

U.S. DEPARTMENT OF COMMERCE



FY 2012 PERFORMANCE &
ACCOUNTABILITY REPORT



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

Economic Development Administration

Annual Reports
http://www.eda.gov/pdf/FY2011_EDA_Annual_Report.pdf

International Trade Administration

Strategic Plan
http://trade.gov/pdfs/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 2010-FY 2014
http://bea.gov/about/pdf/strategic_plan_matrix_2010-2014.pdf
- ◆ Release Dates for 2012
http://www.bea.gov/newsreleases/news_release_sort_national.htm

National Institute of Standards and Technology

<http://www.nist.gov/index.html>

- ◆ NIST Performance Evaluation
http://www.nist.gov/director/planning/impact_assessment.cfm
- ◆ NIST Planning
<http://www.nist.gov/director/planning/planning.cfm>
- ◆ NIST Manufacturing Extension Partnership Reports
<http://www.mep.nist.gov/reports.cfm>

National Technical Information Service

<http://www.ntis.gov/>

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/about-us/>

Office of Inspector General

<http://www.oig.doc.gov/>

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U.S. DEPARTMENT OF COMMERCE



PERFORMANCE & ACCOUNTABILITY REPORT



FISCAL YEAR

2012



THE DEPARTMENT AT A GLANCE

HISTORY AND ENABLING LEGISLATION

The Department of Commerce was originally established by Congressional Act on February 14, 1903 as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591) and was subsequently renamed the U.S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. 1512). The defined role of the new Department was “to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States.”

MISSION

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

Program Bureaus

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

STRATEGIC THEMES

PROGRAMMATIC THEMES

- *Economic Growth*
- *Science and Information*
- *Environmental Stewardship*

MANAGEMENT THEMES

- *Customer Service*
- *Organizational Excellence*
- *Workforce Excellence*

LOCATION

The Department is headquartered in Washington, D.C., at the Herbert Clark Hoover Building, which is located on eight acres of land covering three city blocks. The Department also has field offices in all states and territories and maintains offices in more than 86 countries worldwide.

EMPLOYEES

As of September 30, 2012, the Department had approximately 45,000 employees.

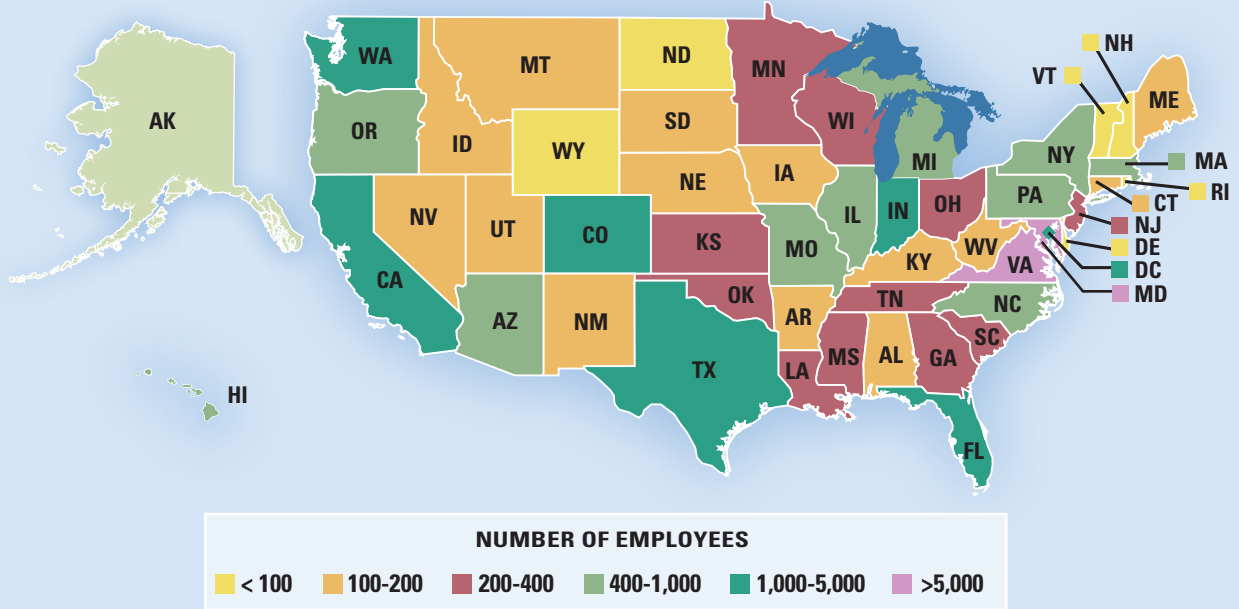
FINANCIAL RESOURCES

The Department’s FY 2011 and FY 2012 budgets were approximately \$9.1 billion and \$8.0 billion respectively (budget authority).

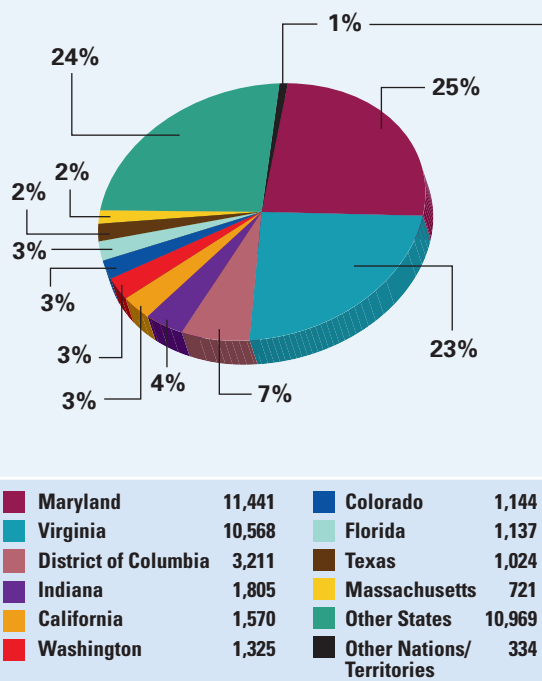
INTERNET

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

DEPARTMENT OF COMMERCE EMPLOYEES



DEPARTMENT OF COMMERCE EMPLOYEES BY LOCATION



Other Nations/Territories in which Department of Commerce has Staff

Afghanistan	Guam	Portugal
American Samoa	Hong Kong	Puerto Rico
Argentina	Hungary	Qatar
Antarctica	India	Romania
Australia	Indonesia	Romania
Austria	Iraq	Russia
Belgium	Israel	Saudi Arabia
Brazil	Italy	Serbia
Bulgaria	Japan	Singapore
Canada	Jordan	South Africa
Chile	Kenya	South Korea
China	Mexico	Spain
Columbia	Morocco	Sweden
Czech Republic	Netherlands	Switzerland
Dominican Republic	Nigeria	Taiwan
Egypt	North Mariana Islands	Thailand
El Salvador	Pakistan	Turkey
Finland	Panama	United Arab Emirates
France	Peru	United Kingdom
Germany	Philippines	Ukraine
Greece	Poland	Vietnam

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STATEMENT FROM THE SECRETARY



I am pleased to present the Department of Commerce's fiscal year (FY) 2012 Performance Accountability Report (PAR). The PAR highlights the Department's accomplishments and the challenges we faced in FY 2012, as well as provides information on our financial management and performance. The Department helps make U.S. businesses more innovative for economic growth and opportunity. Every day, the Department promotes innovation, entrepreneurship, competitiveness, and stewardship informed by world-class scientific research and information. The Department achieves its mission through its 13 bureaus in partnership with U.S. businesses.

Through weather forecasts, climate and ocean monitoring, marine resource management, and support for marine commerce, the National Oceanic and Atmospheric Administration's (NOAA) services have a daily impact on our lives and U.S. commerce. The Economics and Statistics Administration (ESA), including the Census Bureau and the Bureau of Economic Analysis (BEA), provides the economic and demographic information necessary to evaluate growth, understand markets, and make sound decisions for the future. The National Telecommunications and Information Administration (NTIA), through broadband grants and spectrum reform, is expanding the information highway to propel job growth and competitiveness. The National Institute of Standards and Technology (NIST) and U.S. Patent and Trademark Office (USPTO) are critical to supporting innovation and advancing U.S. commerce. Economic development and commercialization activities supported by the Economic Development Administration (EDA) and the Minority Business Development Agency (MBDA) turn ideas into jobs. Export promotion and economic security activities at the International Trade Administration (ITA) and the Bureau of Industry and Security (BIS) directly support our Nation's international competitiveness and help U.S. companies sell more of what they make in countries around the world.

Our FY 2012 accomplishments and challenges are highlighted within the three programmatic themes of our strategic plan: Economic Growth, Science and Information, and Environmental Stewardship.

Economic Growth

The Department, through ITA has made strong progress in protecting U.S. industries and workers against unfair trade practices, along with strengthening the U.S. economy through promoting exports. In FY 2012, ITA issued 260 antidumping and countervailing duty (CVD) determinations covering a wide variety of products, helping provide U.S. businesses, workers, and farmers the opportunity to compete on a level playing field. ITA also successfully strengthened trade enforcement by making important regulatory reforms, strengthening its duty collection cooperation with U.S. Customs and Border Protection, and working with Congress to enact legislation reaffirming the Department's ability to apply the CVD law to imports from market and non-market economies alike. ITA has also successfully helped U.S. firms overcome 89 trade barrier cases in 45 different countries that have directly benefitted U.S. industry and competitiveness. ITA has continued to make promoting exports a priority and has assisted over 19,000 companies with export transactions worth over \$103 billion. ITA also continues to assist small and medium-sized businesses to compete globally with programs like the Market Development Cooperator Program. On average, every government dollar invested in this program has generated \$219 of exports.

In FY 2012, EDA continued to develop, implement, and lead successful efforts to coordinate federal resources and streamline processes and procedures for both grant application requirements and post-award grant administration. EDA championed several interagency funding competitions in FY 2012, including the Rural Jobs and Innovation Accelerator Challenge: the Strong

Cities, Strong Communities Visioning Challenge; and the Advanced Manufacturing Jobs and Innovation Accelerator Challenge. The Rural Jobs and Innovation Accelerator Challenge leveraged the resources of the EDA, U.S. Department of Agriculture, Appalachian Regional Commission, and Delta Regional Authority to support the development and implementation of locally-driven economic development strategies that foster the development of clusters and accelerate the benefits of regional innovation cluster-based economic development, with a targeted focus on economically-distressed rural communities. Following a similar structure, EDA spearheaded the Advanced Manufacturing Jobs and Innovation Accelerator Challenge, which strategically combined federal resources from EDA, NIST, the U.S. Department of Energy, the U.S. Department of Labor's Employment and Training Administration, the U.S. Small Business Administration, and the National Science Foundation. The collaboration between these agencies provided funding to assist the development and implementation of regionally-driven economic development strategies that will support advanced manufacturing and cluster development. The goal is to create jobs, grow the economy, and enhance the competitiveness of U.S. manufacturers in the global marketplace. The Strong Cities, Strong Communities Visioning Challenge is conducted in support of the Strong Cities, Strong Communities interagency initiative administered by the White House Strong Cities, Strong Communities Council. This challenge, in the same vein of interagency collaboration, leveraged the U.S. Department of Housing and Urban Development's resources and philanthropic networks to provide funding for cities to conduct economic planning competitions, in which financial prizes are used to incentivize the submission of community-led, bottom-up economic development plans. In addition to these new regional innovation strategies, EDA conducted a third i6 Challenge in FY 2012, a national competition to accelerate innovative product development, spur the formation of start-ups, and create small businesses by supporting Proof of Concept Centers at universities and research consortiums across the country. Lastly, EDA received an appropriation of \$200 million to support long-term economic recovery and infrastructure support in communities that received a major disaster designation in FY 2011. To ensure that these resources began to be disbursed as rapidly and effectively as possible, EDA developed a streamlined application process that allows for an expeditious review and evaluation.

MBDA promotes the ability of minority businesses to succeed in the local, national, and global economies. MBDA continued its upward trend of increasing contract and financial awards, rising from \$1.6 billion in FY 2005 to \$2.7 billion in FY 2012. One of MBDA's goals is to increase the number of new job opportunities. In that regard, MBDA has increased the number of new jobs created from 2,270 in FY 2005 to 5,331 in FY 2012.

BIS's mission is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and by promoting continued U.S. strategic technology leadership. BIS is currently assisting to implement the President's long-term goals of the Export Control Reform (ECR) Initiative. On March 7, 2012, the Administration officially opened two new national, multi-agency centers to improve how the U.S. government administers its export control system: the Export Enforcement Coordination Center (E2C2) and the Information Triage Unit (ITU). The E2C2 is responsible for enhanced information sharing and coordination between law enforcement and intelligence officials regarding possible violations of U.S. export controls laws. The ITU, housed at the Department, is responsible for assembling and disseminating relevant information, including intelligence, upon which to base informed decisions on proposed export licenses. As part of the ECR implementation process, BIS has published 12 proposed rules, in conjunction with proposed rules published by the State Department, in FY 2012. State's proposed rules seek public comment on the revision of State's United States Munitions List (USML) into a positive, objective list, and BIS's proposed rules seek public comment on the transfer of tens of thousands of low level military items, primarily parts and components, from the USML to the more flexible export control system administered by BIS.

As a non-regulatory agency in the Department, an experienced partner of industry, and the federal research agency specifically focused on promoting U.S. economic competitiveness, NIST is well-positioned to accelerate and promote innovation and advanced technologies through its Laboratory Programs and its Innovation and Industry Services Programs. NIST addressed critical national needs and emerging challenges in a wide variety of industry sectors, including energy, cybersecurity, manufacturing, healthcare, cyberphysical systems, biotechnology, and nanotechnology. Two new advanced laboratories for high-precision science and measurements opened at NIST and JILA, a joint venture of NIST and the University of Colorado at Boulder, to support technology,

innovation, economic growth, and the training of future scientists. In the area of manufacturing, NIST established the Advanced Manufacturing National Program Office to enable more effective collaboration in identifying and addressing challenges and opportunities that span technology areas and cut across agency missions. NIST also established the National Cybersecurity Center of Excellence, a public-private collaboration for accelerating the widespread adoption of integrated cybersecurity tools and technologies. In the area of energy, NIST unveiled the Net-Zero Energy Residential Test Facility, a new laboratory designed to demonstrate that a typical-looking suburban home for a family of four can generate as much energy as it uses in a year. In support of forensic science, NIST published a revised biometric standard that vastly expands the type and amount of information that forensic scientists can share across their international networks to identify victims or solve crimes. NIST also published two new documents on cloud computing that provide guidance for understanding the cloud computing standards and categories of cloud services that industry and government can use. To strengthen the competitiveness of our Nation's domestic manufacturing base, the NIST Hollings Manufacturing Extension Partnership (MEP) provided a range of tools and services focused on the adoption of new technologies, exporting strategies, and workforce retention which supported its clients, primarily small manufacturers, in generating an estimated \$2.7 billion in increased sales, \$2.6 billion in capital investment, and \$966 million in cost savings during FY 2011 (MEP results have a one-year time lag).

NTIA, in collaboration with the Federal Communications Commission, launched the National Broadband Map on February 17, 2011. This dataset publicly displays the geographic areas where broadband service is available; the technology used to provide the service; the speeds of the service; and broadband service speeds used at many public schools, libraries, hospitals, colleges, universities, and public buildings. The Web site is powered by data representing 1,865 broadband providers nationwide with more than 20 million records, and was collected in partnership with every state. Since its launch last year, the National Broadband Map has attracted more than 650,000 users who are utilizing the map to meet a variety of needs. Developers can use 51 Application Programming Interface (API) tools to process the data and can also download the data in multiple formats. The Broadband Technology Opportunities Program is on track to meet—and in most cases exceed—its program goals, delivering significant progress in areas such as infrastructure construction, computer center launches, and delivery of training to new broadband users. Cumulatively, federal outlays for the program totaled \$2.1 billion, while total recipient matching contributions exceeded \$820 million.

NTIA participated with other Department operating units in the Internet Policy Task Force, which is conducting comprehensive reviews of the nexus between privacy policy, copyright, global free flow of information, cybersecurity, and innovation in the Internet economy. Multi-stakeholder organizations have played a major role in the design and operation of the Internet and are directly responsible for its success. Maintaining and extending this model is important for ensuring the continued growth and innovation of the Internet. Consumer trust is essential for the continued growth of the digital economy, and meaningful privacy protections are critical to fostering trust. In FY 2012, NTIA convened a multi-stakeholder process to develop legally enforceable codes of conduct that implement elements of the Administration's Consumer Privacy Bill of Rights. NTIA is planning a series of privacy multistakeholder processes. NTIA's first process, which focuses on mobile application transparency, began in FY 2012 and will continue in FY 2013. NTIA selected this topic based on almost 100 electronic comments received from stakeholders around the country.

NTIA is providing a forum for stakeholders to develop a code of conduct regarding mobile application transparency. The NTIA multistakeholder process provides an opportunity for robust participation by companies, consumer advocates, and technical experts. Stakeholders can participate in each meeting either through Webcast or remotely through a moderated teleconference bridge. NTIA uses technology to ensure that stakeholders who participate remotely have the opportunity to meaningfully participate in the process. As stakeholders gain experience working together to address mobile application transparency, NTIA is laying the groundwork for tackling other privacy challenges.

In order to strengthen the very infrastructure that marshals new innovation to the marketplace, under its 2010-2015 Strategic Plan, the entire USPTO team made some important strides in FY 2012. Their hard work advances USPTO's mission of promoting a 21st century intellectual property system, a system that empowers innovation from the sole inventor to every U.S. employer.

USPTO has accelerated the patent examination process while building in new quality control measures. USPTO reduced its unexamined utility patent application backlog to the lowest it has been in more than five years. USPTO expects to reach its optimal inventory goal in the near future. Further, USPTO implemented critical provisions of the America Invents Act (AIA), the most significant reform to patent law in 60 years. USPTO also made history in July 2012, when it opened its first ever satellite office, the Elijah J. McCoy Satellite Office in Detroit, MI. The office will function as a hub of innovation and creativity, helping protect and foster U.S. innovation in the global marketplace, helping businesses cut through red tape, and creating new economic opportunities in its local community. USPTO also continues to see an increase in trademark applications. USPTO increased engagement with its trademark stakeholder community through a series of roundtables, while extending educational outreach to the small business and entrepreneurial community. USPTO continues to maintain consistent first office action trademark pendency figures within the planned target range. Information technology (IT) is a mission-critical enabler for every USPTO business function. USPTO is implementing an aggressive multi-year plan to upgrade its IT infrastructure by stabilizing its aging data center and networks, updating automated IT systems, and migrating to “cloud” computing. Finally, it is notable that USPTO has been active in the World Intellectual Property Organization (WIPO), playing a key role in the signing of the WIPO Audiovisual Performances Treaty in Beijing, China.

Science and Information

BEA and the Census Bureau continued to upgrade the quality and availability of critical economic and demographic information for policymakers, business leaders, and the public. The Census Bureau released all 2010 Decennial Census data products scheduled for FY 2012. These products provided the most detailed information available so far from the 2010 Census about every community’s entire population, including cross-tabulations of age, sex, households, families, relationship to householder, housing units, detailed race and Hispanic or Latino origin groups, and group quarters.

In FY 2012, the Census Bureau released over 200 economic reports, including 120 principal economic indicators. Responses to censuses and surveys provide information on a wide range of activities, industries, and outputs. The Census Bureau released its first-ever mobile application, “America’s Economy,” which provides constantly updated statistics on the U.S. economy. The America’s Economy application provides real-time updates for 16 key economic indicators released from the Census Bureau, Bureau of Labor Statistics, and BEA. In addition, the Census Bureau released a new report on the ownership characteristics of U.S. exporting firms, “Ownership Characteristics of Classifiable U.S. Exporting Firms: 2007.” The report provides new insights on the ownership and performance of U.S. exporting firms by gender, ethnicity, race, and veteran status.

In FY 2012, ESA released reports on competitiveness and innovation, the benefits of manufacturing jobs, intellectual property and patent reform, and broadband usage. ESA continued its efforts to improve how economic information is disseminated to the public and journalists and to improve economic literacy through ESA blog posts, as well as daily email and Twitter updates.

One of BEA’s primary goals in FY 2012 was to maintain and improve the relevance and usefulness of its economic accounts. This year, BEA emphasized research and development (R&D) of new or alternate statistics as an important avenue toward that goal. As part of this emphasis, BEA organized joint meetings of the International Association for Research in Income and Wealth and the National Bureau of Economic Research’s Conference on Research in Income and Wealth, which provided a unique forum for statistical officials and experts from around the world to present new research findings on topics related to national accounting, well being, and income distribution. BEA staff presented nearly a dozen papers, ranging in topic from accounting for multinational companies to depreciating R&D business capital. Additionally, BEA developed new statistics on the distribution of household income and consumption that will provide decisionmakers with a better understanding of the differential impact of the current economic struggle across households, industries, and regions. The creation of a new linked dataset that combines data on cross-border trade in services with data on operations of multinational companies can answer myriad questions, such as about the characteristics of firms that trade in services and the patterns of international trade in R&D. BEA’s exploration of an alternate approach to detailing household expenditures on health care by classifying expenditures by disease can facilitate cost-benefit assessments and allow a better understanding of the factors driving the growth in health care spending. As critical as

these new efforts are, they do not replace the need for BEA to make continuous improvements to the source data and methods underlying the economic accounts. The 2012 flexible annual revision of the National Income and Product Accounts incorporated expanded data from the Census Bureau's Quarterly Services Survey (QSS) to improve estimates for the transportation, education, and utilities industries and implemented an improved methodology for state and local corporate profits taxes. The annual revision of the international transactions accounts incorporated changes in methodology for some categories of estimates and new source data that improved statistics on exports and imports of goods, imports of services, income payments, and net unilateral current transfers. BEA also provided its customers with important improvements to its Web site. In keeping with BEA's goal to make its statistics more widely available and its Web site easier to use, it made significant improvements to the content of regional and international statistics that are available through interactive tables on the bea.gov Web site. BEA launched the new "BEABlog" to augment its means of communicating with customers.

In April 2012, NOAA's Storm Prediction Center (SPC) issued a high risk outlook for severe weather across Oklahoma, Kansas, Nebraska, and Iowa 36 hours in advance of the storm outbreak. NOAA had begun discussion of a potential major tornado outbreak nearly seven days before the event occurred. This extraordinary lead time of 36 hours exceeded all previous lead times for similar warned events. The SPC and affected Weather Forecast Offices (WFO) issued a total of 11 watches (eight for tornadoes and three for severe weather) for the outbreak. With this high risk outlook for severe weather, WFOs in the affected regions began a major outreach effort. Community response included the staging of emergency equipment and staff, rescheduling of proms, football games, and a large country music concert in Wichita, KS. The Wichita WFO alone issued 32 tornado warnings with tornado lead times of 20 minutes.

Environmental Stewardship

Each year, NOAA's annual Arctic Report Card presents a wide range of environmental observations throughout the Arctic. The most recent update provided in December 2011 by a team of international scientists indicated that the Earth's northern polar region is entering a new state, one with warmer air and water temperatures, less summer sea ice and snow cover, and changed ocean chemistry.

This shift is also causing changes in the region's life, both on land and in the sea, including fewer habitats for polar bears and walrus, but increased access to feeding areas for whales. The 2011 Report Card showed that record-setting changes are occurring throughout the Arctic environmental system and major Arctic changes will likely continue in years to come, with increasing climatic, biological, and social impacts.

As sea ice continues to disappear at a rapid rate, vessel traffic in the Arctic has begun to rise. This is leading to new maritime concerns, especially in areas increasingly transited by the offshore oil and gas industry, cruise liners, military craft, tugs and barges, and fishing vessels. Keeping all of this new ocean traffic moving smoothly is important to the U.S. economy, environment, and national security. In 2012, NOAA released a new nautical chart for Kotzebue Harbor and Approaches, addressing a pressing need for the Arctic regional transportation hub in northwest Alaska. The new chart's accurate and precise depth measurements (previously charted in the 1800s) will make ocean-going vessel traffic more efficient through northwest Alaska.

In October 2011, NOAA established three new Regional Integrated Sciences and Assessments (RISA) awards to climate science collaborations in Alaska, California-Nevada, and the Carolinas. The three new awards include the Alaska Center for Climate Assessments and Policy (ACCAP – University of Alaska-Fairbanks), the California-Nevada Applications Program (CNAP- Scripps Institution of Oceanography), and the Carolinas Integrated Science and Assessments program (CISA – University of South Carolina). All three institutions will conduct research efforts collaboratively with other universities and research organizations. The ACCAP center will focus on coastal and living marine resources with potential topics including sea ice extent and the vulnerability of coastal infrastructure to storms. CNAP will address water supply, planning and preparedness for wildfires, and coastal management. The CISA project addresses early warning and preparedness for drought, groundwater vulnerability to

saltwater intrusion, and shellfish pathogens. RISA teams, along with NOAA's Regional Climate Centers and regional climate services directors, work with state climate offices to help regional stakeholders address the challenges of a changing climate. RISA team members are also key contributors to research and assessment activities of the cross-federal agency National Climate Assessment overseen by the U.S. Global Change Research Program.

The Suomi National Polar-orbiting Partnership Satellite (SNPP) was launched on October 28, 2011, from Vandenberg Air Force Base, to begin its Earth observation mission. Since the launch, SNPP data has been successfully used in NOAA's global numerical weather forecast systems. The launch of SNPP and the effective data collection from weather and climate monitoring sensors represent many years of exceptional effort by NOAA, the National Aeronautics and Space Administration, and contractor teams to create the gateway to the U.S. climate monitoring system, collecting both climate and operational weather data and continuing key data records that are critical for global change science. SNPP carries five science instruments and test key technologies for the Joint Polar Satellite System mission. It is the first satellite mission to address the challenge of acquiring a wide range of land, ocean, and atmospheric measurements for earth system science while simultaneously preparing to address operational requirements for long-range weather forecasting. Understanding, monitoring, and predicting the course of long-term climate change and short-term weather conditions remain tasks of profound importance.

To prevent and end overfishing in the United States, the Magnuson-Stevens Reauthorization Act requires that all federal fisheries be harvested under annual catch limits with accompanying accountability measures. On June 29, 2012, NOAA achieved a significant milestone by approving the final Fishery Management Plan amendment to put annual catch limits and accountability measures into place. During the next few years, as NOAA continues to manage fisheries under annual catch limits and completes new scientific stock assessments, we expect to confirm that overfishing has ended and depleted stocks are rebuilding to higher levels of abundance. Ending overfishing and rebuilding stocks are an investment in the long-term viability of our Nation's fisheries and fishing communities. We commend the fishermen and communities impacted by these management changes for their commitment and participation in making U.S. fisheries among the most responsibly managed in the world.

Customer Service and Organizational Excellence and Workforce Excellence

The Department and the U.S. Small Business Administration were identified as members of the Executive Committee charged to implement the President's October 28, 2011 memorandum entitled, "Making it Easier for America's Small Businesses and America's Exporters to Access Government Services to Help Them Grow and Hire." The Department's own CommerceConnect was chosen to oversee the development, implementation, and operations of this federal agency-wide initiative called BusinessUSA. BusinessUSA continued CommerceConnect's "No Wrong Door" approach to servicing customers. BusinessUSA fully complements the Department's Customer Service and Organizational Excellence objectives. CommerceConnect successfully transitioned to BusinessUSA and met the presidential objectives, including the launch of the new business.U.S.A.gov Web site, a central contact center through 1-800-FED-INFO, and interagency collaboration to support improved business assistance and enhanced customer service. U.S. small businesses and exporters access the Department's business-facing programs, resources, and services through BusinessUSA. More importantly, BusinessUSA has helped make it easier for them to find the information they need across the government. Since the release of the business.U.S.A.gov Web site on February 17, 2012, through September 30, 2012, there have been 623 thousand visits, nearly 1.7 million pages viewed, over 35,000 content subscribers, nearly 20,000 twitter followers, and 62 links from partner Web sites to BusinessUSA. BusinessUSA greatly expanded the number of business-facing resources (programs, services, tools, and data) in one central location from 297 to 1,200 federal, state, and local entities. In addition, it has promoted over 130 success stories and 4,500 local business related events.

The Department continued the phased migration of human resources (HR) information systems to the HR Management System, which constitutes a significant investment in updating internal HR systems to provide an enterprise-wide, modern, cost-effective

standardized and interoperable HR solution. The migration, which ensures that each phase adds value to the Agency within each fiscal year, began in FY 2011 and is tentatively scheduled to be completed in FY 2014.

Workforce reshaping efforts continued through the use of the Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) and establishment of a Department Voluntary Resume Bank Program to assist in restructuring and streamlining the Department workforce while continuing to meet mission goals. The Department received approval for a total of 1,796 VSIPs and offered approximately 1,389, of which 582 employees have accepted, for a 41 percent acceptance rate, which greatly exceeds the 14.2 percent government-wide rate.

The formation of a Departmental Diversity and Inclusion Program and Diversity and Inclusion Council was approved by Department leadership, to be headed by the recently appointed Chief Diversity Officer and Deputy Chief Diversity Officer and executed by a Diversity and Inclusion Council. The council will consist of both bureau and functional representatives responsible for implementing and monitoring initiatives in support of the FY 2012 – FY 2016 Department Diversity and Inclusion Strategic Plan and Executive Order 13583, “Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Workforce.”

As one of eight federal agencies participating in the HRstat pilot being led by the Office of Personnel Management and the Performance Improvement Council, the Department established and held the first reviews of its HRstat program. In alignment with the Government Performance and Results Act Modernization Act of 2010, quarterly reports and reviews by senior leadership and HR managers on agency progress and status on key human capital/HR management metrics that drive agency performance will be performed. All metrics will also be tracked against specific organizations that support the Department’s top four strategic priorities for FY 2012 – FY 2013.

The Department’s financial data and performance results for FY 2012 are provided together in this report in response to the Reports Consolidation Act of 2000. This information is crucial in helping us to effectively administer our programs, determine their success, and make adjustments that may be necessary to improve the quality of program operation and service delivery.

For the 14th year in a row, the independent auditors tasked with reviewing our financial statements have provided an unqualified opinion. Our financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, and, in accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

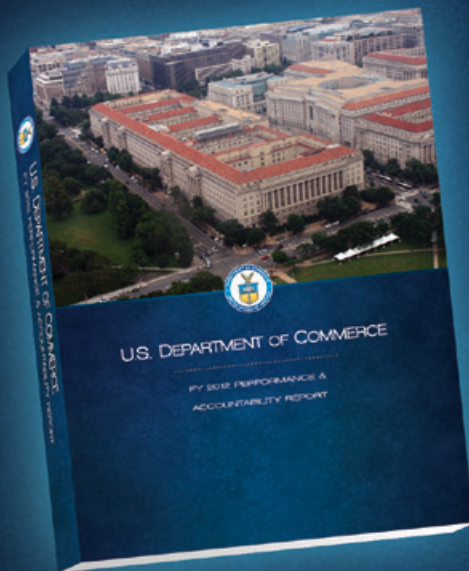
The Federal Managers’ Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of Inspector General (OIG), the Government Accountability Office (GAO), and others to assist in this effort. Based on activities undertaken during FY 2012, the Department’s system of internal controls, taken as a whole, is consistent with FMFIA.

In Conclusion

Again, I am proud to submit this report on the FY 2012 performance of the Department, and hope it provides a useful summary of the results of the Department and its 45,000 employees.



Dr. Rebecca Blank
Acting Secretary of Commerce
November 15, 2012



HOW TO USE THIS REPORT

This Performance and Accountability Report (PAR) for FY 2012 provides the Department of Commerce's financial and performance information, enabling the President, Congress, and the American people to assess the Department's performance as provided by the requirements of the:

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

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

[perf_strategicplans.htm](http://www.osec.doc.gov/bmi/budget/budgetsub_perf_strategicplans.htm). The Department welcomes feedback on the form and content of this report.

This report is organized into the following major components:

STATEMENT FROM THE SECRETARY OF COMMERCE

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section, and Appendices. The MD&A includes an overview of the Department's organization, a summary of the performance, full-time equivalents (FTE) and funding of the Department, summary of the performance process, current status of systems and internal control weaknesses, and summaries of the American Recovery and Reinvestment Act (ARRA) of 2009 funding as it applies to FY 2012 and Priority Goals.

PERFORMANCE SECTION

This section provides the annual performance information as required by Office of Management and Budget (OMB) Circular A-11 and GPRA. Included in this section is a detailed discussion and analysis of the Department's performance in FY 2012. For each service and major office, the results are presented by each of the six Secretarial themes, strategic goals within themes, and objectives within goals.

FINANCIAL SECTION

This section contains the details of the Department's finances in FY 2012. A message from the Department's Chief Financial Officer (CFO), is followed by the information on the Department's financial management, debt management, payments management, audited financial statements, other supplemental financial information, and the independent auditors' report.

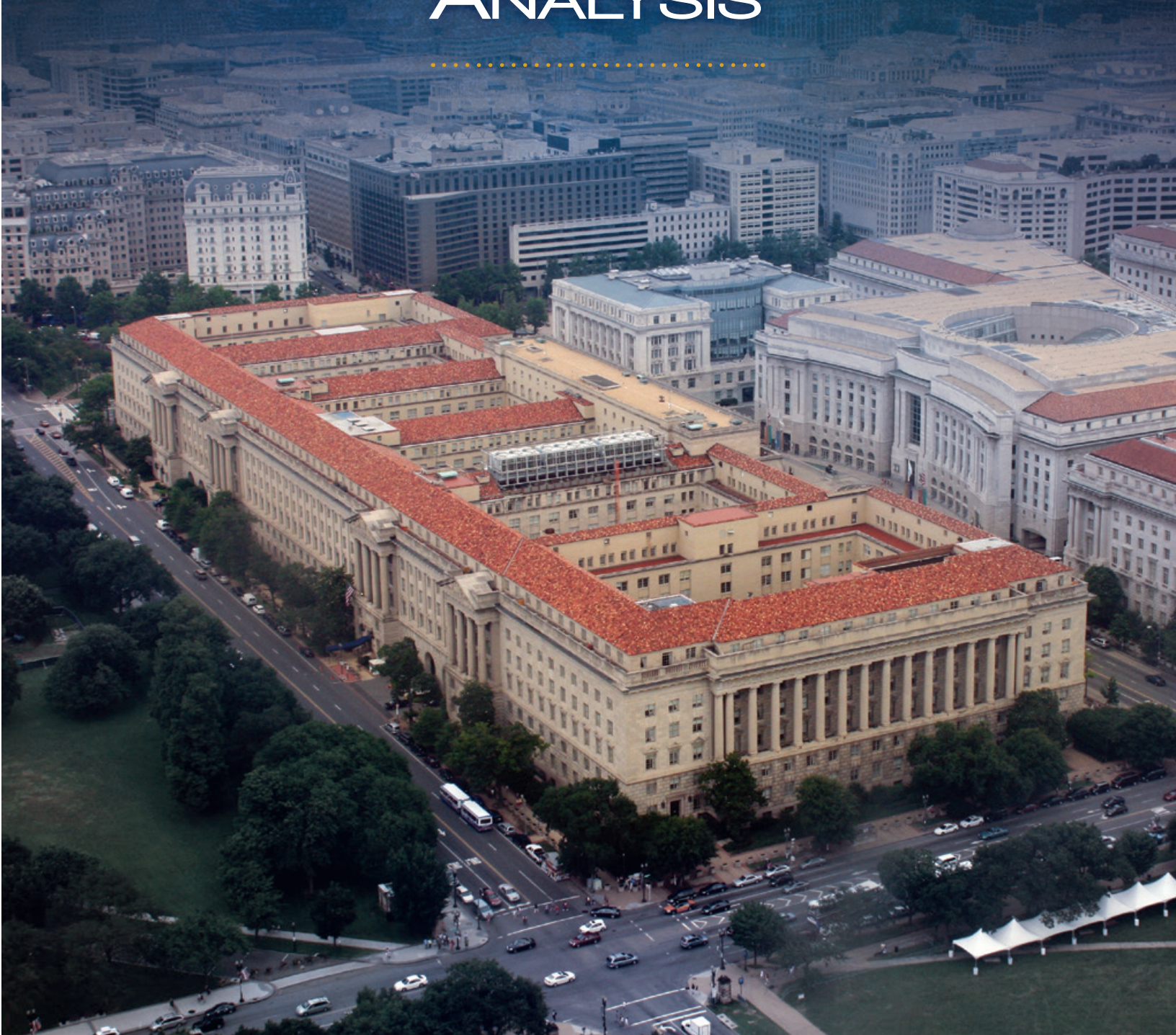
APPENDICES

This section provides summary charts of performance information, a listing of key stakeholders, a discussion of management challenges including actions taken to address them as well as the FY 2013 management challenges, financial information, a discussion of undisbursed expired grant accounts, and a glossary of acronyms. The definitions and data sources of performance measures appears at the end of the Web site version of the PAR located at <http://www.osec.doc.gov/bmi/budget/>. Appendix C, FY 2012 Management Challenges and Actions Taken, and Appendix D, FY 2013 Management Challenges, are not Section 508 compliant, unlike the rest of the PAR. However, Section 508-compliant reports on the FY 2012 and FY 2013 Top Management Challenges can be downloaded from the OIG's Web site at <http://1.usa.gov/ZvJKqc>.

For additional copies of this report, please call the Department of Commerce, Office of Budget, at 202-482-4648 or email either Bill Tatter at BTatter@doc.gov or William Tootle at WTootle@doc.gov. A listing of Web addresses and email addresses of other Departmental and bureau staff appears on the inside front cover.



MANAGEMENT'S DISCUSSION AND ANALYSIS



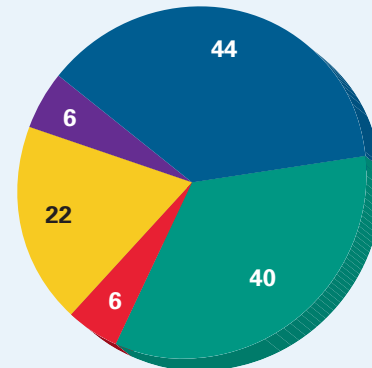
FY 2012 PERFORMANCE AND FINANCIAL HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

Overall performance results for the Department show that of the 118 performance targets, 74 percent were at or above target, ten percent slightly below target, and 16 percent not on target. Overall trends among these measures reflected the following:

- 44 (37 percent) reflected a positive trend in that over time performance was improving;
- 40 (34 percent) remained stable in their trends. In most cases, these indicators had maintenance targets in that the goal was to maintain a standard over time;
- 6 (5 percent) reflected a negative trend in that performance declined over time;
- 22 (19 percent) were measures that were not in place for more than three years and therefore a trend could not be detected; and
- 6 (5 percent) were measures whose targets and actuals were closely dependent on the volatile amount of funds from year to year and thus a trend could not be detected. These measures were specific to the Economic Development Administration EDA and reflected the amount of invested generated and jobs created or retained as a result of EDA funds.

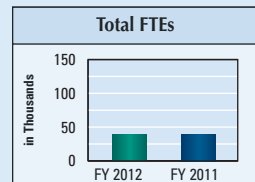
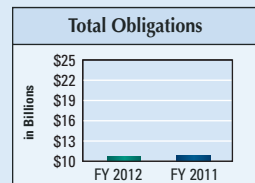
STATUS OF CURRENT MEASURES



Improving, stable, or declining measures have at least three years of data.

Below are the funding and full-time equivalent (FTE) levels by strategic goal and financial highlights for FY 2012 and FY 2011. Beginning on page 17 is a summary of the FTE and funding by theme and objective. Discussions and highlights of public benefits, achievements, and performance results appear in the performance section of this report.

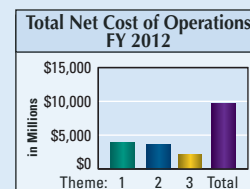
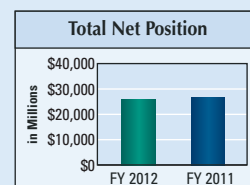
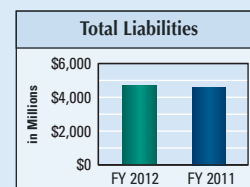
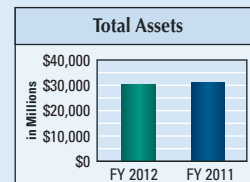
(Dollars in Millions) ¹	Percentage Change	FY 2012	FY 2011
For the Years Ended September 30, 2012 and 2011			
Obligations by Themes:			
Theme 1: Economic Growth	+2.8%	\$ 4,271.5	\$ 4,156.0
Theme 2: Science and Information	-0.8%	\$ 4,635.2	\$ 4,670.4
Theme 3: Environmental Stewardship	-8.9%	\$ 1,788.5	\$ 1,962.4
Themes 4-6: Management Themes	-3.8%	\$ 87.3	\$ 91.1
TOTAL OBLIGATIONS	-0.9%	\$10,782.5	\$10,879.9
Full Time Equivalents (FTEs) by Strategic Goal:			
Theme 1: Economic Growth	+2.0%	16,010	15,698
Theme 2: Science and Information	-9.2%	17,056	18,787
Theme 3: Environmental Stewardship	-0.8%	5,167	5,209
Themes 4-6: Management Themes	-10.8%	297	333
TOTAL FTEs	-3.7%	38,530	40,027



¹Performance funding may differ from funding shown in financial statements because the performance funds do not include one-time funds for unexpected events (e.g., hurricanes) or reimbursable work that cannot be planned. In these cases, the funding is not factored into bureau performance amounts. Also funding reflects obligations as opposed to costs.

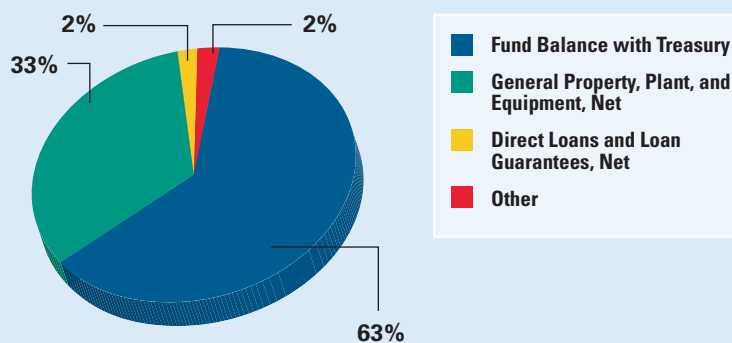
FINANCIAL HIGHLIGHTS

(Dollars in Thousands)	Percentage Change	FY 2012	FY 2011
As of September 30, 2012 and 2011			
Condensed Balance Sheets:			
ASSETS:			
Fund Balance with Treasury	-11%	\$ 19,261,281	\$ 21,661,030
General Property, Plant, and Equipment, Net	+20%	10,000,512	8,362,263
Direct Loans and Loan Guarantees, Net	+1%	570,348	566,250
Other	-27%	587,406	809,498
TOTAL ASSETS	-3%	\$ 30,419,547	\$ 31,399,041
LIABILITIES:			
Unearned Revenue	+1%	\$1,386,503	\$1,374,524
Federal Employee Benefits	+5%	851,211	808,482
Accounts Payable	+5%	452,901	431,735
Accrued Grants	+7%	635,856	595,721
Debt to Treasury	+3%	554,281	540,001
Accrued Payroll and Annual Leave	0%	580,715	578,952
Other	-8%	241,846	261,713
TOTAL LIABILITIES	+2%	\$ 4,703,313	\$ 4,591,128
NET POSITION:			
Unexpended Appropriations	-27%	\$ 6,716,434	\$ 9,219,657
Cumulative Results of Operations	+8%	18,999,800	17,588,256
TOTAL NET POSITION	-4%	\$ 25,716,234	\$ 26,807,913
TOTAL LIABILITIES AND NET POSITION	-3%	\$ 30,419,547	\$ 31,399,041
For the Years Ended September 30, 2012 and 2011			
Condensed Statements of Net Cost:			
<i>Theme 1: Economic Growth</i> Net Program Costs	+36%	\$ 3,902,083	\$ 2,865,357
<i>Theme 2: Science and Information</i> Net Program Costs	-8%	3,635,663	3,955,362
<i>Theme 3: Environmental Stewardship</i> Net Program Costs	-11%	2,144,275	2,413,081
TOTAL NET COST OF OPERATIONS	+5%	\$ 9,682,021	\$ 9,233,800
Total Gross Costs	+5%	\$ 13,018,305	\$ 12,419,854
Less: Total Earned Revenue	+5%	(3,336,284)	(3,186,054)
Total Net Cost Of Operations		\$ 9,682,021	\$ 9,233,800

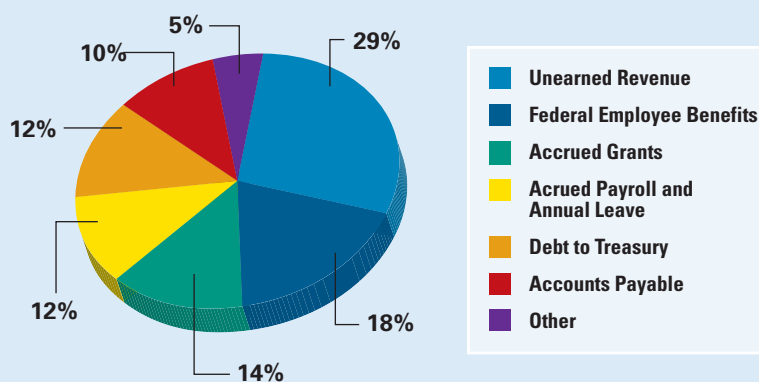


REVIEW OF FINANCIAL POSITION AND RESULTS

COMPOSITION OF THE DEPARTMENT'S FY 2012 ASSETS



COMPOSITION OF THE DEPARTMENT'S FY 2012 LIABILITIES



Public Safety Interoperable Communications Program and a \$93 million decrease in Advances for NOAA's Pacific Region Center construction project.

ASSETS

The Department had total assets of \$30.4 billion as of September 30, 2012. This represents a decrease of \$979 million or 3 percent over total assets of \$31.4 billion at September 30, 2011. Fund Balance with Treasury decreased \$2.4 billion or 11 percent, from \$21.7 billion to \$19.3 billion, primarily due to a \$1.7 billion decrease in Fund Balance with Treasury for NTIA's Broadband Technology Opportunities Program under the Recovery Act mainly as a result of a significant decrease in payments to grantees, and also due to a \$215 million decrease in Fund Balance with Treasury for NIST's Recovery Act funds for construction of research facilities and for scientific and technical research and services. General Property, Plant, and Equipment, Net increased \$1.6 billion or 20 percent, mainly due to an increase in NOAA Construction-in-progress of \$1.6 billion, primarily for satellite programs. Other Assets decreased by \$222 million or 27 percent, primarily due to a decrease of \$109 million in Advances to the Federal Emergency Management Agency related to NTIA's

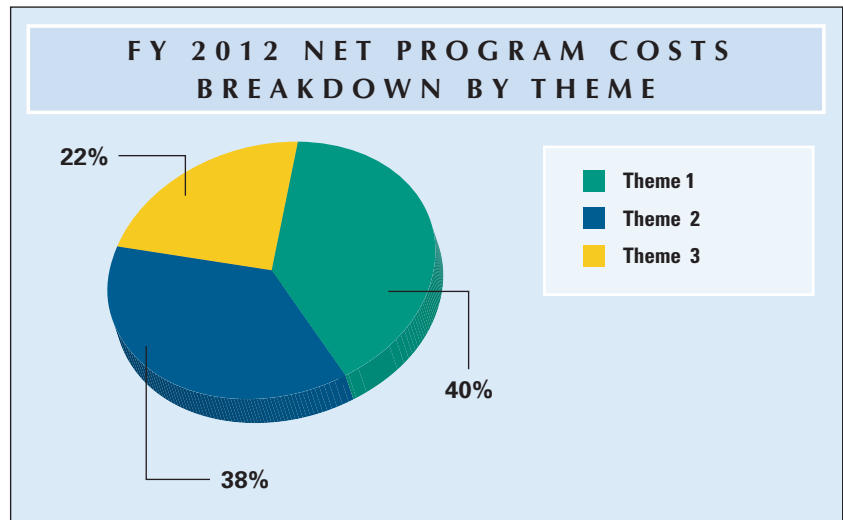
LIABILITIES

The Department had total liabilities of \$4.7 billion as of September 30, 2012. This represents an increase of \$112 million or 2 percent as compared to total liabilities of \$4.6 billion at September 30, 2011. Federal Employee Benefits increased by \$43 million or 5 percent, primarily due to an increase of \$54 million in the NOAA Corps Retirement System Liability. Accrued Grants increased by \$40 million or 7 percent, primarily due to an increase for EDA of \$36 million for economic development grants. Accounts Payable increased by \$21 million or 5 percent, primarily due to an increase in NOAA's Accounts Payable of \$40 million, mainly related to NOAA's satellites and weather systems.

NET COST OF OPERATIONS

In FY 2012, the Department's Net Cost of Operations amounted to \$9.7 billion, which consists of Gross Costs of \$13.0 billion less Earned Revenue of \$3.3 billion. Theme 1 includes Gross Costs of \$6.5 billion related to enabling economic growth through innovation and entrepreneurship, market development and commercialization, and trade promotion and compliance. Theme 2 includes Gross Costs of \$4.2 billion related to promoting science and information by generating and communicating new cutting-edge scientific understanding of technical, economic, social, and environmental systems.

Theme 3 includes Gross Costs of \$2.3 billion related to promoting economically-sound environmental stewardship and science.



The Theme 1 increase in FY 2012 Net Program Costs over FY 2011 of \$1.0 billion or 36 percent is primarily due to an increase in Gross Costs of \$973 million for NTIA's Broadband Technology Opportunities Program mainly as a result of significantly increased grantee costs incurred. The Theme 2 decrease in FY 2012 Net Program Costs over FY 2011 of \$320 million or 8 percent is primarily due to decreased costs of \$332 million for Census Bureau's Decennial and Periodic Censuses major program, including decreased costs for information technology, surveys, field data collection, and other costs. The Theme 3 decrease in FY 2012 Net Program Costs over FY 2011 of \$269 million or 11 percent is primarily due to a \$342 million decrease in NOAA Gross Costs, including a \$111 million decrease in costs related to the 2010 Deepwater Horizon oil spill, a \$36 million decrease in Recovery Act habitat restoration grants costs, and decreases in costs for the National Weather Service and the National Centers for Coastal Ocean Science program.

THE DEPARTMENT OF COMMERCE PROCESS FOR STRATEGIC PLANNING AND PERFORMANCE REPORTING

MANAGEMENT STRATEGIC FRAMEWORK, PERFORMANCE PLANNING AND REPORTING AT A GLANCE

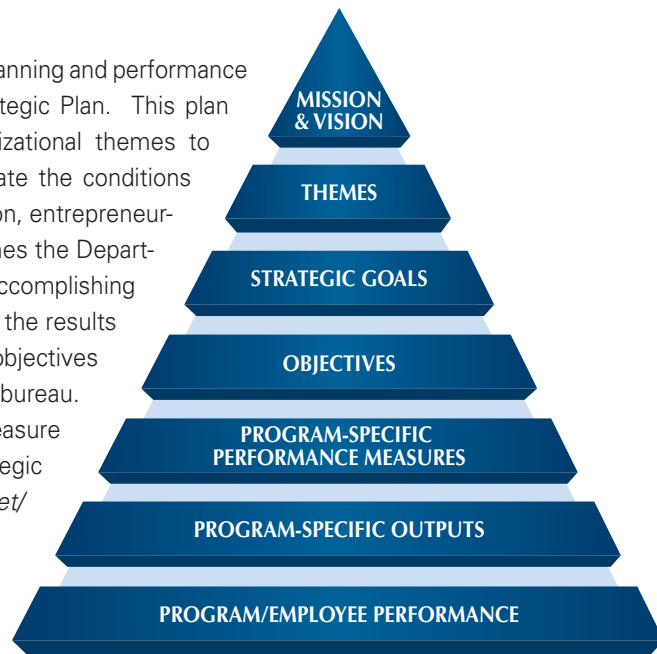
The Department of Commerce process for strategic planning and performance reporting is based on the FY 2011 – FY 2016 Strategic Plan. This plan has three programmatic themes and three organizational themes to guide the Department in accomplishing its mission to create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship. Within these themes the Department has goals and objectives that define the structure of accomplishing this mission. Strategic goals describe objectives that define the results that the bureaus aim to achieve. These are long-term objectives that often involve the work of more than one Department bureau. Each objective has associated indicators and targets to measure the Department's impact on a continuous basis. The strategic plan can be found at http://www.osec.doc.gov/bmi/budget/docfy11-16strategicplan%20_508version.pdf.

In the FY 2013 Congressional Budget submission, the Department's bureau-specific performance goals and measures align with the Department's strategic themes, goals, and objectives. The performance goals in the Annual Performance Plans (APP) link 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. The FY 2013 budget submission and its associated APPs can be found at <http://www.osec.doc.gov/bmi/budget/>.

This FY 2012 PAR aligns with the Strategic Plan and provides a public accounting of the Department's FY 2012 performance results. The FY 2012 PAR Web address is http://www.osec.doc.gov/bmi/budget/12par/docfy2012par_508version.pdf. Appendix A of the FY 2012 PAR provides historical results of the Department's performance, matching targets against actuals going back as far as FY 2000 in some cases.

How the Department Selects Its Performance Outcomes and Measures

Performance objectives articulated in the introductory material for each strategic goal in the Strategic Plan and APP, convey a sense of how the Department creates value for the U.S. public. Performance measures depict tangible progress by Department program activities toward these goals. The Department has tailored performance measures to be more outcome-oriented (described in the next section). When considered along with external factors and information provided in program evaluations, these measurements give valuable insight into the performance of Department programs, and are meant to broadly illustrate how the Department adds value to the U.S. economy. The FY 2012 PAR depicts a top-level, integrated system for managing for results within the Department, but is not an exhaustive treatment of all Department programs and activities. This report must also be read with each Department bureau's own performance results to gain a comprehensive picture of the Department's accomplishments in FY 2012. More in-depth performance results for FY 2012



and prior years are available in Appendix A. Other information about the bureaus can be found on individual bureau Web sites. The directory of Web sites is located on the inside front cover of this report and provides a base for researching additional information. Descriptions of any changes between FY 2011 and FY 2012, as well as descriptions including validation and verification information of each measure, can be found on the Department's Web site at www.osec.doc.gov/bmi/budget/fy11par.htm. This Web site provides all measure descriptions for each bureau as part of the FY 2013 annual budgets for each bureau incorporated as Exhibit 3A (APP) of each bureau's budget submission and the soon to be released FY 2014 Congressional Budget submission

Performance Validation and Verification

The Department uses a broad range of performance outcomes and measures to make reporting useful and reliable. It is imperative to demonstrate that performance measures are backed by accurate and reliable data; valid data are important to support management decisions on a day-to-day basis. The data and the means to validate and verify the measures are also diverse. As in the measures descriptions above, validation and verification tables appear in the APPs of each bureau's FY 2013 budget submissions. These tables identify each measure, and the following information: (1) data source, (2) frequency, (3) data storage, (4) internal control procedures, (5) data limitations, and (6) any actions to be taken. This information is available at www.osec.doc.gov/bmi/budget/fy10par.htm.

The Department reviews its performance validation and verification processes to ensure that the performance data are accurate. The Department maintains a quarterly monitoring process of performance based upon each bureau's individual balanced scorecards, expanding the Department's scorecard into bureau-specific activities that feed into the Department's scorecard. Performance measures are associated with the bureaus' scorecards, flowing into the Department's scorecard and into the PAR.

Performance Controls and Procedures

Leadership: In the past, the Department has conducted quarterly performance reviews, during which bureau heads report to the Deputy Secretary on the current status of bureau performance. These reviews are continuing in various forms with the current administration. These reviews are taking the form of a Balanced Scorecard approach to management, by not only emphasizing budget and finance, but also customer, internal business process, and learning and growth perspectives into management activities. The Department also took a more integrated, crosscutting approach to its programs. In the current Departmental Balanced Scorecard and the FY 2011 – FY 2016 Strategic Plan, bureaus tend to cross themes, goals, and objectives, giving a greater emphasis to the Secretary's three programmatic themes of Economic Growth, Science and Information, and Environmental Stewardship, and the three management themes of Customer Service, Organizational Excellence, and Workforce along with a greater integration of programs. Individual bureau scorecards follow the structure of the Departmental scorecard while providing greater detail about their programs. Finally, progress towards Government Performance and Results Act (GPRA) measures appear in this report.

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

Financial Data: As stated above, the Department has a high degree of confidence in its financial data. Internal assessment and other financial management controls maintain the integrity of these data elements. During the FY 2012 Consolidated Financial Statement audit, tests and review of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. Further, the Department conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of Office of Management and Budget (OMB) Circular A-123. As a result, the Department is able to provide a qualified statement of assurance that its internal controls and financial management systems meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA), with the exception of one material weakness. The material weakness is related to the budgetary control issues identified for the unauthorized reprogramming of funds at the National Weather Service (NWS) and other potential matters under review by the Department, and accounting for satellites and property at the National Oceanic and Atmospheric Administration (NOAA). Other than this exception, internal controls were operating effectively and no other material weaknesses were found.

Departmental Performance Structure

Programmatic themes are the realm of the bureaus while the organizational themes (Customer Service, Organizational Excellence, and Workforce Excellence) focus on Departmental Management and the Office of Inspector General (OIG) though these themes do have elements from other bureaus. Nearly all of the funding occurs in the three programmatic themes, though no theme dominates the other with occasional fluctuations occurring that change the respective percentages.

Since one of the primary purposes of the PAR is to examine the FY 2012 performance, this PAR does not include past discontinued measures since they do not provide a true reflection of historical trends through FY 2012, particularly when measures didn't accurately reflect the work of the bureau. Therefore, performance historical tables reflect past trends using the measures that the Department reports on in FY 2012.

SUMMARY DESCRIPTION OF BUREAUS

The following are summary descriptions of each bureau in budget appropriation order with applicable themes listed at the end of each description.

The **Departmental Management (DM)** develops and implements policy affecting U.S. and international activities as well as internal goals and operations of the Department. DM serves as the primary liaison with the executive branch and Congressional and private sector groups, and acts as the management and administrative control point for the Department. Executive Direction develops and implements Departmental policies and coordinates bureau program activities to accomplish the Department's mission while Departmental Staff Services develops and implements the Department's internal policies, procedures, and other administrative guidelines. **CUSTOMER SERVICE, ORGANIZATIONAL EXCELLENCE, AND WORKFORCE EXCELLENCE**

The **Office of Inspector General (OIG)** ensures that the Department's employees and others managing federal resources comply with applicable laws and regulations, and actively work to prevent fraud, waste, and abuse in program operations. The OIG monitors and tracks the use of taxpayer dollars in federally-funded programs with its purpose being to keep Departmental officials and Congress fully and currently informed about issues, problems, and deficiencies relating to the administration of programs and operations and the need for corrective action. **ORGANIZATIONAL EXCELLENCE**

The **Economic Development Administration (EDA)** directly supports the Department's goal to maximize U.S. competitiveness and enable economic growth for U.S. industries, workers, and consumers with the objective to foster domestic economic development as well as export opportunities. To achieve this objective, EDA promotes a favorable business environment through strategic investments in public infrastructure. These investments help attract private capital investment and jobs that address problems of high unemployment, low per capita income, and sudden, severe economic challenges. **ECONOMIC GROWTH**

The **Census Bureau** is the leading source of quality data about the Nation's people and economy. The Census Bureau measures those trends and segments of the U.S. population and economy most critical to continued U.S. success and prosperity. The Census Bureau provides benchmark measures of the U.S. population, economy, and governments; and provides current measures of the U.S. population, economy, and governments. The Census Bureau's cyclical programs include the Economic Census and the Census of Governments, conducted every five years, and the Decennial Census program, conducted every 10 years. **SCIENCE AND INFORMATION**

The **Bureau of Economic Analysis (BEA)** produces some of the Nation's most important economic statistics, including GDP and the balance of payments. BEA promotes a better understanding of the U.S. economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner. Although a relatively small agency, BEA's economic statistics are among the Nation's most closely watched. BEA's statistics influence critical decisions made by policymakers, business leaders, households, and individuals affecting interest and exchange rates, tax and budget projections, business investment plans, and the allocation of over \$200 billion in federal funds. **SCIENCE AND INFORMATION**

The **International Trade Administration (ITA)** works to create prosperity by promoting trade and investment, ensuring fair trade and compliance with trade laws and agreements, and strengthening the competitiveness of U.S. industry. Within ITA, the Manufacturing and Services (MAS) unit analyzes the domestic and international aspects of U.S. competitiveness by working with U.S. industries to evaluate the needs of the MAS sectors, conducting economic and regulatory studies aimed at strengthening U.S. industry, obtaining input and advice from U.S. industries for trade policy setting, and participating, as appropriate, with ITA trade policy and negotiation advancement initiatives. The Market Access and Compliance (MAC) unit concentrates on the development of strategies to overcome market access obstacles faced by U.S. businesses. MAC monitors foreign country compliance with numerous trade-related agreements and identifies compliance problems and other market access obstacles. The Import Administration (IA) helps ensure fair trade by administering the U.S. antidumping and countervailing duty (AD/CVD) laws in a manner consistent with U.S. international obligations. IA works extensively with U.S. businesses on a regular basis to educate them about U.S. trade laws related to dumping and foreign government subsidies and how to act if they are injured by those practices. *Trade Promotion* and the *U.S. and Foreign Commercial Service (US&FCS)* broadens and deepens the base of U.S. exports by providing U.S. companies with reliable advice on the range of public and private assistance available, and knowledgeably supports all other federal trade promotion services. **ECONOMIC GROWTH**

The **Bureau of Industry and Security (BIS)** advances U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and by promoting continued U.S. strategic technology leadership. BIS (1) regulates the export of sensitive "dual use" goods and technologies in an effective and efficient manner; (2) enforces export control, antiboycott, and public safety laws; (3) cooperates with and assists other countries on export control and strategic trade issues; (4) assists U.S. industry in complying with international arms agreements; monitors the viability of the U.S. defense industrial base; (5) evaluates the effects on national security of foreign investments in U.S. companies; and (6) supports continued U.S. technology leadership in industries that are essential to national security. **ECONOMIC GROWTH**

The **Minority Business Development Agency (MBDA)** actively promotes the ability of minority business enterprises (MBE) to grow and to participate in the global economy through a range of activities that include funding a network of centers that provide MBEs a variety of business assistance services.

MBDA (1) fosters the expansion of opportunities for minority-owned business in the global marketplace; (2) identifies sources of financial capital for minority-owned firms; (3) develops and upgrades electronic tools to provide access to growth markets through automated matching of MBEs to public and private sector opportunities; (4) provides management and technical assistance to minority-owned businesses; and (5) advocates for the increased use of electronic commerce and new technologies by MBEs. **SCIENCE AND INFORMATION, ENVIRONMENTAL STEWARDSHIP**

The **National Oceanic and Atmospheric Administration (NOAA)** promotes environmental stewardship. NOAA encompasses all of Strategic Goal 3. **SCIENCE AND INFORMATION, ENVIRONMENTAL STEWARDSHIP**

NOAA is divided into two primary appropriation accounts, Operations, Research, and Facilities; and Procurement, Acquisition, and Construction, for both of which the following six programs apply:

- The **National Ocean Service (NOS)** provides scientific, technical, and management expertise to promote safe navigation; protects and restores coastal and marine resources damaged by natural or human-induced threats; and manages and preserves coastal and ocean environments.
- The **National Marine Fisheries Service (NMFS)** manages and conserves the living marine resources within the 200-mile U.S. Exclusive Economic Zone. NMFS is dedicated to the stewardship of living marine resources through science-based conservation and management.
- The **Office of Oceanic and Atmospheric Research (OAR)** provides the research and technology development necessary to improve NOAA climate, weather, coastal, and ocean services. OAR supplies the scientific information to advise national policy decisions in such areas as climate change, air quality, coastal resource management, and stratospheric ozone depletion.
- The **National Weather Service (NWS)** provides weather, hydrologic, and climate forecasts and warnings for the United States, its territories, adjacent waters, and ocean areas, for the protection of life and property and the enhancement of the national economy.
- The **National Environmental Satellite, Data and Information Service (NESDIS)** operates the polar-orbiting and geostationary operational environmental satellites and manages NOAA's environmental data collections for use in studying long-term environmental change.
- **Program Support** provides overall NOAA management, planning, and administrative support for NOAA. Program Support promotes environmental literacy and develops and sustains a world-class workforce. Program Support provides for repair, restoration, and other construction efforts, along with NOAA-wide environmental compliance and safety issues. With Program Support, the Office of Marine and Aviation Operations operates and maintains NOAA's ships and aircraft and uses them to collect data to support NOAA's mission.

The **U.S. Patent and Trademark Office (USPTO)** fosters innovation and competitiveness by providing high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property (IP) policy, and delivering IP information and education worldwide. Two distinct business lines, Patents and Trademarks, administer the patent and trademark laws which provide protection to inventors and businesses for their inventions and corporate and product identifications, and encourage innovation and scientific and technical advancement of U.S. industry through the preservation, classification, and dissemination of patent and trademark information. **ECONOMIC GROWTH**

The **National Institute of Standards and Technology (NIST)** promotes U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that improve economic security and quality of life. NIST develops and disseminates measurement techniques, reference data, test methods, standards, and other technologies and services needed by U.S. industry to compete in the 21st century. The *NIST laboratories* provide the measurement science and physical standards that are essential components of the technology infrastructure underpinning U.S. innovation. NIST's *Technology Innovation Program (TIP)* supports innovative, high-risk, high-reward research in areas of critical national need where the government has a clear interest due to the magnitude of the problems and their importance to society. Through federal-state-local and private sector partnerships, NIST's *Hollings Manufacturing Extension Partnership (MEP)* provides technical and business assistance to manufacturers through a nationwide network of centers in all 50 states and Puerto Rico. The *Baldrige National Quality Program* promotes proven quality and performance management practices to strengthen U.S. companies, educational organizations, and health care providers. Recognized worldwide, the program furthers organizational excellence through education, outreach, and annual awards. **ECONOMIC GROWTH**

The **National Technical Information Service (NTIS)** collects and preserves scientific, technical, engineering, and other business-related information from federal and international sources, and disseminates it to the U.S. business and industrial research community. **SCIENCE AND INFORMATION**

The **National Telecommunications and Information Administration (NTIA)** develops domestic and international telecommunications and information policy for the executive branch; ensures the efficient and effective management and use of the federal radio spectrum; and performs state-of-the-art telecommunications research, engineering, and planning. **ECONOMIC GROWTH, SCIENCE AND INFORMATION**

On the following pages is a listing of the key measures of each of the bureaus in the Department. This list is not all-inclusive. Further information concerning these and other performance measures can be found in Appendix A. The status of a given measure is either exceeded (more than 125 percent of the target), met (100 to 125 percent of target), slightly below (95 to 99 percent of the target), or not met (below 95 percent of target).

KEY PERFORMANCE MEASURES				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Theme 1: Economic Growth	Patent quality composite rate	48-56	72.4	Exceeded
	Patent total pendency (months) (USPTO)	34.7	32.4	Met
	Trademark final compliance rate (USPTO)	97.0%	97.1%	Met
	Trademark average total pendency (months), (USPTO)	12.0	10.2	Met
	Private investment leveraged (nine year totals) (EDA)	\$1,810M	\$1,620 ¹	Not Met
	Jobs created/retained (nine year totals) (EDA)	52,700	45,800 ¹	Not Met
	Dollar value of contract awards obtained (MBDA)	\$1.10B	\$1.16B	Met
	Dollar value of financial awards obtained (MBDA)	\$0.90B	\$1.56B	Exceeded
	Miles of broadband networks deployed (NTIA)	50,000	72,152 ²	Exceeded
	Community anchor institutions connected (NTIA)	10,000	10,045 ²	Exceeded
	New and upgraded computer workstations (NTIA)	35,000	36,347 ²	Exceeded
	New household and business subscribers to broadband (NTIA)	350,000	388,679 ²	Exceeded
	Qualitative assessment and review of technical quality and merit using peer review (NIST)	Complete annual peer review	Completed	Met
	Standard reference materials (SRMs) sold	31,000	33,441	Met
	Annual cost savings resulting from the adoption of MAS recommendations contained in MAS studies and analysis (ITA)	\$250M	\$0M	Not Met
	Increased sales attributed to Hollings MEP centers receiving federal funding (NIST)	\$2,000M from FY 2011 funding	\$2,700M from FY 2011 funding	Exceeded
	Cost savings attributed to Hollings MEP centers receiving federal funding (NIST)	\$1,100M from FY 2011 funding	\$966 M from FY 2011 funding	Not Met
	Number of clients assisted by US&FCS (ITA)	20,709	18,945	Not Met
	Commercial diplomacy success (cases) (annual) (ITA)	152	215	Exceeded
	Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge (BIS)	850	1,162	Exceeded
Percent of industry-specific trade barriers addressed that were removed or prevented (ITA)	20%	37%	Exceeded	
Number of compliance and market access cases resolved successfully (ITA)	80	89	Met	
Dollar value of U.S. export content in advocacy cases won (ITA)	\$19B	\$74B ³	Met	

¹ Estimates as of November 15. EDA expects to meet or be slightly below the targets with the release of final performance data.

² Actuals as of June 30, 2012. NTIA anticipates exceeded all its targets when final FY 2012 information is available.

³ Actuals as of June 30, 2012. ITA expects to meet the target when final FY 2012 information is available.

(continued)

KEY PERFORMANCE MEASURES *(continued)*

THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Theme 2: Science and Information	Number of information products disseminated (NTIS)	49,878,000	54,592,481	Met
	Complete key activities for cyclical census programs on time to support effective decision-making by policymakers, businesses, and the public and meet constitutional and legislative mandates (ESA/CENSUS)	At least 90% of key activities completed on schedule	At least 90% of key activities completed on schedule	Met
	Achieve pre-determined collection rates for Census Bureau censuses and surveys to provide statistically reliable data to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	At least 90% of key censuses and surveys meet/exceed collection rates/levels of reliability	At least 80% of key censuses and surveys meet/exceed collection rates/levels of reliability	Not Met ⁴
	Release data products for key Census Bureau programs on time to support effective decision-making of policymakers, businesses, and the public (ESA/CENSUS)	<ul style="list-style-type: none"> ● (1) 100% of Economic Indicators released on time ● (2) At least 90% of key prep activities completed on time 	<ul style="list-style-type: none"> ● (1) 100% of Economic Indicators released on time ● (2) At least 90% of key prep activities completed on time 	Met
	Timeliness: Reliability of delivery of economic data (number of scheduled releases issued on time) (ESA/BEA)	62	62	Met
	Accuracy: Percent of GDP estimates correct (ESA/BEA)	> 85%	87%	Met
	Severe weather warnings for tornadoes – Lead time (minutes) (NOAA)	13	12 ⁵	Slightly Below
	Severe weather warnings for tornadoes (storm-based) – Accuracy (%) (NOAA)	72%	71% ⁵	Slightly Below
	Hurricane forecast track error (48 hours) (nautical miles) (NOAA)	84	70 ⁵	Exceeded
	Hurricane forecast intensity error (48 hours) (difference in knots) (NOAA)	13	14.4 ⁵	Not Met

⁴ Whereas this target appears to have been met, there are extenuating circumstances. The Survey of Income Program and Participation (SIPP) is a longitudinal (cannot add to sample) survey that realizes a decrease in response rates as the survey progresses and respondents decline participation. The Annual Capital Expenditures Survey (ACES) consists of businesses (sample) without employees. Their unwillingness to participate in the survey had a negative impact on the response rate that resulted in missing the targets through the third quarter of FY 2012

⁵ Estimates. Pending collection of final performance data.

(continued)

KEY PERFORMANCE MEASURES <i>(continued)</i>				
THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Theme 3: Environmental Stewardship	Error in global measurement of sea surface temperature (NOAA)	0.50°C	0.56°C	Not Met
	Fish stock sustainability index (FSSI) (NOAA)	603	606	Met
	Percentage of fish stocks with adequate population assessments and forecasts (NOAA)	57.4% (132/230)	56.1% (129/230)	Slightly Below
	Number of habitat acres restored (annual) (NOAA)	80,007	8,242 ⁶	Exceeded
	Annual number of coastal, marine, and Great Lakes habitat acres acquired or designated for long-term protection (NOAA)	69,550	8,694,070 ⁷	Exceeded
	Percentage of U.S. coastal states and territories demonstrating 20% or more annual improvement in resilience capacity to weather and climate hazards (%/year) (NOAA)	34%	46%	Exceeded
	Hydrographic survey backlog within navigationally significant areas (square nautical miles surveyed per year) (NOAA)	2,200	2,947	Met
	Percentage of U.S. counties enabled to benefit from a new national vertical reference system for improved inundation management (NOAA)	20%	24%	Met
Theme 4: Customer Service	Number of referrals made (DM)	1,100	703	Not Met
	Number of companies engaged – field operations (DM)	400	401	Met
Theme 5: Organizational Excellence	Provide accurate and timely financial information and conform to federal standards, laws, and regulations governing accounting and financial management (DM)	<ul style="list-style-type: none"> Eliminate any significant deficiency within 1 year of determination that there is a significant deficiency Complete FY 2012 A-123 assessment of internal controls 	<ul style="list-style-type: none"> Did not eliminate significant deficiency Completed FY 2012 A-123 assessment of internal controls 	Not Met
	Effectively use competitive sourcing (DM)	<ul style="list-style-type: none"> Increase use of competition by 2% measured by dollars awarded Decrease dollars awarded on cost-reimbursement, Time and materials and labor hour contracts by 10% 	<ul style="list-style-type: none"> 1% increase 16% decrease 	Slightly Below

⁶ Acres restored with funding from the Pacific Coastal Salmon Recovery Fund were not available at the time of publication. The acres shown were restored with Habitat Program funding, which exceeded the target of 6,007

⁷ Acres acquired or designated was exceeded due to the expansion of the Fagatele Bay National Marine Sanctuary in American Samoa to include five additional discrete sites.

(continued)

KEY PERFORMANCE MEASURES *(continued)*

THEME	PERFORMANCE MEASURE	TARGET	ACTUAL	STATUS
Theme 5: Organizational Excellence <i>(continued)</i>	Improve the management of information technology (DM)	<ul style="list-style-type: none"> IT investments have cost/schedule overruns and performance shortfalls averaging less than 10% Perform IT security compliance review of all operating units, and 10 FISMA systems in CSAM Increase security training completion rate to 80% for privileged users (role-based) Deploy 80% of the required NCSD 3-10 communications capabilities. Expand cyber intelligence communications channel to all operating unit Computer Incident Response Teams 	<ul style="list-style-type: none"> 75% of major IT investments have cost/schedule overruns and performance shortfalls averaging less than 10% Completed 29 IT security assessments. Conducted IT security compliance checks of all Department operating units and in-depth internal control review meetings with five selected operating units as part of the Department's IT internal control review program. Trained Authorizing Officials and System Owners throughout the Department with quarterly workshops. Achieved greater than 85% of required security training for privileged users (role-based). The Department is currently at 50%. Required equipment and systems are installed at the Herbert C. Hoover Building. Deploying classified connectivity to all outside bureau components. 	<p style="text-align: center;">Met</p>
	Dollar value of financial benefits identified by the OIG (OIG)	\$39.0M	\$175.8M	
Theme 6: Workforce Excellence	Acquire and maintain diverse and highly qualified staff in mission-critical occupations (DM)	<ul style="list-style-type: none"> Meet or exceed the 80-day hiring goals mandated by OPM. Train 100-200 participants on leadership development programs via ALDP, ELDP, and APCP Train 180-200 participants via Careers in Motion. 	<ul style="list-style-type: none"> 84 calendar days. 122 Department participants in leadership development programs 711 participants in Careers in Motion. 	Met

FTE, FUNDING, AND PERFORMANCE SUMMARY

THEME 1: ECONOMIC GROWTH

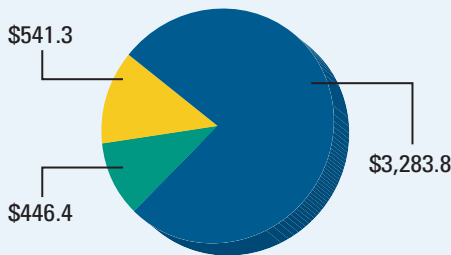
The following three strategic goals (and their applicable bureaus) apply to this theme.

- Strategic Goal – Innovation and Entrepreneurship:** Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses (USPTO, EDA, NIST, and NTIA)
- Strategic Goal – Market Development and Commercialization:** Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups (EDA, MBDA, ITA, and NIST)
- Strategic Goal – Trade Promotion and Compliance:** Improve our global competitiveness and foster domestic job growth while protecting American security (ITA and BIS)

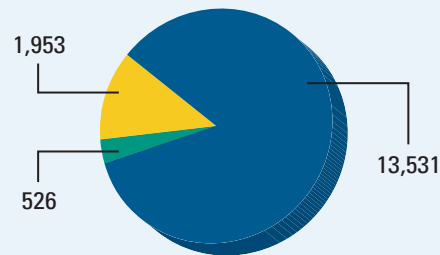
Of all the themes within the Department, the Economic Growth theme accounted for 39 percent of the total funding, and 39 percent of the full-time equivalent (FTE). Within the Economic Growth theme, the Innovation and Entrepreneurship goal accounted for 84 percent of the FTE and 78 percent of the theme funding. This goal includes all of the U.S. Patent and Trademark Office (USPTO) and portions of the Economic Development Administration (EDA), the National Institute of Standards and Technology (NIST), and the National Telecommunications and Information Administration (NTIA). Market Development, the smallest of the three goals in terms of FTE and funding, accounted for 3 percent of FTE and 9 percent of the theme funding. This goal includes all of the Minority Business Development Agency (MBDA), and portions of EDA, the International Trade Administration (ITA), and NIST. The Trade Promotion goal accounted for 13 percent of FTE and 13 percent of the theme funding. This goal includes all of the Bureau of Industry and Security (BIS), and portions of ITA.

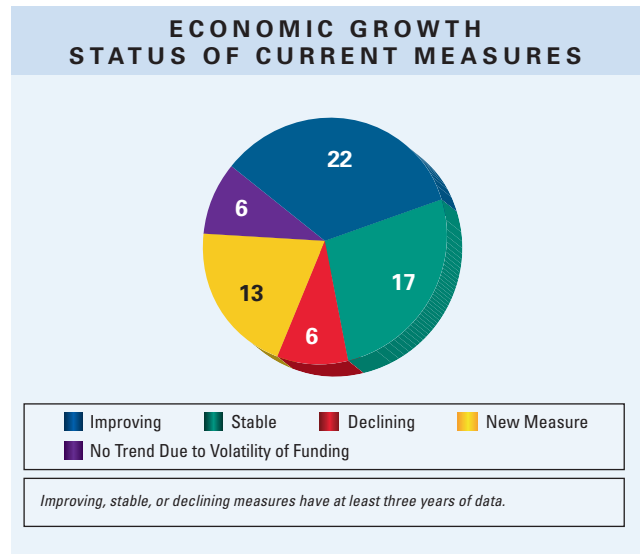
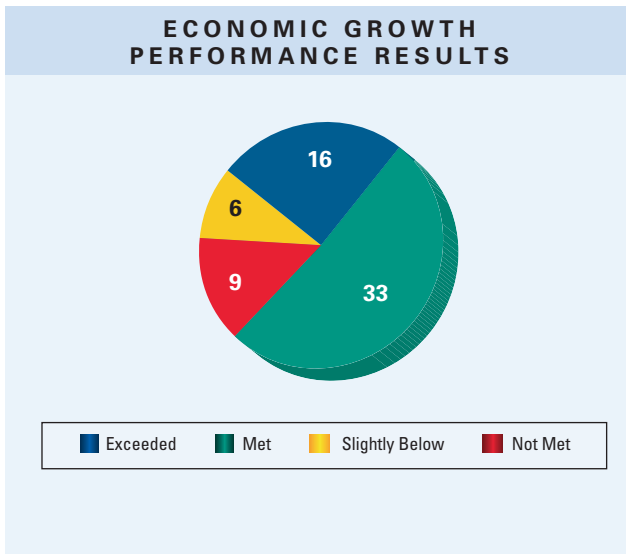
ECONOMIC GROWTH TOTAL RESOURCES

FUNDING (Dollars in Millions)



FTE





STRATEGIC GOAL – INNOVATION AND ENTREPRENEURSHIP: *Develop the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses*

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
1	Improve intellectual property protection by reducing patent pendency, maintaining trademark pendency, and increasing the quality of issued patents and trademarks (USPTO)	\$2,329.6	10,342
2	Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (USPTO)	\$45.1	127
3	Stimulate high-growth business formation and entrepreneurship, through investing in high-risk, high-reward technologies and by removing impediments to accelerate technology commercialization (EDA)	\$57.1	53
4	Drive innovation by supporting an open global Internet and through communications and broadband policies that enable robust infrastructure, ensure integrity of the system, and support e-commerce (NTIA)	\$77.3	160
5	Provide measurement tools and standards to strengthen manufacturing, enable innovation and enhance efficiency (NIST)	\$774.7	2,849

STRATEGIC GOAL – MARKET DEVELOPMENT AND COMMERCIALIZATION: *Foster market opportunities that equip businesses and communities with the tools they need to expand, creating quality jobs with special emphasis on unserved and underserved groups*

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
6 ¹	Promote the advancement of sustainable technologies, industries, and infrastructure (EDA)	\$26.7	12
7	Promote the vitality and competitiveness of our communities and businesses, particularly those that are disadvantaged or in distressed areas (EDA, MBDA)	\$234.4	229
8	Improve the competitiveness of small and medium-sized firms in manufacturing and service industries (ITA, NIST)	\$185.3	285

¹ The measures that apply to this objective also apply to Objective 3 and are reflected in the status of that objective.

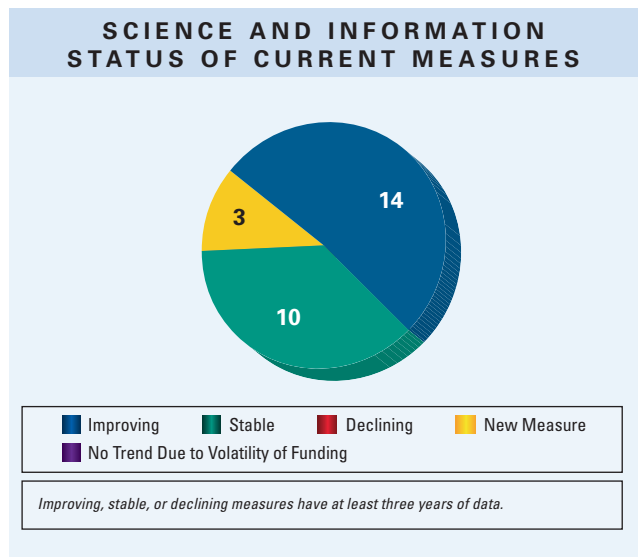
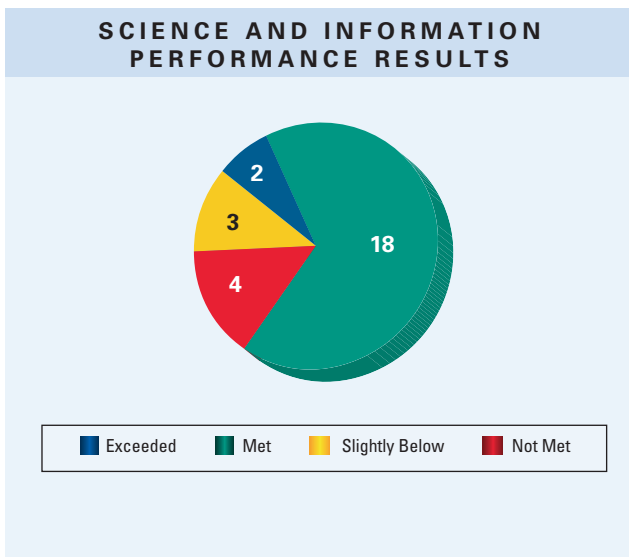
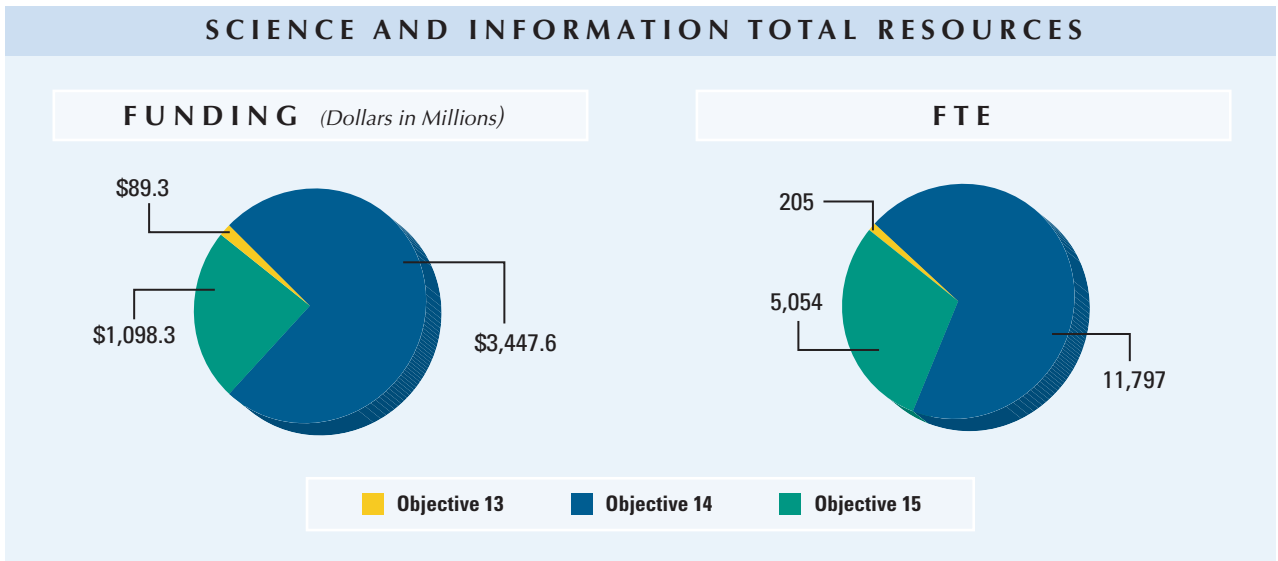
STRATEGIC GOAL – TRADE PROMOTION AND COMPLIANCE: *Improve our global competitiveness and foster domestic job growth while protecting American security*

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
9	Increase U.S. export value through trade promotion, market access, compliance, and interagency collaboration (including support for small and medium enterprises) (ITA)	\$350.2	1,198
10	Implement an effective export control reform program to advance national security and overall economic competitiveness (BIS)	\$101.0	366
11	Develop and influence international standards and policies to support the full and fair competitiveness of the U.S. information and communications technology sector (NTIA)	\$2.2	8
12	Vigorously enforce U.S. fair trade laws through impartial investigation of complaints, improved access for U.S. firms and workers, and fuller compliance with antidumping/countervailing duty remedies (ITA)	\$87.9	381

THEME 2: SCIENCE AND INFORMATION

This theme has only one strategic goal, that being, "Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems." The Economics and Statistics Administration' (ESA) Census Bureau and Bureau of Economic Analysis (BEA), the National Oceanic and Atmospheric Administration (NOAA), the National Technical Information Service (NTIS), and NTIA all contribute to this goal and theme.

Off all the themes within the Department, the Science and Information theme accounted for 43 percent of the total funding, and 47 percent of the FTE.



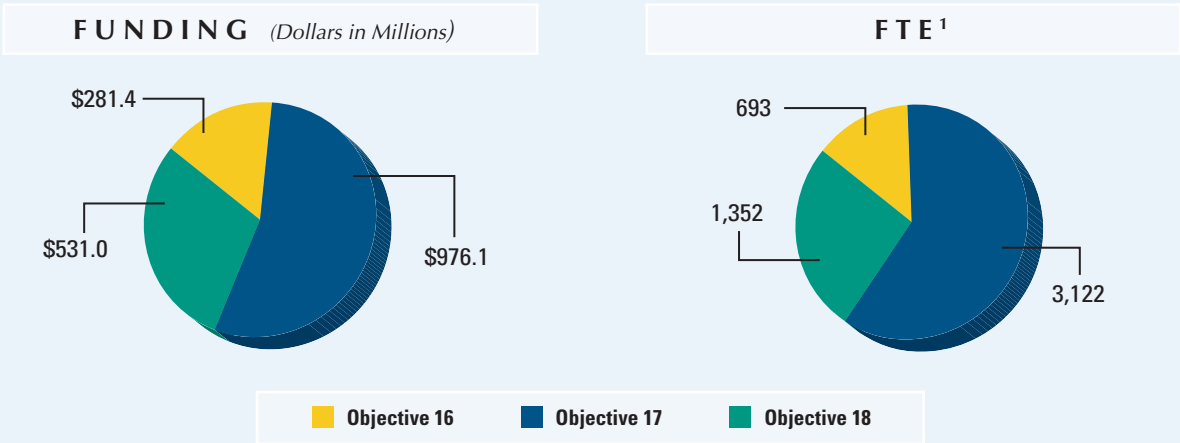
STRATEGIC GOAL: *Generate and communicate new, cutting-edge scientific understanding of technical, economic, social, and environmental systems*

OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
13	Increase scientific knowledge and provide information to stakeholders to support economic growth and to improve innovation, technology, and public safety (NTIS, NTIA)	\$89.3	205
14	Enable informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing timely, relevant, trusted, and accurate data, standards, and services (ESA/CENSUS, ESA/BEA, NOAA)	\$3,447.6	11,797
15	Improve weather, water, and climate reporting and forecasting (NOAA)	\$1,098.3	5,054

THEME 3: ENVIRONMENTAL STEWARDSHIP

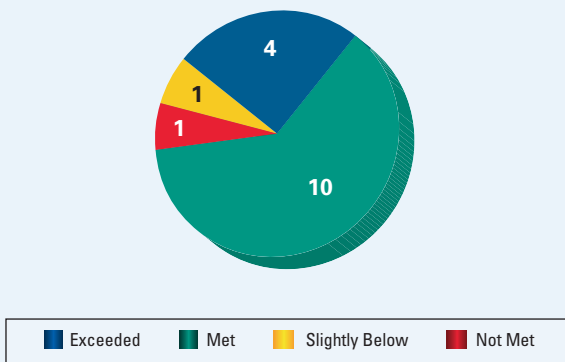
This theme has only one strategic goal, that being, "Promote economically-sound environmental stewardship and science." NOAA is the only bureau that contributes to this theme. Environmental Stewardship accounted for 17 percent of funding and 13 percent of FTE.

ENVIRONMENTAL STEWARDSHIP TOTAL RESOURCES

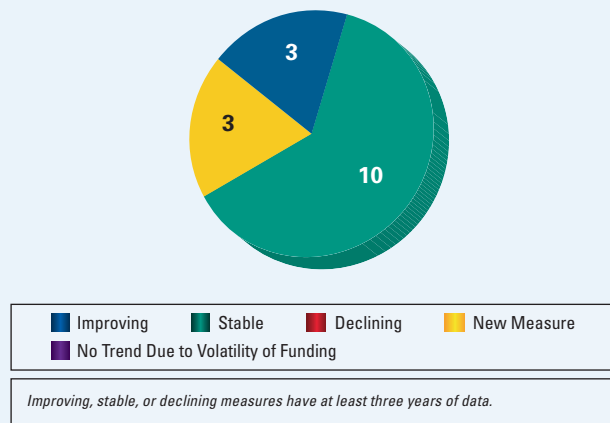


¹ Estimates.

ENVIRONMENTAL STEWARDSHIP PERFORMANCE RESULTS



ENVIRONMENTAL STEWARDSHIP STATUS OF CURRENT MEASURES



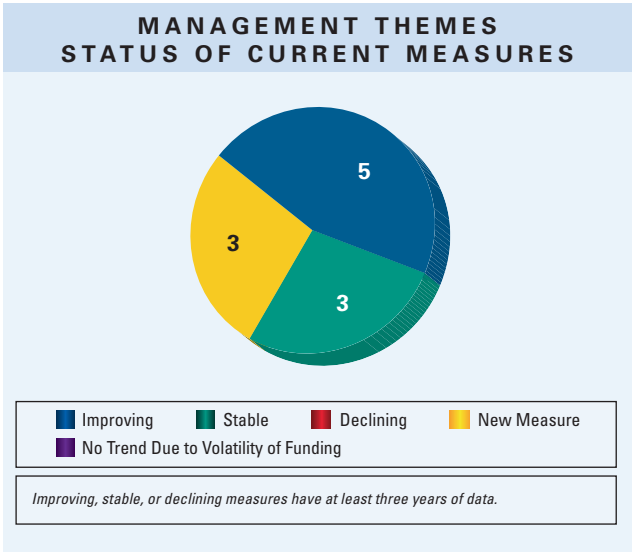
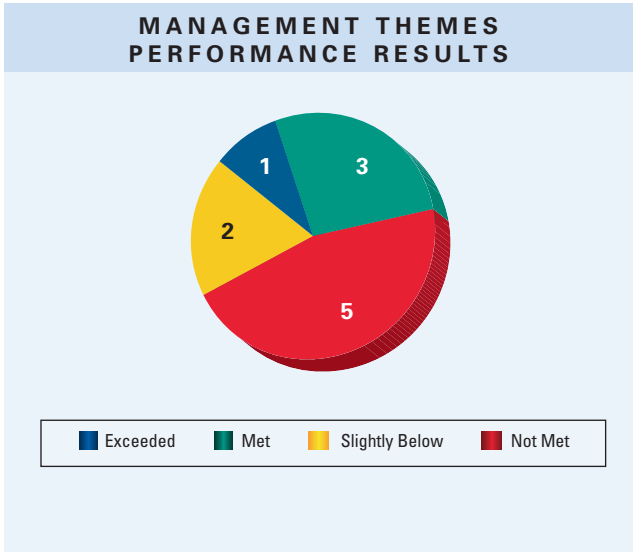
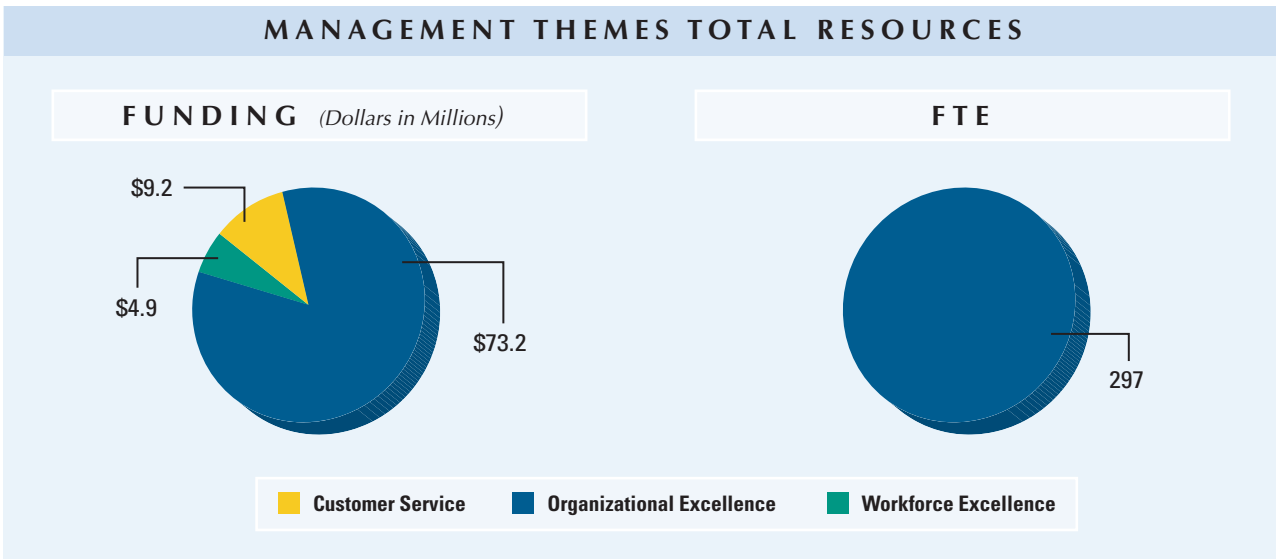
STRATEGIC GOAL: <i>Promote economically-sound environmental stewardship and science</i>			
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE¹
16	Support climate adaptation and mitigation (NOAA)	\$281.4	693
17	Develop sustainable and resilient fisheries, habitats, and species (NOAA)	\$976.1	3,122
18	Support coastal communities that are environmentally and economically sustainable (NOAA)	\$531.0	1,352

¹ Estimates.

MANAGEMENT THEMES (THEMES 4, 5, AND 6)

The following three management themes have been grouped together since their combined activities reflect that of only two bureaus: Departmental Management (DM) and the Office of the Inspector General (OIG).

- Customer Service
- Organizational Excellence
- Workforce Excellence



The tables below show the strategic goals and objectives for the Customer Service, Organizational Excellence, and Workforce Excellence themes that have FY 2012 funding and FTE. Note that the Department has not yet provided funding and FTE for Objectives 20, 26, and 27.

THEME 4: CUSTOMER SERVICE			
STRATEGIC GOAL: <i>Create a culture of outstanding communication and services to our internal and external customers</i>			
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
19	Provide streamlined services and a single point of contact assistance for customers, improving interaction and communication through CommerceConnect, partnerships, and other means of stakeholder involvement (DM)	\$2.4	N/A ¹
21	Provide a high level of customer service to our internal and external customers through effective and efficient functions implemented by empowered employees (DM)	\$6.8	N/A ¹

¹ All of DM FTE is shown in Objective 22.

THEME 5: ORGANIZATIONAL EXCELLENCE			
STRATEGIC GOAL: <i>Create a high-performing organization with integrated, efficient, and effective service delivery</i>			
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
22	Strengthen financial and non-financial internal controls to maximize program efficiency, ensure compliance with statutes and regulations, and prevent waste, fraud, and abuse of government resources (DM, OIG)	\$55.7	297
23	Re-engineer key business processes to increase efficiencies, manage risk, and strengthen effectiveness (DM)	\$3.8	N/A ¹
24	Create an IT enterprise architecture that supports mission-critical business and programmatic requirements, including effective management of cyber security threats (DM)	\$13.7	N/A ¹

¹ All of DM FTE is shown in Objective 22.

THEME 6: WORKFORCE EXCELLENCE			
STRATEGIC GOAL: <i>Develop and support a diverse, highly qualified workforce with the right skills in the right jobs to carry out the Department's mission</i>			
OBJECTIVE NUMBER	OBJECTIVE	FUNDING (Dollars in Millions)	FTE
25	Recruit, grow, develop, and retain a high-performing diverse workforce with the critical skills necessary for mission success, including the next generation of scientists and engineers (DM)	\$4.9	N/A ¹

¹ All of DM FTE is shown in Objective 22.

MANAGEMENT CONTROLS

The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2012, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. As a result, the Department is able to provide a qualified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness as discussed below.

During FY 2012, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Department identified one material weakness in financial management oversight at the National Oceanic and Atmospheric Administration (NOAA). This weakness is related to the budgetary controls issues identified for the unauthorized reprogramming of funds at the National Weather Service (NWS) and other potential matters under review by the Department, and accounting for satellites and property at NOAA. The Department's, Office of General Counsel has determined that the unauthorized reprogramming of NWS funds to be a violation of the Anti-Deficiency Act. Other than this exception, internal controls were operating effectively and no other material weaknesses were found.

The supplemental funding received under the American Recovery and Reinvestment Act of 2009 continued to receive comprehensive programmatic and administrative attention throughout the Department in order to achieve the legislative goals attributable to it. Funds have been awarded and expended for authorized purposes in as prompt and efficient a manner as possible while safeguarding against fraud, waste, and abuse. Reporting associated with this funding has been performed clearly, transparently, and comprehensively. Monitoring has been and will continue to be conducted to insure that recipients are meeting the goals stated in their application and as incorporated into award documents, and will also focus on the results of these activities.

The Department also assessed the effectiveness of management and administrative internal controls. The Office of Human Resources Accountability coordinated and/or led six Delegated Examining on-site accountability and oversight audits at several bureaus and operating unit human resources offices. During FY 2012, the Office of Human Resources Management (OHRM) continued to strengthen its policies and practices in safeguarding personally identifiable information (PII) by making improvements in applications like the Performance Payout System to store all PII information in encrypted form in the next release of software. In June 2012, the Government Accountability Office (GAO) reported on the accuracy of the Federal Real Property Profile (FRPP). In anticipation of further direction from the General Services Administration (GSA), the Department has begun to review and validate all FRPP data. In September 2012, OMB required all agencies to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. The Department's Office of Administrative Services (OAS) continues to address and resolve the issues identified and has implemented a plan of action.

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



Dr. Rebecca Blank
Acting Secretary of Commerce
November 15, 2012

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) OF 1982

The objective of the Department's management control system is to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, and unauthorized use of appropriations;
- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets; and
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2012, the Department reviewed its management control system in accordance with the requirements of FMFIA, and OMB and Departmental guidelines.

SECTION 2 OF FMFIA – INTERNAL MANAGEMENT CONTROLS

Section 2 of FMFIA requires that federal agencies report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by GAO and the Office of Inspector General (OIG), evaluations conducted by other federal agencies such as the Office of Personnel Management (OPM), and other specifically requested studies. The diverse reviews that took place during FY 2012 relative to non-financial controls provide assurance that Department systems and management controls comply with standards established under FMFIA.

One material weakness related to financial controls management oversight at NOAA was identified for the period July 1, 2011 through June 30, 2012, the reporting period established by OMB Circular A-123. This weakness is related to the budgetary controls issues identified for the unauthorized reprogramming of funds at NWS and other potential matters under review by the Department, and accounting for satellites and property at NOAA. Further, with limited review and inquiries, other than the exception noted, no material weaknesses related to internal control over financial reporting were identified between July 1, 2012 and September 30, 2012.

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

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 2				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2008	1	0	0	1
FY 2009	1	0	0	1
FY 2010	1	1	0	0
FY 2011	0	0	0	0
FY 2012	0	0	1	1

Key Administrative and Management Internal Control Activities

Human Resource Management

In compliance with the FMFIA, OHRM provides the following information regarding the adequacy of management and internal control systems. Highlights of OHRM’s FY 2012 accomplishments relative to management and internal controls are detailed below.

Strategic Human Capital Management. The Department developed a strategic approach to accountability in human capital management that proactively addresses the challenges of aligning human capital strategies with Department strategies, and to improve leadership, knowledge management, acquisition of talent, and performance. Updates to the Department’s hiring policies were made in support of President Obama’s memorandum dated May 11, 2010, *Improving the Federal Recruitment and Hiring Process*; and OPM Director’s Memorandum, *Comprehensive Recruitment and Hiring Reform, Implementation of the President’s Memorandum of May 11, 2010*

Oversight and Accountability Audits. In accordance with Title 5, U.S. Code § 1104(a)(2) and Executive Order 13197, “Government wide Accountability for Merit Systems Principles; Workforce Information,” dated January 18, 2001, Interagency Delegated Examining Agreement Number DOC-1, between OPM and the Department, and Human Resources (HR) Bulletin #036, FY 2006, Human Resources Management Accountability System, the Office of Human Resources Accountability coordinated and/or led six Delegated Examining on-site audits at several bureaus and operating unit human resources offices:

Administrative. During FY 2012, the Director for Human Resources Management continued to monitor internal controls for each OHRM office to mitigate risks identified. Weekly monitoring of OHRM’s budget was conducted by the Director and Deputy Director and quarterly meetings were held with staff from the Office of Financial Management. OHRM has a multi-level review process for all purchases. Typically, the signature from the requestor, the budget officer, the Deputy Director, and the Director are required before any funds are expended for equipment, supplies or training. Property management continued to be a high priority for OHRM during FY 2012. All accountable property is physically signed down to an end-user after it has been assigned in Sunflower, the Department’s property management system. Training for new property custodians continued throughout the year. A complete physical inventory of OHRM’s property was completed in the fourth quarter of FY 2012.

Protecting Personally Identifiable Information (PII). OHRM/OPM and information technology (IT) remains vigilant to ensure that PII records are secure. This includes the following OHRM PII security controls:

- Annual audit/review of users' access and permissions to sensitive data;
- Identification, implementation, and communication of existing policies that are compliant with safeguarding PII;
- Exposure of security gaps and providing recommendations to patch the gaps. When the gaps are reviewed and identified, a plan of action and milestones (POA&M) is opened, and the issue is tracked and resolved. In 2011 issues with password length were identified in some of the General Support System applications and changes were made to resolve them.
- Communication of the need for and monitoring of the completion of Department-wide IT security awareness training.

Administrative Services

In September 2012, OMB required all agencies to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. OAS continues to address and resolve the issues identified through the following activities:

- All bureaus are required to provide OAS with information and details on conferences with costs greater than \$75 thousand. OAS is responsible for gathering appropriate data, conducting independent cost validations, ensuring the details of events are accurate and complete, and preparing a synopsis with high-level information for Department senior management review.
- OAS has developed draft policies for distribution, which are currently being updated to reflect more recent guidance from OMB. Anticipated finalization is no later than October 31, 2012. OAS is also responsible for quarterly reporting to the Department OIG on the status of conference spending and associated contracting tasks. The Department has contracted with a third party to compile, review, and analyze the FY 2012 conference spend plan, and to set up quarterly processes for future reporting.

In June 2012, GAO reported on the accuracy of the FRPP. In anticipation of further direction from GSA, the Department has begun to review and validate all FRPP data. In addition, the OIG made several recommendations after a review of the Herbert C. Hoover Building (HCHB) Renovation Project to protect against cost overruns, schedule delays, and disruptions to employee productivity and safety. OAS has developed and implemented a plan to address the issues identified. Internal control activities for addressing these concerns include:

- Inclusion of metrics for the HCHB renovation in the Department's balanced scorecard, which are measured to assess budget, schedule, project scope, and frequency of customer disruptions;
- Bi-weekly briefings to the Deputy Assistant Secretary for Administration on the project status; and
- Bi-weekly meetings with a Working Overarching Product team, senior bureau managers, and the GSA senior project manager.

IT Security Receives Continued Focus

The Office of the Chief Information Officer (OCIO) conducts reviews of IT investments to ensure their efficiency and effectiveness in supporting the Department's mission. The Department, following OMB policies and guidelines and complying with Federal Information Security Management Act (FISMA) requirements, oversees and manages IT resources by establishing and implementing policies and controls to mitigate IT risks.

As part of its compliance and oversight efforts in FY 2012, the OCIO conducted IT security compliance one-on-one evaluations with five bureau CIOs; completed IT compliance checks on all Department bureaus; and performed an additional 10 security assessments of programs, applications, and information systems. The Department also engaged the Department of Homeland Security (DHS) to perform an independent assessment of Office of Secretary information systems components. The Department's CIOs continue to use the balanced scorecard to track progress on critical IT security controls, including continuous monitoring under the new Risk Management Framework guidance, configuration, vulnerability, and patch management.

Although there are continuing IT security management issues, the Department has made a significant effort to enhance its security posture by improving continuous monitoring, developing an IT Security Shared Services initiative, and taking concrete steps to institute a sustainable IT security program.

Accomplishments resulting from the Department's efforts to address the deficiencies include additional policies and guidance on POA&M management, vulnerability scanning and patch management, secure configuration checklist, password management, risk management framework guidelines, and safeguarding information while on foreign travel. The Department also continued the IT Audit Working Group, a joint effort between the OCIO and the Office of Financial Management to resolve prior year findings. The Department also launched an IT Security Shared Services initiative to centralize selected IT security processes and functions within the HCHB campus, including common controls, independent security assessments, configuration management, and IT security training. The Department continues to develop and implement Enterprise Cyber security Monitoring and Operations (ECMO) for continuous monitoring of IT security-related events throughout the Department. The Department also continues to press forward to identify resources to develop an Enterprise Security Operations Center (ESOC). While these improvements will allow the Department to elevate its IT security posture, more work still remains to be achieved. The OIG has noted IT security control deficiencies in security categorizations, vulnerability, and patch management; secure configuration settings; IT security role-based training; and POA&M management in the FY 2012 FISMA report.

Accomplishments toward FMFIA

To ensure that the Department effectively manages ongoing IT security concerns, the OCIO has been developing a Cyber Security Strategic Plan to strengthen its IT security posture and operations. Additionally, the OCIO security office continues to conduct rigorous IT security compliance reviews based on FISMA requirements, OMB policy, and National Institute of Standards and Technology (NIST) standards and guidelines, and previous OIG recommendations.

In addition to completing most significant corrective actions addressing IT security deficiencies, the following are highlights significant to IT security accomplishments in FY 2012:

OCIO Balanced Scorecard and IT Security Performance Measures. Developed and measured metrics quarterly in the OCIO balanced scorecard, including POA&M management, internal control reviews, cyber scope and general vulnerability scans, and continuous monitoring. Implemented and tracked progress on "Top 3" security controls; and configuration, vulnerability and patch management; and monitored progress on additional controls selected by operating units.

Enterprise Initiatives. Implemented Managed Trusted Internet Protocol Service (MTIPS) to support the operating units within the HCHB in accordance with OMB's Trusted Internet Connection (TIC) initiative. Twelve of the 14 Department operating units will be in compliance with OMB's TIC initiative by the end of 2012. Awarded contract for ECMO for continuous monitoring of security-related information across the Department. At least half of the operating units should complete installation by the end of 2012. Commenced the DHS cyber hygiene initiative to assess the "health" of the Department's unclassified systems reachable via the Internet on a recurring basis. Cyber hygiene activities consist of network mapping, non-authenticated vulnerability scanning, and configuration review of common services (e.g., as Domain Name System (DNS)) for errors or deviations from accepted best practices.

IT Security Policy. Issued Department policies for vulnerability scanning and patch management, security configuration checklist program, POA&M management, risk management framework, password management and safeguarding information while on foreign travel. Also issued frequently asked question guidance on the Commerce Interim Technical Requirements (CITR) implementation. Issued Department-wide guidance for the secure implementation, use, and management of mobile technology.

Compliance. Completed 29 IT security assessments, exceeding the OCIO's FY 2012 target of 24 assessments. Conducted IT security compliance checks of all Department operating units and in-depth internal control review meetings with five selected operating units as part of the Department's IT internal control review program. Engaged two independent assessments of the Office of Secretary, including one performed by the National Security Administration and another provided by DHS. Continued to hold monthly IT Audit Working Group meetings to address remediation of FY 2011 FFMIA IT findings in a timely manner. Migrated Cyber Security Assessment and Management (CSAM) application from Department environment to Department of Justice Cloud environment. Performed monthly reviews of selected Department IT investments and provided IT security program compliance ratings. Launched monthly DHS cyber scope data feeds in October 2011. Developed Department dashboards for tracking and monitoring of vulnerability data.

Shared Services. As an effort to increase efficiency and improve cyber security posture, the OCIO launched the HCHB Security Shared Services initiative, including formation of a working group that meets weekly. Created charter and developed action plans to implement shared services starting in the first quarter of FY 2013. The focus areas include common controls, IT security training, IT security assessments, and configuration management.

IT Security Training. In an effort to improve the FISMA reporting metrics, multiple instructor-led training and webinars were offered for authorizing officials and system owners. Attendees included individuals from the National Oceanic and Atmospheric Administration (NOAA), the National Telecommunications and Information Administration (NTIA), the U.S. Patent and Trademark Office (USPTO), NIST, the Bureau of Industry and Security (BIS), the Office of Secretary, the Census Bureau, the Economic Development Administration (EDA), and the International Trade Administration (ITA); a total of 144 individuals participated in the training. Launched tracking of Department's compliance with role-based training policy for employees with significant IT security roles and responsibilities. Developed training and webinars to assist in preparing employees for implementation of revised Department FISMA reporting tool.

IT Investment Review Process. Since IT expenditures constitute such a large portion of the Department's annual budget (an IT portfolio of \$2.5 billion for FY 2012), it is imperative that special management attention be given to the Department's proposed and continuing IT investments. This is done through an OCIO-led capital planning and investment control process, which continues to be strengthened to provide broader and deeper analysis of proposed IT investments, projects under development, and projects recently completed and deployed, as well as of the overall performance of the IT portfolio.

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

The OCIO has worked closely with the Office of Budget to establish a framework and schedule for linking the IT investment review of proposed initiatives with the budget process. As initiatives are developed by the operating units for submission to the Department, those initiatives that have a significant IT component are reviewed by the CIO. Major proposals are reviewed by the Department's Commerce Information Technology Review Board (CITRB), which is co-chaired by the CIO and the Chief Financial Officer (CFO) and Assistant Secretary for Administration, and whose members include the Department's Budget Officer, Procurement Executive, Director for the Office of Financial Management, and selected operating unit CIOs. The Board evaluates proposals relative to contribution to the mission, role in maintaining or achieving key performance results, IT security and privacy management and funding, risk management, acquisition strategy, the viability and appropriateness of the IT solution, including conformance to Department and federal architectures, and overall project management. Guidance for improving project proposals is provided by the Board and the OCIO staff. This process results in the identification of IT investment initiatives that have sound IT management proposals.

In addition to the aforementioned focus, the CITRB continues to place emphasis on the link between proposed IT investments and the qualifications of the IT project managers and contracting officers who manage the Department's IT programs. The CITRB ensures that high quality certification and accreditation packages, which are critical to the confidentiality, integrity, and availability of Department IT investments, are in place. By ensuring that qualified managers are available for these programs, the risk associated with large-scale IT investments is significantly reduced. The OCIO leads a continuing training process for IT project managers, working together with OHRM, to ensure that the Department has a pool of well-qualified IT project managers to be assigned to new or continuing projects.

The OCIO has instituted the TechStat process which is a face-to-face, risk-based review by the Department's senior management that produces corrective action strategies for any of the Department's major IT investments which are underperforming or at high risk of underperforming. As part of the Department's transparency efforts, the OCIO evaluated and submitted 45 business cases to the federal IT Dashboard, demonstrating to the public the sound management of the Department's IT investments. On average, the Department achieved within five percent of its cost, schedule, and performance targets for the major IT investments undergoing development and enhancement.

Further, to provide even more rigorous analysis of cost, schedule, and performance, Commerce systematically uses Earned Value Management (EVM) data for IT investments under development. This provides regular monitoring of the performance of Commerce projects and early warning of projects that may not be meeting cost, schedule, or performance goals, allowing course correction to bring the development effort back on track, if needed. The EVM analysis has been supported by focused training sessions on EVM techniques. Additionally, operating unit CIOs and major investment owners are required to conduct operational analyses to certify that steady-state investments meet cost, schedule, and performance goals. The operating unit reviews of proposed and continuing projects are also supplemented with formal evaluation or

post-implementation reviews by the CITRB. The approach helps ensure all project managers can benefit from lessons learned from other implementation efforts.

Privacy Impact Assessments

The Department is committed to ensuring all information, relating to both individuals and businesses, collected and maintained by the Department is afforded proper privacy safeguards as defined in the Privacy Act of 1974, the E-Government Act of 2002, and OMB Memoranda. The Department has developed an IT privacy policy to ensure that PII in its IT systems is effectively protected and secured. The Department has provided policy and guidance for operating units on the preparation of Web privacy policies, conducted privacy impact assessments (PIA), and posted privacy policies and PIAs on Department Web sites that are visited by the public. The Department conduct PIAs to ensure that it does not collect, process, or disseminate any identifiable information from or about members of the general public that is not needed or authorized. The Department also extends this same level of privacy protection to business entities.

As another step to ensure that personally identifiable and other sensitive information is protected, all Department PIAs now include data extract log and verification procedures. This requirement, which was incorporated in the Department's *IT Security Program Policy and Minimum Implementation Standards*, requires that operating units "Log all computer-readable data extracts from databases holding sensitive information and verify each extract including sensitive data has been erased within 90 days or determine that its use is still required." The OCIO, in concert with the Office of Public Affairs, issued a new policy, "Approval and Use of Social Media and Web 2.0," in part to inform Department employees on how to use social media and be alert to privacy concerns.

The Department established an executive position in the Office of the CFO/Assistant Secretary for Administration of Director of Privacy and Open Government. This individual serves as the Department's Chief Privacy Officer and participates in the Department Privacy Council, which is chaired by the General Counsel. The council serves as the Senior Agency Official for Privacy, and works closely with the OCIO to ensure that the Department continues to protect all privileged-access personal and business information provided to it.

Future Efforts

The Department is actively pressing forward with future plans to respond to the ever changing IT security environment. As mentioned previously, the Department has launched an IT Security Shared Services effort for the bureaus within the HCHB campus. The effort is focused on centralizing several IT security processes, including common controls, assessments, IT security training, and security operations center. The Department has awarded a contract for and will implement the ECMO tool for continuous monitoring of security-related information across the Department information system environment in FY 2013. The Department is continuing to develop an ESOC. The Department continues to implement a Personal Identity Verification pilot program to deliver multifactor logical access to Office of Secretary users. The Department is also moving forward with plans to update and revise the Department's standards and policies as new guidelines become available. These future measures will strengthen the Department's overall IT security posture and protection of its IT systems and information.

In conclusion, the OCIO is able to provide reasonable assurance that management controls are in place and operating effectively to oversee and manage the Department's significant investments in IT. Where the cost, schedule, or performance goals of IT investments are not yet being fully achieved, the processes in place have detected the problems and directed corrective action.

Other Internal Control Enhancement Activities Continue

During FY 2012, the Department’s A-123 Appendix A review and assessment included the following:

- Utilized the Senior Management Council to implement, direct, and oversee the assessment process, and the Senior Assessment Team (SAT) to develop A-123 planning documentation, administer internal control test plans, and monitor and review the test work;
- Updated Departmental sampling plan and Department-wide testing templates for selected key processes/ sub-processes;
- Each of the Department’s bureaus has completed an entity-level controls assessment as required by OMB Circular A-123, Appendix A;
- Through the SAT, the Department completed the first phase of a comprehensive internal control assessment involving all grant-making bureaus and service providers. The assessment included grants program process mapping, risk identification, development and completion of a grants program and grants administration internal control risk assessment questionnaire, and evaluation and scoring of risk categories;
- Performed quarterly validation and verification of acquisition and administrative savings, including selecting samples and reviewing supporting documentation;
- Analyzed the results of the overall effort to assess and document the adequacy of Department internal controls in order to develop the annual statement of assurance issued by the Secretary and published in the Performance and Accountability Report; and
- Utilized contractor assistance with reviewing the workpapers relating to the annual A-123 Appendix A process, including ensuring bureaus followed the workpaper guidance, analyzing the lead sheets of each of the applicable Department bureaus, developing criteria for determining a “finding” that can be used at both the bureau level and department level, and an overall gap analysis of A-123 Appendix A process.

SECTION 4 OF FMFIA – INTERNAL CONTROLS OVER FINANCIAL MANAGEMENT SYSTEMS

As reflected in the following table, the Department has reported no material weaknesses under FMFIA Section 4 in recent years.

NUMBER OF MATERIAL WEAKNESSES UNDER SECTION 4				
	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING AT END OF FISCAL YEAR
FY 2009	0	0	0	0
FY 2010	0	0	0	0
FY 2011	0	0	0	0
FY 2012	0	0	0	0

Based on reviews conducted by the Department and its bureaus for FY 2012, the financial systems in the Department are compliant with GAO principles and standards, the requirements of the CFO Act, and OMB requirements.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996

Under FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. In FY 2012, the Department remained in compliance with FFMIA.

REPORT ON AUDIT FOLLOW-UP

The Inspector General Act, as amended, requires that the Secretary report to Congress on the final action taken for Inspector General audits. This report covers Commerce Department audit follow-up activities for the period June 1, 2011, through May 31, 2012.

**SUMMARY OF ACTIVITY ON AUDIT REPORTS
JUNE 1, 2011 THROUGH MAY 31, 2012**

	DISALLOWED COSTS ¹		FUNDS TO BE PUT TO BETTER USE ²		NONMONETARY REPORTS ³	TOTAL
	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	DOLLARS	NUMBER OF REPORTS	REPORTS
Beginning Balance	18	\$ 7,058,986	4	\$ 2,010,729	22	44
New Reports	10	23,718,077	2	93,822	22	34
Total Reports	28	30,777,063	6	2,104,551	44	78
Reports Closed	(8)	(1,954,976)	(3)	(1,394,555)	(17)	(28)
Ending Balance	20	\$ 28,822,087	3	\$ 709,996	27	50

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

BIENNIAL REVIEW OF FEES

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

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

PRIORITY GOALS

Priority Goals are a clear statement of the specific, measurable, ambitious near-term priority targets chosen by the senior leaders of major federal agencies. The Priority Goals communicate the performance improvements each agency is trying to accomplish relative to its priorities using existing legislative authority, previously appropriated funds, and funding at levels proposed in the President's FY 2012 Budget. The Priority Goals constitute the priority operational targets the agency will work to accomplish within 18 to 24 months of setting the targets. This distinguishes the Priority Goals from the longer-term targets agencies include in their strategic plans, and the full set of performance goals and measures agencies include in the annual plans and reports required by the Government Performance and Results Act (GPRA).

GOAL								
INTELLECTUAL PROPERTY (IP) PROTECTION: Advance Commercialization of New Technologies by Reducing Patent Application Pendency and Backlog by September 30, 2013 first action and for final actions from the end of 2011 levels of 28.0 and 33.7 months respectively by the end of 2013, as well as the patent backlog.								
BUREAU								
U.S. PATENT AND TRADEMARK OFFICE (USPTO)								
Performance Measures	First Action Patent Pendency		Final Action Patent Pendency		Patent Backlog			
Description	This measure tracks the timeliness of first office actions on patent applications, measuring the time in months from the application filing date to the date of mailing the first office actions.		This measure identifies the timeliness related to issuance of the patent or abandonment of the application, measuring the average time in months from the application filing date to the date of issue or abandonment.		This measure tracks the number of patent applications awaiting first action review by an examiner.			
Results	Fiscal Year	Target	Actual	Target	Actual	Target	Actual	
	2003	18.4	18.3	27.7	26.7	484,700	457,274	
	2004	20.2	20.2	29.8	27.6	524,000	508,878	
	2005	21.3	21.1	31.0	29.1	594,800	586,580	
	2006	22.0	22.6	31.3	31.1	680,700	674,333	
	2007	23.7	25.3	33.0	31.9	801,000	737,288	
	2008	26.9	25.6	34.7	32.2	801,300	750,596	
	2009	27.5	25.8	37.9	34.6	741,400	718,835	
	2010	25.4	25.7	34.8	35.3	698,000	708,535	
	2011	23.0	28.0	34.5	33.7	670,000	669,625	
	2012	22.6	21.9	34.7	32.4	615,300	608,283	
	2013	18.0			30.1		566,800	
	2014	15.8			26.1		486,500	
2015	12.9			23.7		398,900		

(continued)

GOAL	INTELLECTUAL PROPERTY (IP) PROTECTION: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog. (continued)
BUREAU	U.S. PATENT AND TRADEMARK OFFICE (USPTO) (continued)
Milestones	<p>Hire Patent Examiners and Institute a Nationwide Workforce: A hiring approach that assumes a mix of traditional and experienced professionals (e.g., registered patent attorneys and agents, skilled technologists having experience with USPTO as inventors) as patent examiners. Target is to hire 1,500 patent examiners by September 30, 2012. The Agency has recognized the need to broaden hiring practices to achieve its hiring targets and attract patent examiner expertise in locations across the country. Establishment of a nationwide workforce is a key USPTO priority. This initiative has provided for a USPTO presence in four metropolitan areas, with the first being Detroit, MI. Three other regional offices will be opened in Dallas, TX, Denver, CO, and Silicon Valley, CA. A nationwide workforce will directly aid the hiring of patent examiners by creating an awareness of USPTO and its role in the U.S. economy, educating potential applicants about the job of patent examination, and serving as an outlet for intellectual property (IP) education to inventors, law students, practitioners and the public education systems. While meeting Agency hiring needs and space demands, this initiative enables the expansion of USPTO presence as a business and academic partner for innovation. The target date of July 2012 for the first regional office to open in Detroit, MI was completed on July 13, 2012.</p> <p>Develop and Implement the Patent End-To-End (PE2E) Processing System: Modernize information technology (IT) systems by developing and implementing the PE2E IT capability. USPTO proposes to transition the patent application process to one in which the majority of applications are submitted, handled, and prosecuted electronically. The IT architecture and systems currently in place are inadequate and unable to evolve to meet the demands of the future; and databases containing patent data are already some of the world's largest, and continue to grow at multiple terabytes per year. Therefore, the continued dependency on inefficient and outdated automation will lead to an inability to support the USPTO mission of granting IP rights and disseminating information contained in those patents.</p>

GOAL	EXPAND BROADBAND SERVICE TO COMMUNITIES: By September 30, 2013, the Department will increase the Nation's broadband infrastructure developed through the Broadband Technology Opportunities Program (BTOP), from 29,000 miles at the end of FY 2011 to 75,000.								
BUREAU	NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA)								
Performance Measures	Miles of broadband networks deployed (Infrastructure Projects)	Community anchor institutions connected (Infrastructure Projects)	New and upgraded public computer workstations (Public Computer Centers Projects)	New household and business subscribers to broadband (Sustainable Broadband Adoption Projects)					
Description	<p>BTOP is funding projects that provide broadband service in unserved areas and enhance broadband service in underserved areas of the United States. The BTOP portfolio of projects initially included 123 infrastructure projects totaling \$3.5 billion in federal grant funds to construct broadband networks and to connect "community anchor institutions" such as schools, libraries, hospitals, and public safety facilities. BTOP infrastructure projects are deploying a variety of technologies and approaches to enhance the Nation's broadband capabilities. This measure's target is the number of miles of network (e.g., fiber, microwave) deployed using BTOP funding. The American Recovery and Reinvestment Act (ARRA) provided all of BTOP's grants funding.</p>	<p>ARRA places a high priority on deploying and enhancing broadband capabilities for community anchor institutions such as libraries, hospitals, schools, and public safety entities. The BTOP portfolio of projects initially included 123 infrastructure projects totaling \$3.5 billion in federal grant funds to construct broadband networks and to connect "community anchor institutions" such as schools, libraries, hospitals, and public safety facilities. This measure's target is the number of anchor institutions connected with new or improved broadband capabilities. ARRA provided all of BTOP's grants funding.</p>	<p>BTOP grants are funding expansion of public computer center (PCC) capacity. The BTOP portfolio of projects initially included 66 PCC projects totaling \$201 million in federal grant funds to provide access to broadband, computer equipment, computer training, job training, and educational resources to the public and specific vulnerable populations. This measure's target is the number of new and improved computer workstations funded through the BTOP PCC category of funding. ARRA provided all of BTOP's grants funding.</p>	<p>The BTOP portfolio of projects initially included 44 sustainable broadband adoption (SBA) projects totaling \$250.7 million in federal grant funds to support innovative projects that promote broadband adoption, especially among vulnerable population groups where broadband technology traditionally has been underutilized. This measure's target is the number of new household and business subscribers to broadband generated by projects funded through the BTOP SBA category of funding, as reported by awardees.</p>					
Results	Fiscal Year	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	2010	New	N/A	New	N/A	New	N/A	New	N/A
	2011	10,000	29,191	3,000	4,613	10,000	24,512	100,000	230,755
	2012	50,000	72,152 ¹	10,000	10,045 ¹	35,000	36,347 ¹	350,000	388,679 ¹
	2013	75,000		15,000		35,000		500,000	
	¹ Through the third quarter of FY 2012.								

GOAL	EXPAND MARKETS FOR U.S. EXPORTERS: By September 30, 2013, increase the annual number of new markets that current U.S. exporters enter with U.S. and Foreign Commercial Service (US&FCS) assistance by seven percent from 5,700 at the end of FY 2011 to 6,100 at the end of FY 2013.		
BUREAU	INTERNATIONAL TRADE ADMINISTRATION (ITA)		
Performance Measures	Annual number of new markets that current U.S. exporters enter with U.S. and Foreign Commercial Service (US&FCS) assistance		
Description	The overall strategy laid out by ITA and US&FCS to achieve the Priority Goal has been to reach out to more U.S. companies with the intention of expanding into new markets. The specific components of this strategy included utilizing technology to deliver services and provide value-added assistance to clients. ITA (through US&FCS) targeted U.S. companies that are already in one or more markets and assisted these companies with the necessary customized assistance to penetrate new markets. ITA accomplished this by expanding its presence in priority sectors and markets where opportunities are greatest.		
Results	Fiscal Year	Target	Actual
	2011	N/A	
	2012	5,900	5,083
	2013	6,100	
Comments	<p>US&FCS missed the annual target for this goal primarily due to continued decreases in client-facing staff in FY 2012. In FY 2012, US&FCS's domestic field decreased by 21 trade specialists and its international Locally Engaged Staff decreased by more than 40.</p> <p>In FY 2013, US&FCS will move aggressively to fill staffing vacancies across its service.</p>		
Milestones	<p>Travel and Tourism Promotion Campaign: Launch of international marketing program in top 12 source markets for gaining expanded exports for travel and tourism through the partnership with the Corporation for Travel Promotion.</p> <p>Redesign of StopFakes.gov: ITA's Office of Intellectual Property, in cooperation with USPTO and other U.S. agencies, is currently redesigning the Web site STOPFakes.gov. STOPFakes.gov is the portal for all U.S. government intellectual property resources, events, programs, and enforcement contact. The redesign will make it easier for new-to-market exporters to learn about protecting and enforcing their intellectual property rights (IPR) in foreign markets. The site will continue to provide updates and links to IPR programs and resources as well as allow businesses to file complaints about IPR-related trade problems and contact law enforcement. The current site, with its numerous free resources, remains fully operational during the redesign.</p> <p>FTA Tariff Tool Database Improvements: Add additional functionality to the publicly-available free trade agreement (FTA) tariff tool to ensure that Rules of Origin for manufactured goods are provided for all countries covered within the tariff tool database.</p> <p>Supply Chain/Sourcing Promotion for U.S. textiles Suppliers: Build on the success of OTEXA (Office of Textiles and Apparel) sponsored sourcing event at the MAGIC apparel trade show in Las Vegas in August 2011 to encourage and provide additional opportunities for small and medium-sized enterprise textile exporters to identify and meet new buyers in Western Hemisphere apparel manufacturing countries.</p> <p>IndustryStats Express (ISE) Prototype: Develop and deploy a publicly-available Web tool that will provide the industry-based data/information to help support analysts, researchers, public officials, etc. in meeting the National Export Initiative and other Administration goals.</p> <p>MDCP Grants for Expanded Travel and Tourism Exports: ITA will be administering two Market Development Cooperator Program (MDCP) grants in key and emerging markets for expanding international leisure and business travel to the United States.</p>		

(continued)

GOAL	EXPAND MARKETS FOR U.S. EXPORTERS: By September 30, 2013, increase the annual number of new markets that current U.S. exporters enter with U.S. and Foreign Commercial Service assistance by seven percent from 5,700 at the end of FY 2011 to 6,100 at the end of FY 2013. (continued)
BUREAU	INTERNATIONAL TRADE ADMINISTRATION (ITA) (continued)
Milestones (continued)	<p>Reposition ITA's Global Footprint: This action will be completed to allocate resources to those markets and sectors with greatest export potential for U.S. companies.</p> <p>Pilot a Service Delivery Model: This model will leverage partners and multipliers in a strategic manner across the Commercial Service.</p> <p>Promote Made-in-the-USA: Increase domestic match-making activities by assisting textile and apparel companies to locate domestic production houses for certain manufacturing needs. Assist U.S. companies on locating domestic manufacturers for their supply chains. Through ITA's outreach activities, it will provide companies information regarding domestic sourcing opportunities.</p> <p>Export.gov 2.0: ITA is redesigning export.gov to deliver a personalized (MyExport.gov) experience for U.S. companies looking to begin and/or expand exporting. This new site will streamline how customers interact with ITA by auto-populating forms using information from the customer's account information. This site will provide export information to U.S. companies that are currently being provided by ITA staff. This will allow ITA's experienced trade specialists to focus more of their time on providing customized counseling that ITA's customers need and value as they expand internationally. ITA plans on doing two rounds of beta releases and then quarterly releases. Full implementation of the Web site is targeted for September 2013 pending the availability of funding.</p> <p>Other milestones include:</p> <ul style="list-style-type: none"> ● May 2012 – Internal Beta for ITA and selected Trade Promotion Coordinating Committee (TPCC) agencies ● July 2012 – External Beta for U.S. companies ● Quarterly releases

GOAL	WEATHER READY NATION: For FY 2012 and FY 2013 NOAA will work to ensure the protection of life and property by substantially improving severe weather warnings and lead times through effective deployment and integration of Dual Polarization (Dual Pol) technology to the Nation's array of Next Generation Weather Radars (NEXRAD).
BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)
Performance Measures	Improve severe weather warnings for flash flood lead time from FY 2011 target of 38 minutes to 42 minutes in FY 2012 and 45 minutes in FY 2013.
Description	This enhancement ensures protection of life and property by improving severe storm and flash flood warnings. NEXRAD is the primary observing system used by NOAA's National Weather Service (NWS) forecasters in the development of watches, warnings, and advisories for severe weather. Dual Pol will improve precipitation estimation for flash flood warnings. NWS will ensure that personnel at associated NEXRADs complete requisite training within three months of deployment to improve service delivery. Longer flash flood warning lead times enable those impacted by events to move out of harm's way and limit property losses. The goal is to increase the target lead time for severe weather warnings for flash floods from 38 in FY 2011 minutes to 42 minutes in FY 2012 and to 45 minutes in FY 2013.

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GOAL	WEATHER READY NATION: For FY 2012 and FY 2013 NOAA will work to ensure the protection of life and property by substantially improving severe weather warnings and lead times through effective deployment and integration of Dual Polarization (Dual Pol) technology to the Nation's array of Next Generation Weather Radars (NEXRAD). (continued)		
BUREAU	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA) (continued)		
Results	Fiscal Year	Target	Actual
	2008	49	77
	2009	49	66
	2010	38	71
	2011	38	73
	2012	42	57 ¹
	2013	45	
	¹ As of July 31, 2012.		
<p>Note: In FY 2010, in order to provide geographically specific and accurate warning information to the public, NWS effected a transition from a county-based warning service to a storm-based warning service for flash floods. The warnings are now verified solely for the areas impacted by the warning, rather than for the entire county or counties containing the threat. The more geographically specific storm-based warnings cover a significantly smaller area providing overall better service to the Nation. As such, there are a greater number of unwarned events yielding overall lower lead times and accuracy scores. NWS generally waits until a multi-year trend has been established in the performance of any measure before re-baselining it.</p>			
Milestones	<p>Deploy Dual Pol Technology to all 122 NEXRADs: NOAA began deploying Dual Pol technology to its array of NEXRADs in September 2011. NWS is targeting the Dual Pol modification deployments to be over 50 percent complete by the fourth quarter of FY 2012 and 75 percent complete by the first quarter of FY 2013.</p>		
	<p>Ensure all Forecasters with Warning Responsibilities Complete all Requisite Training: This measure tracks the number of forecasters who have completed requisite training designed to enable effective use of Dual Pol data for generation of weather and hydrological forecast, watches, and warnings. NWS is targeting completion of forecaster training in the fourth quarter of FY 2013.</p>		
	<p>Update Radar Product Generation Software: In the first quarter of FY 2012, the NEXRAD program will develop and integrate an updated version of Radar Product Generator (RPG) and Radar Data Acquisition Unit (RDA) software, which provides new signal processing science for Dual Pol enhancements. Testing and certification will be completed in the fourth quarter of FY 2012 and deployment will occur in FY 2013.</p>		
	<p>Update Radar Signal Processor: Since the current NEXRAD signal processor has insufficient capacity to process the new Dual Pol data stream during heavy weather scenarios, a technology refresh of the computer processors began in FY 2011. The signal processors are being upgraded at each radar site prior to Dual Pol installation at the site. Of the 122 NWS radars, 80 were upgraded in FY 2011, and the remaining 42 were upgraded in FY 2012.</p>		
	<p>Ensure Requisite Training Materials are Developed: Given the addition of considerably larger data volumes available to the forecaster and the complexity of the Dual Pol data itself, careful operations' training is critical. The NWS Warning Decision Training Branch delivers training on the RPG and RDA and the requisite modules that make up the Dual Pol operations courses. These courses present the new functionality, system changes, and their impacts to users.</p>		

CROSS-AGENCY PRIORITY GOALS

Besides the Departmental Priority Goals, the Department is also involved in Cross-Agency Priority Goals that the Administration has adopted to improve cross-agency coordination and best practice sharing. Per the GPRA Modernization Act requirement to address Cross-Agency Priority Goals in the Department's strategic plan, the annual performance plan (Exhibit 3A of the budget submission), and the annual performance report (incorporated into this FY 2012 PAR), please refer to www.Performance.gov for the Department's contributions to those goals and progress, where applicable. The Department currently contributes to the following Cross-Agency Priority Goals with the corresponding organizations within the Department listed below the goal:

Exports

- International Trade Administration
 - ◆ Market Access and Compliance
 - ◆ Import Administration
 - ◆ Manufacturing and Services
 - ◆ U.S. and Foreign Commercial Service
- Trade Promotion Programs
- District Export Councils
- BusinessUSA
- Strategic Partnership Programs
- Market Development Cooperator Programs
- Advocacy Center

Entrepreneurship and Small Business

- I6 Challenge
- Jobs and Innovation Accelerator Challenge
- BusinessUSA

Broadband

- National Telecommunications and Information Administration – Broadband Technologies Opportunities Program

Veteran Career Readiness

- Veterans Employment Program Office

Cybersecurity

- National Institute of Standards and Technology – Computer Security Division

Sustainability

- Senior Sustainability Officer

Improper Payments

- Office of Financial Management

Real Property

Federal Data Center Consolidation