.uspto.gov>

- ◆ Performance and Accountability Report  
<http://www.uspto.gov/web/offices/com/annual/>
- ◆ President's Budget and Strategic Plan  
<http://www.uspto.gov/web/offices/ac/comp/budg/index.html>

National Telecommunications and Information Administration

- ◆ Annual Reports  
<http://www.ntia.doc.gov/ntiahome/annreports.html>

National Oceanic and Atmospheric Administration Strategic Planning and Performance  
<http://www.ppi.noaa.gov/>

Office of Inspector General  
<http://www.oig.doc.gov/>

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